



FEASIBILITY STUDY: INTRODUCING “ONE-IN-ONE-OUT” IN THE EUROPEAN COMMISSION

Final Report

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FEASIBILITY STUDY: INTRODUCING “ONE-IN-ONE-OUT” IN THE EUROPEAN COMMISSION

EXECUTIVE SUMMARY

The need to consolidate and streamline the stock of legislation and reduce the unnecessary costs associated with legal rules has been increasingly felt by regulated stakeholders and governments in many developed and emerging economies. In many OECD countries, including many EU Member States and Canada, Korea, Mexico, the United States, this has led governments of various political orientations to introduce forms of regulatory budgeting, in which administrations are asked to identify, whenever new provisions introduce regulatory costs, existing provisions that could be repealed or revised, thereby offsetting the cost increase. In some countries these rules have implied a one-to-one offset, whereas in other countries the provisions imposed also a reduction, as in the case of UK’s one-in-two-out and one-in-three-out rules, and the US one-in-two-out rule. This is why we generically refer to these rules as “One-In-X-Out”, or OIXO. Moreover, many countries have also experimented with a complementary strategy, which implies the setting of *ad hoc* burden reduction targets, either for all legislation or for specific sectors. In fact, OIXO-rules are just a specific form of burden reduction targets – with the level of the target “Out” being linked to the flow of new regulations “In”.

Based on our data collection, **there are ten EU member states in which an OIXO rule is in place**: Austria, Finland (pilot), France, Germany, Hungary, Italy, Latvia, Lithuania, Spain and Sweden; **two countries where the rule has been in place and was currently discontinued** (Denmark and the UK); and **one country in which the rule was formally announced, but was not implemented** (Portugal). **Four other countries are reportedly considering the introduction of such rule**: Poland, Romania, Slovakia, Slovenia. **Altogether these countries represent more than 86% of the EU28 GDP and 86% of the EU28 population**. Even considering only the ten countries with an OIXO rule currently in place, they account for 62% of the EU GDP and 58% of the EU population.

Figure A below maps the diffusion of the OIXO rule in the EU28, with an indication of those countries in which an OIXO rule is currently in place (deep blue); countries in which the introduction of the rule is currently being planned (blue); and countries in which the rule used to be in place, but was recently discontinued (light yellow); countries in which the OIXO rule formally exists, but is not being implemented (yellow). Countries where no such rule is in place are marked in brown.

Figure A – The experience of EU Member States with OIXO rules

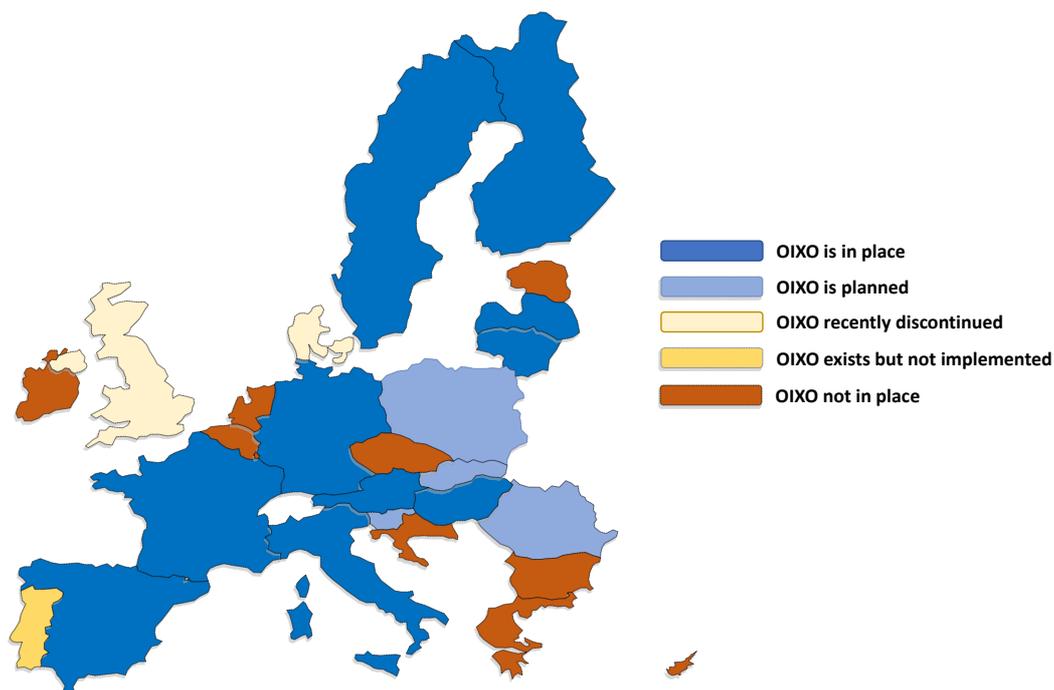


Table A below summarises the experience in EU countries with both OIXO rules and burden reduction targets.

Table A – Overview of the experience with OIXO rules and burden reduction targets in EU Member States

	Burden reduction targets	OIXO Rule	OIXO Scope (costs)	OIXO Scope (regulated entities)
Austria	Currently no target in place. Launched the Standards Cost Model (SCM) in 2006, achieving a reduction of administrative burdens of 25% by 2012.	One In, One Out (OIOO)	Administrative burdens and substantive compliance costs	Businesses and citizens
Belgium	KAFKA (similar to SCM) launched in 2004. Measurement in 2002-2006 and 2007-2012 with 25% reduction targets. The SME plan in 2015 set the goal of 30% savings for companies.	No	Administrative Burdens	Businesses (SMEs)
Bulgaria	Currently no target. Since 2009, there have been three plans to reduce administrative burdens: The 20% reduction targets were achieved by the first and second Action Plan for ABR on businesses (2010-2012 and 2012-2014). 26% of the planned 30% reduction target was achieved under the third Action Plan by the end of 2018.	No	Administrative Burdens	Businesses
Croatia	Reduce administrative burdens by 21% in 2021.	No	Administrative burdens	Businesses
Cyprus	Currently no target. Had a goal to achieve 20% reduction in admin burdens by end 2012. 19% was achieved. Since then, sectoral targets were introduced – e.g. in Tourism. 25% target set in 2015.	No	Administrative burdens	Businesses
Czech Republic	Currently no target.	No	Administrative burdens	Businesses

	Applied the SCM since 2005. In 2016, a 31.49% reduction was found compared to 2005. Then new long-term goals were set to reduce the burden by 2020 and carry out another measurement in 2021.			
Denmark	During 2004-2010, the application of the SCM led to a 24.6% decrease in administrative burdens. The previous government's reduction target of 4 billion DKK in 2020 and additionally 2 billion DKK in 2025 compared to 2015 has been discontinued by the new government appointed this summer.	OIOO (discontinued by the new government in the summer of 2019)	Administrative burdens and substantive compliance costs	Businesses
Greece	25% reduction of administrative burdens: results presented in 2014.	No	Administrative burdens	Businesses
Estonia	No current target, but rather a zero-bureaucracy plan. The SCM was applied since 2009, focused on four areas.	No		Businesses and citizens
Finland	No current target. Measured administrative burdens in 2008-2012, aiming at a 25% reduction.	Pilot test still ongoing in the Ministry of Economic Affairs and Employment.	Administrative burdens and substantive compliance costs	Businesses
France	No current target. Attempted to apply the SCM since 2004, then moved to life events surveys.	OI2O	Administrative burdens and substantive compliance costs	Businesses, local administration and services, citizens
Germany	Since 2006 there was a net target, achieved in 2012, leading to a 25% reduction. Since then a Bureaucracy Cost Index is maintained. Since 2015 a OIOO rule is in place.	OIOO	Administrative burdens and substantive compliance costs	Businesses
Hungary	Cutting Red Tape Programme for Businesses (2011) and additional measures helped to achieve the target of 25% administrative burden reduction. “Programme for a more competitive Hungary” (2018) affects several areas, with altogether 42 actions. Results were achieved also by Good Governance – Magyar Programme (2010-2014) and the Public Administration and Public Service Development Strategy (2014-2020). Currently no target (%) in place. Cutting red tape is still a priority for Hungary. The focus is on the most burdensome areas.	OIOO	Administrative burdens and substantive compliance costs	Businesses, citizens and public administration
Ireland	No current target. Applied the SCM in 2008-2012, aiming at a 25% reduction. By November 2012 an estimated 18.6% had been achieved.	No		
Italy	No current target. Applied the SCM in 2007-2012, aiming at a 25% reduction.	OIOO	Administrative burdens	Citizens and businesses
Latvia	No current target. Had a reduction plan in 2009-2015 (but no precise methodology).	OIOO	Administrative burdens and substantive compliance costs	Businesses
Lithuania	No current target. Had a plan that aimed at 30% reduction in particular areas, but the goal was not reached.	OIOO	Administrative burdens	Businesses
Luxembourg	No current target. The 2009-14 plan set a national target for reducing administrative burdens by 15% by 2012 in four priority areas.	No		
Malta	No current target. In 2008 committed to reduce administrative burden on businesses by 15% by 2012 using the SCM methodology. In 2018, committed to reduce	No	Administrative burdens	Businesses

	bureaucracy by a further 30% during this legislature.			
Netherlands	No current target. In the past it was a pioneer with MISTRAL in 1994, SCM in 2003-2007, and then second baseline measurement. Set a structural net reduction target of 2.5 billion Euros for businesses, professionals and citizens by 2017 compared to 2012 levels.	No	Administrative burdens and substantive compliance costs	Businesses and citizens
Poland	No current target. Had a target for 2008-2010, aimed at a 25% reduction. Then a new Strategy in 2012, with new targets to achieve a reduction equivalent to 1% GDP by 2015 and 1.5% by 2020.	Currently planned	Administrative burdens and substantive compliance costs	Businesses
Portugal	No current target. Launched a reduction programme in 2007 with 25% target until 2012.	OIOO	Administrative burdens	Businesses
Romania	No current target.	Planned		
Slovakia	Two plans, in 2009 and in 2015. In March 2015 66 new measures related to seven ministries aimed at an estimated reduction goal of about 55 million Euros.	Planned	Administrative burdens	Businesses
Slovenia	In 2007 Slovenia adopted the Standard Cost Model (SCM). In 2009 objectives were set for administrative burden reduction and elimination of administrative barriers by 25 % by the end of 2015 (365 mio EUR or 27% realized). After 2015 there has been objective to reduce administrative burden by minimum of 5 MIO EUR per year.	Planned		
Spain	No. Had a plan in 2007-2012, and a net reduction target of 30%, which was achieved.	OIOO	Administrative burdens	Businesses
Sweden	Administrative costs for businesses should be lower in 2020 compared to 2012. In the past it applied the SCM in 2006-2012, with 25% target (but only 7% was achieved).	OIOO	Administrative burdens	Businesses
The UK*	10bn pound savings set in 2015, current BIT at 9bn pound.	OIOO in 2011; OIOO in 2013; OIOO in 2016 and 2017. OIOO not in force since 2017.	Administrative burdens and substantive compliance costs	Businesses

* At the moment of drafting this report, the UK is still a Member of the European Union.

Overall, national experiences with OIXO rules have led to positive results: hence, many EU Member States have started to advocate the adoption of a similar strategy also at the EU level. These calls are reflected in various Conclusions of the Council of the EU (December 2014, May 2016, March 2018, November 2018 and May 2019). The European Commission acknowledged the requests formulated by the Council over the years and also recalled that paragraph 48 of the Interinstitutional Agreement on Better Law-Making calls for an assessment of the feasibility of establishing objectives for burden reduction. While acknowledging these requests, the Juncker Commission had stated its intention to maintain a case-by-case approach to the reduction of regulatory burdens. In its Communication on “Completing the Better Regulation Agenda”¹, adopted in October 2017, and in the more recent Staff Working Paper and Communication on “Taking Stock

¹ COM(2017) 651: Completing the Better Regulation Agenda: Better solutions for better results.
https://ec.europa.eu/info/sites/info/files/completing-the-better-regulation-agenda-better-solutions-for-better-results_en.pdf.

of the Commission’s Better Regulation Agenda”², published in April 2019, the Juncker Commission argued that “upfront targets” would not offer certain fundamental guarantees: in particular, they would adversely affect underlying policy objectives and the need to ensure democratic accountability and transparency, which requires “a political decision on which costs are legitimate to achieve policy goals and which instead should be eliminated”. Such decision, the Commission explained, should be “based on evidence from a case-to-case assessment that responds to the concerns of stakeholders and people”. However, empirical evidence collected by the Commission has revealed that stakeholders are prevalently unsatisfied about the Commission’s previous efforts to simplify legislation.

TOWARDS AN EU OIXO RULE

Most recently, the new President of the European Commission, Ursula von der Leyen, announced that the Commission will apply the “One-In, One-Out’ (OIOO) principle “to cut red tape”³. In her mission letters to the designated members of the College of Commissioners, the new President stated that “the Commission will develop a new instrument to deliver on a ‘One In, One Out’ principle”, adding that “every legislative proposal creating new burdens should relieve people and businesses of an equivalent existing burden at EU level in the same policy area”; and that the Commission “will also work with Member States to ensure that, when transposing EU legislation, they do not add unnecessary administrative burdens”⁴. The OIOO principle is already specified in the newly adopted document on the “Main principles of the working methods”, where the Commission further specified that it will adopt a “whole-of-government” approach, and consequently introduced the OIOO principle without limiting it to specific sectors or policy areas. The document mentions that the principle is being introduced in order to send “a clear and credible signal to citizens that its policies and proposals deliver and make life easier”⁵.

The OIOO principle is thus now officially part of the better regulation agenda in the European Commission: however, its contours and *modus operandi* must still be defined. This Feasibility Study responds to this need by taking stock of the largely positive experience of EU and non-EU OECD countries with OIXO rules and burden reduction targets, and at the same time considering the concerns expressed by the Juncker Commission (and by a small group of Member States) on the risk that the new system causes delays, jeopardises the achievement of the Commission’s agenda, and leads to inefficient incentives for Commission officials. Apart from available literature at the international level, we have collected information through a survey, which retrieved 21 useful results (see table below).

² COM(2019) 156: Taking Stock of the Commission's Better Regulation Agenda
https://ec.europa.eu/info/sites/info/files/better-regulation-taking-stock-swd_en.pdf.

³ https://europa.eu/rapid/press-release_IP-19-5542_en.htm

⁴ See, for example https://ec.europa.eu/commission/sites/beta-political/files/mission-letter-maros-sefcovic-2019_en.pdf

⁵ https://ec.europa.eu/commission/sites/beta-political/files/working-methods-principles_en.pdf

Table B – Replies to our survey

Location	Name of the institution
Belgium	Federal Government
Belgium	Region of Flanders-Belgium
Bulgaria	Ministry of Economy
Croatia	Ministry of Economy, Entrepreneurship and Crafts
Czech Republic	Office of the Government of the Czech Republic
Denmark	The Danish Business Authority (Ministry of Business, Industry and Financial Affairs)
Estonia	Ministry of Justice of Estonia
Germany	Federal Ministry for Economic Affairs and Energy, Federal Chancellery
Greece	Better Regulation Office
Hungary	Government Office of the Prime Minister
Ireland	Department of Business, Enterprise and Innovation
Italy	Presidency of the Council of Ministers – Department for Public Administration
Latvia	Ministry of Economy and the State Chancellery of Latvia
Malta	The Ministry for European Affairs and Equality
Lithuania	Ministry of the Economy and Innovation of the Republic of Lithuania
Netherlands	Ministry of Economic Affairs & Climate
Portugal	JurisAPP
Slovakia	Ministry of Economy of the Slovak Republic
Slovenia	Ministry of Public Administration
Spain	Regulatory Coordination and Quality office. Ministry for presidency, Parliamentary Relations and Equality
The UK	Better Regulation Executive (telephone interview)

Based on the results of our analysis, we developed a proposed system, which would be likely to achieve the positive results observed in Member States and other OECD countries, while at the same time mitigating or fully addressing the concerns expressed by the “old” Commission, which are tackled one by one in Section 3 below. We also set key preconditions that a future OIOO rule should satisfy. They include a firm political commitment, strong multi-level governance, greater re-use and sharing of data and information on existing and upcoming regulations, and emphasis on communication, rather than a mechanistic, algebraic approach to “ins” and “outs”. We have built a system that is rooted in the Interinstitutional Agreement on Better Law-Making and respects the peculiarities of the EU better regulation agenda, to ensure that in line with what is happening in many European countries, the implementation of these tools does not jeopardise the achievement of EU’s policy agenda.

FEATURES OF THE PROPOSED EU OIOO RULE

- **We propose that the rule takes the form of an OIOO rule** (thus, $X = 1$), in a way that mirrors most of the national experience we have surveyed. The choice of an OIOO rule is also motivated by the need to avoid that the rule introduced places excessive pressure on the EU administration to identify and reduce costs generated by the *acquis*; as a matter of fact, the proposed rule is aimed at enabling gradual awareness of existing unnecessary costs, and a gradual improvement of the quality of the regulatory stock through the introduction of necessary “ins” and the removal of unnecessary “outs”.
- **The OIOO rule would cover all direct compliance costs**, thus including administrative burdens, substantive compliance costs, and charges where existing. As a matter of fact, in the systems, which have adopted this wider approach and not only focused on administrative burdens, the most significant positive results have been observed. This can be explained by the fact that substantive compliance costs are, in most cases, more significant than administrative burdens.
- **Within the proposed system, all newly introduced costs count as “ins”. While “ins” ideally always correspond to necessary costs, “outs” can only be costs that were found to be unnecessary.** Again, we define “unnecessary burdens” as corresponding to unnecessary administrative costs, unnecessary substantive compliance costs, and unnecessary charges. These are the cost categories that will be included in our proposed “burden reduction plans”.
- **The proposed OIOO rule would apply to businesses and citizens**, in order to ensure that both can benefit from an improvement of the EU *acquis*, and the elimination of unnecessary costs. This would also be important to build ownership of the new system among all stakeholders, and avoid that reduction measures are exclusively focused on one category. Over time, also public administrations could be covered by the rule, but this would require a high degree of coordination between the European Commission and Member States.
- **The proposed system would allow for banking** of cost reductions achieved, subject to the achievement of the overall cost reduction plan.⁶ Banking, however, works both ways: in case of failure to achieve the planned reductions during a given year, the reductions to be achieved would then be passed onto the following year.
- **The proposed system will cover recurrent costs, not one-off costs.** The overall aim of the system is to reduce or, where possible, eliminate the unnecessary costs generated by existing EU rules: the one-off costs that emerge as a result of the introduction of a new rule are typically not “actionable” once they have been faced by regulated entities, no matter whether the administration seeks to simplify, consolidate legislation or seek digital solutions.
- **The system would in principle not allow for trading burden reductions**, since this would lead to a possible confusion of regulatory costs and benefits, with potentially

⁶ For an explanation of “banking” see Box 2 at page 17.

significant distributional consequences. **Only in exceptional circumstances, and following a formal political decision (e.g. at the College level), trading could be admitted**, if the area in which “ins” are being introduced does not feature unnecessary costs, and other areas can be identified, in which measures could be adopted without affecting regulatory objectives or creating undesirable distributional impacts. The proposal should be assessed with a view to demonstrating that the new costs are justified by the achievement of superior regulatory benefits.

- As the proposed OIOO-system is not a strict, mechanistic rule, complete **exemptions from the system are not necessary**. This holds especially true as in the proposed OIOO-system banking and, in exceptional circumstances, also trading provide sufficient flexibility. Outright exemptions would threaten to undermine the effectiveness of the system.
- **The proposed OIOO rule would require oversight, preferably by the Regulatory Scrutiny Board⁷**, who would be asked to oversee the correct implementation of the rule, and ensure in particular: that *ex ante* impact assessments contain a section on the application of the OIOO rule, and that “ins” correspond to necessary costs; that “ins and “outs” are correctly measured using the same agreed methodology ;and that *ex post* evaluations report on possible unnecessary cost.
- **The proposed rule would require supervision and coordination by the Secretariat-General of the European Commission**, in particular for what concerns the procedural steps that will be described in the next Section (i.e., the development and update of a “heat map”, the adoption and update of burden reduction plans); and for the transparent reporting of the “ins” and “outs”, in particular in the Annual Burden Survey.

Table C below shows the main characteristics of the proposed system.

Table C – The proposed OIOO system at the EU level⁸

Country	Rule	Type of costs covered	Scope (law)	Regulated entities	Timing of offsets	Banking	Trading	Exemptions
EU	OIOO	Direct compliance costs (charges, administrative burdens, compliance costs)	All EU legislation	Citizens and businesses (and over time, possibly also public administrations)	By year end	Yes	Only in exceptional circumstances	No

⁷ For more information on the Regulatory Scrutiny Board see https://ec.europa.eu/info/law/law-making-process/regulatory-scrutiny-board_en.

⁸ For the taxonomy see Boxes 1 and 2 in the introduction.

IMPLEMENTING THE OIOO RULE

Figure B below shows our proposal for a possible step-by-step implementation of an OIOO system at the EU level in combination with burden reduction plans, that should help to systematically identify possible “outs”. Two distinct phases are distinguished: a one-off set-up phase, and a yearly cycle.

- **In the set-up phase, the Commission launches the preliminary study and a “life events” survey.** Results are processed and presented with the presentation of a “heat map”, aimed at enabling the identification of the policy areas in which unnecessary costs (which we define as “unnecessary burdens”, and encompass unnecessary charges, unnecessary administrative burdens and unnecessary substantive compliance costs) were identified, and could be reduced or eliminated. The heat map is subject to consultation of the REFIT Platform⁹, and then converted into “burden reduction plans” for each policy area (for each Directorate General). This will be a relatively “loose” OIOO system, meaning that, as explained in the previous section, it would not require that for every Euro of regulatory costs introduced, a Euro of regulatory costs is contextually removed; and would not require the repeal of legislation, but contemplates also the revision of legislation. The system, together with the description of the OIOO rule would be officially launched when the Commission’s yearly Work Programme is presented.
- **In the yearly cycle,** new measures proposed, with *ad hoc* changes in the stakeholder consultation and in the *ex ante* impact assessment¹⁰. Impact assessments feature an indication of the “ins” and a specification of where the “outs” will be achieved, and by when. The stakeholder consultations foreseen during the policy cycle carry a specific mention of direct compliance costs, and the REFIT Platform groups are involved in the finalization of the Annual Burden Survey. The heat map is updated annually. The Annual Burden Survey also takes stock on what has been achieved for each policy domain, through which measures (simplification, consolidation, digitalisation), and what could be banked (or added to the expected target) during the following year.

⁹ For more information on the REFIT Platform, see https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly/refit-platform_en.

¹⁰ Ex post evaluations of existing legislation may also be required to highlight the existence of unnecessarily high or redundant regulatory costs.

Figure B – Step-by-step implementation of the new system

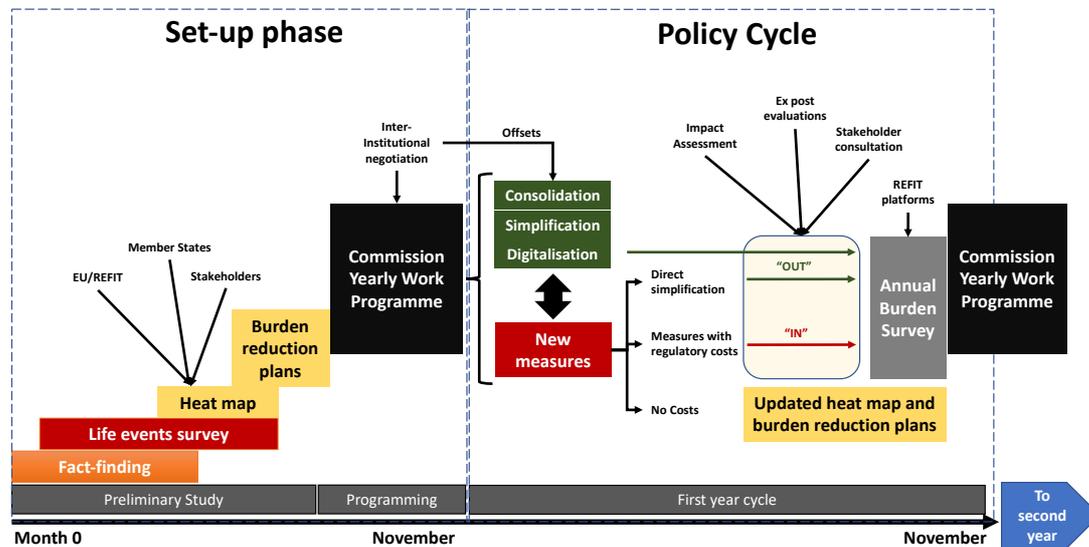


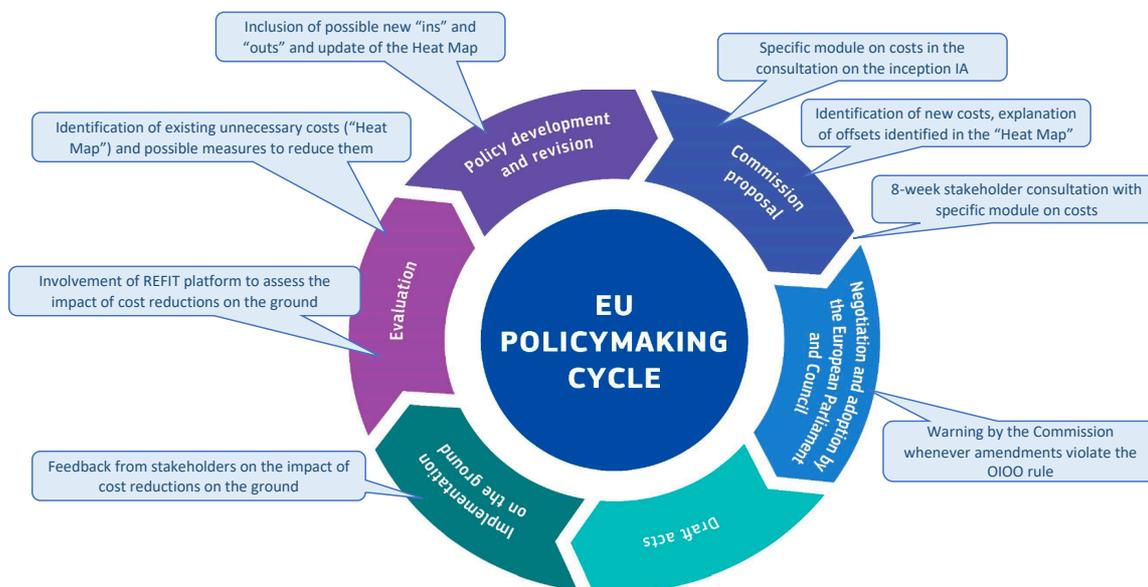
Figure C shows how the yearly OIOO cycle can be integrated with the EU policy cycle. The figure is based on the representation of the policy cycle offered by the European Commission in its latest stocktaking Communication on better regulation. As shown in the figure, compared to the existing policy cycle, **the new OIOO rule would entail a number of additions to the current policy cycle**, including:

- A specific module on costs in the 12-week consultation on the Inception Impact Assessments and in the 8-week consultation on the finalised Commission proposal.
- A new section dedicated to the OIOO rule in the *ex ante* impact assessment, in which new “necessary” costs (“ins”) are estimated, and unnecessary costs to be eliminated (“outs”) are identified from the heat map.
- The possibility for the Commission to warn co-legislators whenever proposed amendments risk violating the OIOO rule, since they introduce new costs not accounted for in the original proposal or fail to achieve the planned reduction of unnecessary costs.
- During the implementation phase, the collection of feedback from stakeholders (through “Lighten the Load-Have your Say”¹¹) and from the REFIT platform on the effective reduction of unnecessary costs.
- In the *ex post* evaluation, the identification of the need for new regulatory measures (and possible new “ins”); or the existence of unnecessary costs, which could be reduced through measures such as simplification, consolidation or digitalisation (“outs”). This

¹¹ Lighten the Load- Have Your Say is a platform that enables stakeholders to propose reforms that improve laws and reduce regulatory burdens. See https://ec.europa.eu/info/law/better-regulation/lighten-load_en.

will lead to an update of the heat map, as well as the inclusion of new possible measures in the following Commission yearly Work Programme.

Figure C - Additions to the existing policy cycle



The Table below shows how the proposed OIOO system would address the main concerns expressed by the Juncker Commission.

Table D - How the proposed OIOO system addresses the Juncker Commission’s concerns

Concern of the Juncker Commission	Features of the proposed system
Baseline measurements are not cost-effective ways to achieve meaningful cost reductions	<i>The proposed system does not require a baseline measurement, but rather evidence-based burden reduction plans.</i>
Politically set burden reduction objectives create a significant risk of deregulatory pressure and complicate the ability to adopt new legislation that is objectively needed.	<i>The proposed system focuses on unnecessary costs, and does not create an immediate pressure to identify, contextually, offsetting measures. By promoting the offsetting of new costs and incentivising more retrospective reviews on the regulatory stock, the system can even make ambitious regulation easier to justify.</i>
Burden reduction objectives set without a significant involvement of stakeholders, are likely to lead to a lack of legitimacy and acceptance by the stakeholders.	<i>In the proposed system, stakeholders are constantly involved: in the definition of the Work Programme (through Lighten the Load-Have Your Say and the REFIT Platform), through special modules in the 12-week consultation on Inception Impact Assessments and in the 8-week consultation on completed Commission proposals; and in the definition of the Annual Burden Survey.</i>
Burden reduction targets face a methodological challenge: the need to ensure that all Commission proposals are	<i>The system requires quantification of costs from EU legislation, something that the Commission and the Regulatory Scrutiny Board</i>

<p>accompanied with reliable quantitative estimates of new costs and/or savings. This is particularly complex at EU level.</p>	<p><i>have advocated for more than a decade. Quantification of costs and savings is normally possible.</i></p>
<p>It is difficult to calibrate the ambition of any ex ante objective.</p>	<p><i>Our system does not allow for arbitrarily set burden reduction targets: evidence is collected to back the adoption of burden reduction plans through a preliminary and on-going fact-finding study, coupled with a life events survey. The exercise is repeated annually to account for the operation of the OIOO rule.</i></p>
<p>Burden reduction targets critically fail to consider “necessary costs”, and the benefits of legislation.</p>	<p><i>The proposed system clearly differentiates between necessary costs that are those intrinsically linked to the achievement of a policy goal and unnecessary costs (“unnecessary burdens”) that can be reduced without preventing the accomplishment of the objectives of legislation. The proposed OIOO rule is focused on unnecessary costs, and the reduction measures are classified in three different baskets: simplification, consolidation, digitalisation.</i></p>
<p>There can be undesirable behavioural impacts from the adoption of burden reduction targets: necessary and beneficial regulation will be set aside simply to meet the burden target</p>	<p><i>The proposed system does not compromise on the achievement of regulatory objectives. Complying with the OIOO rule would remain a component of a broader strategy to improve the quality of regulation. In some cases, greater incentives to perform retrospective reviews may create even more space for ambitious regulations.</i></p>
<p>Politically set burden reduction targets would “impair the ability of the Commission to assume its political responsibility.</p>	<p><i>The proposed system operates well within the Commission’s ambitious regulatory agenda. This is possible and is confirmed by the majority of national experiences.</i></p>
<p>An OIOO rule would create delays, due to the need to find cost savings to finance any increase in costs</p>	<p><i>The delays would be unlikely in the proposed system. The regulatory offset does not need to be contextual or simultaneous to the new proposals, but needs to be identified in the Work Programme, and then assessed in practice by the end of the year. The “heat map” developed continuously as part of the system should offer sufficient information to enable the identification of “candidates” for repeal or revision, without significant delays in the process.</i></p>
<p>An OIOO rule would cause even bigger delays at the EU level, since “finding consensus among EU institutions over which legislation should be withdrawn or modified” would “delay even further the process”.</p>	<p><i>The proposed system builds on a shared commitment to reduce unnecessary costs, in line with the procedures included in the Interinstitutional Agreement on Better Law-Making. It chiefly requires strong political commitment in all three institutions (like all regulatory reform processes).</i></p>
<p>Repealing or withdrawing a piece of legislation at the EU level would not guarantee cost reduction</p>	<p><i>Agreement between all EU institutions within the joint programming introduced by the Interinstitutional Agreement, as well as the heavy involvement of the REFIT Platform in the process, would mitigate this risk by ensuring constant follow-up of simplification initiatives. Stakeholder consultation on the Annual Burden Survey would lead to feedback of the impact of simplification measures on the ground.</i></p>
<p>An OIOO rule would not be effective since unnecessary regulatory costs often do not stem from EU regulation but from inadequate implementation at Member State level.</p>	<p><i>The proposed system starts with the building of a “heat map”, which then attributes the origin of unnecessary costs to different levels of government. The unnecessary costs that cannot be reduced at the EU level and require action at the national level could be addressed within the European Semester and through the many existing national burden reduction programmes.</i></p>

FEASIBILITY STUDY: INTRODUCING “ONE-IN-ONE-OUT” IN THE EUROPEAN COMMISSION

Introduction

The need to consolidate and streamline the stock of legislation and reduce the costs associated with legal rules has been increasingly felt by regulated stakeholders and governments in many developed and emerging economies. The underlying assumption in most cases is that regulation, while providing benefits to society, can also generate significant, unnecessary costs on businesses and citizens (see Box 1 below for our definition and taxonomy of regulatory costs). Achieving a reduction of the latter costs can provide substantial benefits to the economy of a country, by liberating resources that can be allocated to more productive uses, and without jeopardizing regulatory benefits: as a matter of fact, as will be illustrated throughout this report, pursuing more discipline in the administration for what concerns the control of regulatory costs does not necessarily imply a de-regulatory agenda; rather, it aims at **maximising both benefits stemming from innovation and sustainability, and benefits obtained in terms of cost savings.**

Box 1 - A taxonomy of regulatory costs, and the definition of unnecessary costs

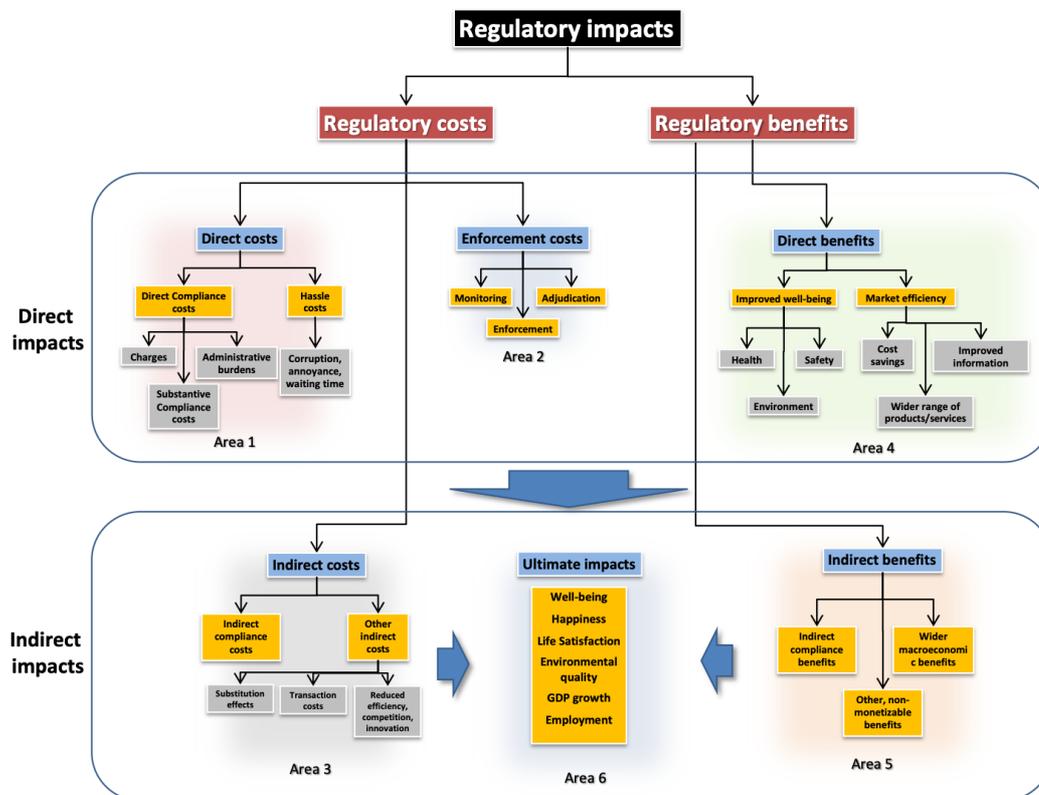
This Report follows the official definition of regulatory costs provided by the European Commission in its Better Regulation Guidelines. Figure 1 below shows a general map of the impacts generated by legal rules, developed in Renda *et al.* (2013c) and included in the EU Better Regulation Toolbox. As shown in the figure, regulation normally produces both direct and indirect impacts, which in turn can generate second-order effects (“ultimate impacts”). The tools described in this report mostly deal with “Area 1”, which includes so-called “Direct Regulatory Costs”, which encompass both direct compliance costs and, as a residual category, irritation costs (or hassle costs), which are typically more difficult to quantify or monetize. These costs are located in the left part of Figure 1 below, which provides a comprehensive map of the costs and benefits of regulation¹².

Direct compliance costs include the following sub-categories:

¹² The map of costs and benefits of regulation was originally developed in Renda *et al.* (2013c), where all other types of costs and benefits are given a detailed description. We therefore refer the reader to that study for a complete description of Figure 1.

- *Charges*, which include fees, levies, taxes, royalties, etc. These are often easy to calculate, as their extent is by definition known. What is sometimes more difficult to assess is who will bear those costs, as this might depend on the extent to which these costs are passed-on to entities other than those targeted by the legal rule. For example, emissions allowances might be passed-on downstream on end consumers in the form of higher prices for certain products, or in the electricity bill.
- *Substantive compliance costs*, which encompass those investments and expenses that are faced by businesses and citizens in order to comply with substantive obligations or requirements contained in a legal rule. These costs can be further broken down into *one-off costs* (faced by regulated actors to adjust and adapt to the changed legal rule; and *recurrent costs* (substantive compliance costs that are borne on a regular basis as a result of the existence of a legal rule that imposes specific periodic behaviours). These costs are calculated as a sum of capital costs, financial costs and operating costs.
- *Administrative burdens* are those costs borne by businesses, citizens, civil society organizations and public authorities as a result of administrative activities performed to comply with information obligations included in legal rules.

Figure 1 – A map of regulatory costs and benefits



Source: Renda et al. (2013c)

Direct costs are most often generated by regulation in order to achieve specific benefits. For example, investments related to compliance with health or environmental standards, such as the purchase of new equipment or the training of personnel, are needed to ensure that the policy objective to improve healthcare or protect the environment is met. However, in some circumstances the existence of overlaps between regulatory provisions, as well as inconsistencies or redundancies between regulatory provisions, can generate “unnecessary” (or “unnecessarily high”) costs. Some costs can also become unnecessarily high after the entry into force of a given rule: for example, the diffusion of digital technologies can make it possible for regulators to introduce new forms of electronic compliance verification, which can lead to a reduction of administrative burdens. This is the case of so-called RegTech or SupTech solutions, which apply digital technology to monitoring, supervision and compliance verification in a growing number of sectors. Accordingly, direct costs from regulation have to be approached in a dynamic way, rather than as a static concept.

In the remainder of this report, **we therefore define as unnecessary (or unnecessarily high) costs all those direct regulatory costs that could be reduced or eliminated by policymakers without negative repercussions on the benefits sought by the regulatory intervention. We will also refer to unnecessary costs as “unnecessary burdens”,** to signify that they are weighing on stakeholders without being necessary for the achievement of regulatory objectives¹³.

Unnecessary costs can be further divided into two categories:

- (i) *Completely unnecessary and redundant costs*, associated with regulatory provisions that can be repealed since they do not contribute to the achievement of the policy goals; and
- (ii) *Exceedingly high costs*, which may be reduced if the policymakers rely on more cost-effective solutions (including simplification, consolidation of legislation and implementation of digital technologies), without compromising on policy objectives.

Importantly, **the definition of this terminology does not imply the introduction of a new category of costs in Figure 1 above. The taxonomy (included also in the EU Better Regulation Toolbox) remains valid:** within each category (charges, administrative burdens, substantive compliance costs), there may be costs that are considered as necessary, and costs that could be reduced or eliminated.

All those countries that have established themselves as leaders in the field of regulatory governance have decided to adopt, in addition to other instruments such as public consultation and regulatory impact analysis, **comprehensive programmes for the measurement and reduction of direct costs from regulation.** These programmes feature important similarities, but also a number of important differences. In particular, some

¹³ Burdens thus correspond to unnecessary direct compliance costs (including unnecessary charges, unnecessary administrative burdens, unnecessary substantive compliance costs).

countries focus only on administrative burdens, rather than taking a broader view of substantive compliance costs; some countries have undergone a comprehensive baseline measurement of the stock of regulatory cost, whereas others have decided to focus directly on the flow of new regulation; and **some countries have adopted a net reduction target** expressed in absolute or percentage terms, and some countries operate a “**One In, X Out**” (OIXO) rule to control the flow of new regulations (see box below for a definition); finally, some countries have coupled these systems with a fully fledged cost-benefit analysis of new legislative and regulatory proposals, whereas others have not.

Box 2: our Definition of OIXO rules and their relationship with burden reduction targets

By OIXO we refer to a rule according to which, whenever proposing a new regulation or legislative intervention that entails an increase in regulatory costs, authorities commit to look at the stock of existing regulatory provisions to offset the cost increase. Depending on the circumstances, the OIXO rule may explicitly refer to the number of regulations, and thus require that for every regulation introduced, one or more existing regulations are eliminated; or to the corresponding volume of regulatory costs, and hence require that when a new regulation is introduced, one or more regulations are modified or repealed, such that the overall change in regulatory costs is zero or negative. Most advanced countries indeed adopt the latter version, based on cost offsetting rather than on avoiding increases in the number of regulatory provisions.

The OIXO rule changes across jurisdictions, in particular according to:

- the *scope* (e.g., whether it is limited to secondary legislation, or also covers primary legislation brought to Parliament for approval);
- the *type of costs* covered (e.g., only administrative burdens, or also substantive compliance costs, and/or enforcement costs);
- whether the system requires one or more regulations to be *eliminated, or also modified*;
- whether the amount of costs to be eliminated *equals the amount of costs introduced, or is greater* (e.g., in the US the rule is currently one-in-two-out, but in terms of cost volumes it is effectively a One-In-One-Out or OIOO rule);
- the *timing of offsets* (whether the rules to be repealed must be eliminated contextually with the approval of the new rule, or within a given timeframe, e.g., in the US and Germany they should be eliminated by the end of the fiscal year);
- whether an *impact assessment* is required, covering the costs and the benefits of eliminating one or more rules;
- whether any *exemption* is foreseen (e.g., for implementation of EU legislation, home affairs and security regulation or emergency legislation);

- whether the system adopted allows for “*banking*” of burden savings over time or “*trading*” of burden savings across agencies/ministries, etc. In the case of banking, one administration that achieved extra savings compared to the target can carry forward the extra savings to the following year: this measure provides incentives to the administration to implement reduction measures as quickly as possible, in order to be relieved from the responsibility of achieving additional savings in the future. In the case of trading, the government can decide to take the “outs” from a different policy areas compared to where the “ins” are introduced, for example whenever a measure is deemed to be necessary but there are no costs to be reduced or eliminated in the same policy area in which new ones are being introduced.

Importantly, OIXO rules can be seen as a special case of burden reduction targets. While the latter tend to be specified in absolute terms (e.g. reducing 10bn Euros of administrative burdens within a five-year timeframe), OIXO rules link the introduction of new costs to the achievement of a cost reduction: in their most common form of “One-In-One-Out”, these rules amount to a commitment not to increase the estimated level of burdens unaltered over the chosen timeframe. The OECD refers to this commitment as “regulatory offsetting” (Trnka and Thuerer 2019).

This Study follows the repeated calls for a consolidated, comprehensive plan to reduce direct compliance costs in the European Union by concrete reduction plans whilst upholding a high level of protection standards which are reflected in various Conclusions of the Council of the EU (December 2014, May 2016, March 2018, November 2018 and May 2019)¹⁴; and a comprehensive study carried out for RegWatchEurope (Renda 2017), which concluded in favour of a series of EU actions to set reduction targets for regulatory costs¹⁵.

¹⁴ Council conclusions of December 2014 (Doc 16000/14): ‘...call on the Commission to develop and put in place - on the basis of input from Member States and stakeholders - reduction targets in particularly burdensome areas, especially for SMEs, within the REFIT Programme, which would not require baseline measurement and should consider at the same time the costs and benefits of regulation.’ Council conclusions of 26 May 2016 on better regulation to strengthen competitiveness which ‘urge the Commission to rapidly proceed on [...] the introduction of reduction targets in 2017, whilst always taking into account a high level of protection of consumers, health, the environment and employees and the importance of a fully functioning Single Market.’ Council conclusions of 12 November 2018 ((Doc. 14137/18) on the European Court of Auditors’ Special Report No 16/2018 “Ex-post review of EU legislation: a well-established system, but incomplete”. ‘...RECALLS the Council Conclusions of March 2018, which underline the importance of concrete targets for the reduction of unnecessary regulatory burdens, whilst respecting existing protection standards and without undermining the underlying objectives of the legislation. Finally, see the Commission Staff Working Document, “Taking Stock of the Commission’s Better Regulation Agenda”, SWD(2019) 156 final, accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, “Better regulation: taking stock and sustaining our commitment”, {COM(2019) 178 final}, 15 April 2019.

¹⁵ RegWatch Europe is a network of independent external advisory bodies that play a significant role in scrutinising the impacts of new legislation. These bodies challenge and advise respective governments on various aspects of better regulation and on the overall regulatory burden of legislation. The network consists of the following bodies: the ‘Advisory Board on Regulatory Burden’ (ATR – the Netherlands); the ‘Finnish Council of Regulatory Impact Analysis’ (FCRIA, Finland); the ‘Nationaler Normenkontrollrat’ (NKR – Germany); the ‘Norwegian Better Regulation Council’ (NBRC/Regelrådet – Norway); the ‘Swedish Better Regulation Council’ (SBRC/Regelrådet –

In its Communications of October 2017 and April 2019, the European Commission acknowledged the requests formulated by the Council over the years and also recalled that paragraph 48 of the Interinstitutional Agreement on Better Law-Making calls for an assessment of the feasibility of establishing objectives for burden reduction. While acknowledging these requests, the Juncker Commission had not committed to any specific action, if not the intention to maintain a case-by-case approach to the reduction of direct compliance costs. In its Communication on “Completing the Better Regulation Agenda”¹⁶ adopted in October 2017, and in the more recent Staff Working Paper and Communication on “Taking Stock of the Commission’s Better Regulation Agenda”¹⁷, published in April 2019, the setting of reduction targets was explicitly discarded, and the Commission announced its intention to approach the simplification of legislation “on a case-by case basis, using evidence gathered from evaluations and impact assessments and including consultation of stakeholders”. The Juncker Commission’s argument was that “upfront targets” would not offer certain fundamental guarantees: in particular, they would adversely affect underlying policy objectives and the need to ensure democratic accountability and transparency, which requires “a political decision on which costs are legitimate to achieve policy goals and which instead should be eliminated”. Such decision, the Commission explained, should be “based on evidence from a case-to-case assessment that responds to the concerns of stakeholders and people”. The Commission added that whenever possible, it seeks to quantify the cost reduction implied by new measures; however, it added that “this is not always possible due to data and methodological challenges”¹⁸. Most importantly, setting cost reduction targets was discarded as it focuses “only on cost reduction without consideration of regulatory benefits”, and this “may lead to undue deregulation because ‘necessary costs’ to achieve regulatory benefits are not distinguished from ‘unnecessary costs’. Therefore, such policy “will not have the necessary legitimacy among stakeholders”.

However, this position must also reflect existing empirical evidence that stakeholders are prevalently unsatisfied about the Commission’s previous efforts to simplify legislation¹⁹. Recently, the German *Normenkontrollrat* criticized the Juncker Commission’s views as failing to reflect the positive experience of many Member States in their implementation (on which, See Sections 1 and 2 below)²⁰. These views (both the one of the Juncker

Sweden); the ‘Regulatory Impact Assessment Board’ (RIAB – The Czech Republic); and the ‘Regulatory Policy Committee’ (RPC – the United Kingdom). See <https://www.regwatcheurope.eu/>.

¹⁶ COM(2017) 651: Completing the Better Regulation Agenda: Better solutions for better results. https://ec.europa.eu/info/sites/info/files/completing-the-better-regulation-agenda-better-solutions-for-better-results_en.pdf.

¹⁷ COM(2019) 156: Taking Stock of the Commission’s Better Regulation Agenda. https://ec.europa.eu/info/sites/info/files/better-regulation-taking-stock-swd_en.pdf.

¹⁸ See footnotes 16, 17..

¹⁹ “Nearly a third of all respondents to the public consultation on better regulation indicated their satisfaction with the Commission’s efforts to simplify existing EU laws and reduce costs where possible. However, some 40% were not satisfied”.

²⁰ See NKR comment to the 2018 Annual Report on Better Regulation of the Federal Government (on page 6 of this comment it is written: „Die Argumente, die seitens der EU-Kommission bisher gegen die Einführung einer ‚One in

Commission and that of Member States) will be extensively considered in this Report, which aims to propose a viable approach to OIXO and burden reduction plans at the EU level. In order to complete our analysis, we relied extensively on desk research, based on recent reports on both burden reduction targets (Renda 2017a) and so-called “Regulatory Offsetting” (Trnka and Thuerer 2019). In addition, the study is based on in-person interviews with national government representatives, as well as a survey that was distributed to all EU member states during the month of March 2019, retrieving 21 useful replies (see below, Table 1). The text of the survey is available as annex 1 to this Report.

This report is structured as follows. Section 1 presents information on the experience in EU and non-EU OECD countries with OIXO rules, and also describes the position of surveyed countries that have no current experience with such rules. Section 2 describes the experience of EU and non-EU OECD countries with burden reduction targets. Section 3 summarises the opinions collected so far on the possibility of introducing an OIXO rule at the EU level, in particular clarifying a number of aspects related to the opportunities offered by the digital transformation of legislation, as well as the compatibility of an OIXO approach with an ambitious better regulation agenda focused on benefits.

Table 1 – Replies to our survey (including telephone interviews)

Location	Name of the institution
Belgium	Federal Government
Belgium	Region of Flanders-Belgium
Bulgaria	Ministry of Economy
Croatia	Ministry of Economy, Entrepreneurship and Crafts
Czech Republic	Office of the Government of the Czech Republic
Denmark	The Danish Business Authority (Ministry of Business, Industry and Financial Affairs)
Estonia	Ministry of Justice of Estonia
Germany	Federal Ministry for Economic Affairs and Energy, Federal Chancellery
Greece	Better Regulation Office
Hungary	Government Office of the Prime Minister
Ireland	Department of Business, Enterprise and Innovation
Italy	Presidency of the Council of Ministers – Department for Public Administration
Latvia	Ministry of Economy and the State Chancellery of Latvia
Malta	The Ministry for European Affairs and Equality
Lithuania	Ministry of the Economy and Innovation of the Republic of Lithuania
Netherlands	Ministry of Economic Affairs & Climate
Portugal	JurisAPP
Slovakia	Ministry of Economy of the Slovak Republic
Slovenia	Ministry of Public Administration
Spain	Regulatory Coordination and Quality office. Ministry for presidency, Parliamentary Relations and Equality
The UK	Better Regulation Executive (telephone interview)

one out'-Regel vorgetragen werden, lassen die in Mitgliedsländern gemachten Erfahrungen außer acht und tragen aus NKR-Sicht nicht.“)

1 The experience with One-In-X-Out rules in EU and OECD countries

1.1 Experience in the EU Member states

Based on our data collection, **there are ten EU member states in which an OIXO rule is in place**: Austria, Finland (pilot), France, Germany, Hungary, Italy, Latvia, Lithuania, Spain and Sweden; two countries where the rule has been in place and was recently discontinued (Denmark and the UK); and one country in which the rule formally exists but is not currently being implemented in practice (Portugal). Four other countries are reportedly considering the introduction of such rule: Poland, Romania, Slovakia, Slovenia. Altogether these countries represent more than 86% of the EU28 GDP and 86% of the EU28 population.²¹ Considering only the ten countries with an OIXO rule currently in place, they account for 62% of the EU GDP and 58% of the EU population.²²

Below, we describe these national experiences and also report the motivations mentioned by those respondents that represent countries that have not adopted OIXO rules.

1.1.1 Austria

To strengthen Austria as a business location and to create a more flexible environment for entrepreneurs, the Federal Government promotes the reduction of bureaucracy. In November 2016, measures were approved to improve services for citizens, to reduce the burden on companies, to increase efficiency within the administration, and to extend e-government. The Federal Government has to comply with principle of OIXO²³, as stated in the Deregulation Act (*Deregulierungsgrundsatzgesetz*) of 2017 (to 2020), Section 1(2): “It has to be ensured that the bureaucratic burden resulting from the enactment of federal legislation and the financial implications for citizens and businesses are justified and adequate. In order to avoid further burdens, any new regulation that results in additional bureaucracy or additional financial consequences is needed, where feasible, to be compensated for by removing a similarly costly regulation”²⁴.

²¹ Post-Brexit, these percentages would reach 84% in terms of GDP and 84% in terms of population.

²² Post-Brexit, these percentages would reach 74% in terms of GDP and 66% in terms of population.

²³ <https://ec.europa.eu/info/sites/info/files/2017-european-semester-stability-programme-austria-en.pdf>

²⁴ Es ist sicherzustellen, dass der aus der Erlassung von Bundesgesetzen resultierende bürokratische Aufwand sowie die finanziellen Auswirkungen für Bürgerinnen und Bürger sowie für Unternehmen gerechtfertigt und adäquat sind. Zur Vermeidung weiterer Belastungen wird jede Neuregelung, aus der zusätzlicher bürokratischer Aufwand oder zusätzliche finanzielle Auswirkungen erwachsen, nach Tunlichkeit durch Außerkraftsetzung einer vergleichbar intensiven Regulierung kompensiert.

This, in turn, implies that the rule applies to **both citizens and businesses**, and both to **Administrative burdens and substantive compliance costs**. The objective is to contain the number of new regulations as well as the corresponding costs²⁵. In particular, the work programme of the Federal Government for 2017/2018 included concrete measures to reduce the number of regulations, which were expected to lead to a sustainable relief for citizens and companies.

1.1.2 Denmark

In Denmark, a systematic reduction of administrative burdens for business using the SCM was carried out between 2004²⁶ and 2010. This activity implied extensive use of the Standard Cost Model and led to a large number of proposals for simplifications, which ultimately reduced burdens for businesses by a total of 24.6%. In 2012, a Business Forum for Simplification was established, with the goal of singling out suggestions for further simplification of legislation.

Denmark has had an OIOO rule until recently. The previous Government had set a target of reducing burdens by 2 billion DKK by 2020 compared to 2015 and later additional 2 billion DKK compared to 2015, and this target required new burdens to be compensated through reductions elsewhere. As reported by Trnka and Thuerer (2019), this system was in place since 2015 as part of the burden-stop on business regulation programme. The OIOO rule applied to all regulations relevant to businesses and was overseen by the Danish Business Authority. It applied to both primary and secondary legislation, but not to independent agencies. The rule did not require that for every new regulation introduced, x existing regulations are removed; rather, it required that for every new cost introduced, the same amount of cost to be removed elsewhere (it was, in other words, a cost-based OIOO). The rule applied to new national regulation with burdens above specified thresholds for Administrative burdens and substantive compliance costs. The OIOO rule allowed for offsetting both by repealing existing regulations, or also by simplifying parts of existing regulations. In principle, the OIOO rule had to be applied simultaneously, and the repealed rules had to be identified in the same policy area as the ones that are introduced. Overall, the previous government reported a positive experience with the OIOO rule: the most positive impact reported by our survey respondent was that the administration became more attentive to costs.

The OIOO rule was however discontinued by the new government in the summer of 2019; accordingly, after having continuously stepped up efforts to reap the remaining burden reduction potential, today Denmark does not any longer have a specific OIOO-rule. Focus have shifted to achieving simplification and better solutions for businesses and citizens

²⁵ Other measures were enacted in addition to OIOO. As far as possible, all new regulations will only be enacted for a certain amount of time (“sunset legislation”). When transposing EU legislation into national law, any higher level of regulation than foreseen at the EU level has to be duly justified (to avoid “gold-plating”). The respective law was approved by Parliament at the end of March 2017.

²⁶ http://erhvervsstyrelsen.dk/file/239619/redegorelse_erhvervslivet_reguleringen_20092010_juni2011.pdf

through the promotion of digital-by-default and future-proof regulation as well as intensifying the efforts for simplification of existing regulation in areas and sectors stakeholders find the most relevant and burdensome, e.g. through the strengthened and widened mandate of the Danish Business Regulation Forum.

1.1.3 Finland

The previous Finnish government (2015-2019) started a new programme to reduce and simplify regulation. The current government (since June 2019) has stated in its government programme, that the OIOO principle will be expanded gradually, and the emphasis will be on making legislation “fit for purpose”, instead of on any quantitative goals.

Finland has carried out numerous studies on administrative burdens for businesses in the period 2008-2012²⁷. The previous government (from June 2015 to May 2019) started a new programme to reduce and simplify regulation. The Ministry of Economic Affairs and Employment (MEAE) and the Ministry of Agriculture and Forestry (MAF) **pilot-tested the application of a OIOO rule in 2017**. The objective was to create a measurement system for the Finnish Government’s Key project “Streamlined legal provisions”. In the MEAE, the principle was applied to all primary legislation being prepared during 2017 and in the MAF, the principle was tested with the preparation of the Food Act reform (Finnish Ministry of Economic Affairs and Employment, 2017). Document analysis, personal interviews and surveys were the key methods for obtaining data. Based on the results of the pilot, the **OIOO is suitable to the Finnish context**, thereby Finland continued and currently plans to expand the pilot testing. When developing the model further, however, it will be important to support the model with guidelines and capacity building; to deploy more processes, resources and tools; and ensure coordination across the administration²⁸.

The pilot model tested in the Ministry of Economic Affairs and Employment from 2017 until the present day aims to include all regulatory burdens, meaning both administrative and compliance costs, as well as regulatory fees. However, it has been realised during the pilot testing that not all compliance costs can be fully assessed using existing assessment tools (Regulatory Burden Calculator). Therefore, the actual scope has been somewhat more limited. The pilot model includes both one-off costs and recurrent costs using Annual Equivalent Net Present Value to discount the comparable value of costs.²⁹

The pilot project so far excluded taxation (with the exception of administrative burdens generated by tax laws); fines and penalties; emergency legislation resulting from exceptional circumstances or for the purpose of averting danger; regulations with the purpose to open markets to competition; to promote competition and to prevent the abuse of monopoly

²⁷https://www.tem.fi/en/enterprises/reduction_of_the_administrative_burden_on_businesses/initial_level_of_administrative_burden_on_businesses/studies_of_the_administrative_costs_and_administrative_burden_on_businesses

²⁸<https://tietokayttoon.fi/documents/1927382/2116852/10-2018-Decreasing+administrative+burdens+and+deregulation+in+Finland/8b64c0ce-edfe-4dbd-9589-56fca874f538/10-2018-Decreasing+administrative+burdens+and+deregulation+in+Finland.pdf?version=1.0>

²⁹<https://tem.fi/en/one-for-one-principle>; Annual pilot Report 2018

power. (Finnish Ministry of Economic Affairs and Employment, 2017). As shown in Table 2, an empirical survey of civil servants showed positive appreciation of the OIOO model inside the administration. In Finland, as a result of the pilot in 2017, the net annual regulatory burden resulting from national regulation was estimated to decrease by approximately EUR 150,000. Meanwhile, government proposals drafted in the Ministry of Economic Affairs and Employment in 2018 increased the burden by about EUR 500,000 per year.

Table 2 - Key findings in an empirical survey of civil servants including law drafters

One-in One-out principle	Interviews (N=12) and survey (N=17) of civil servants including law drafters
The one-in, one-out principle is well-known	✓
The one-in, one-out principle is a useful add-on to law drafting	✓
The one-in, one-out principle should be applied to selected government proposals only	✓
The one-in, one-out principle is not sufficiently known in the ministries and other government administration	✓
across ministries and their administrative sectors of administration is feasible	✓
One-in One-out model	Survey (N=17) of civil servants including law drafters*
The technical characteristics of the one-in, one-out model make its use challenging	✓
Lack of time influences the application of the one-in, one-out model	✓
Limited know-how of law drafters influences the application of the one-in, one-out model	✓
Lack of interest in the decision makers' side towards assessing the impacts of government legal proposals aggravates the utilization of the one-in, one-out model	✓
Lack of coordination between the ministries and their administrative sectors aggravates the utilization of the one-in, one-out model	✓

* Includes the Ministry of Employment and the Economy, in which the Finnish one-in, one out model was developed.

Source: Ahonen (2016)

The Finnish Council of Regulatory Impact Analysis considers the pilot project worth continuing and expanding (2018). According to the Council's opinion, the testing should focus more on the offsetting processes rather than just expanding the monitoring of regulatory burden development.³⁰

1.1.4 France

In France, after a first application of the Standard Cost Model in 2004, the government decided to rely on simpler method to continue monitoring the evolution of administrative

³⁰ https://valtioneuvosto.fi/artikkeli/-/asset_publisher/10616/arviointineuvosto-nakee-perusteita-yksi-yhdesta-kokeilun-jatkamiselle

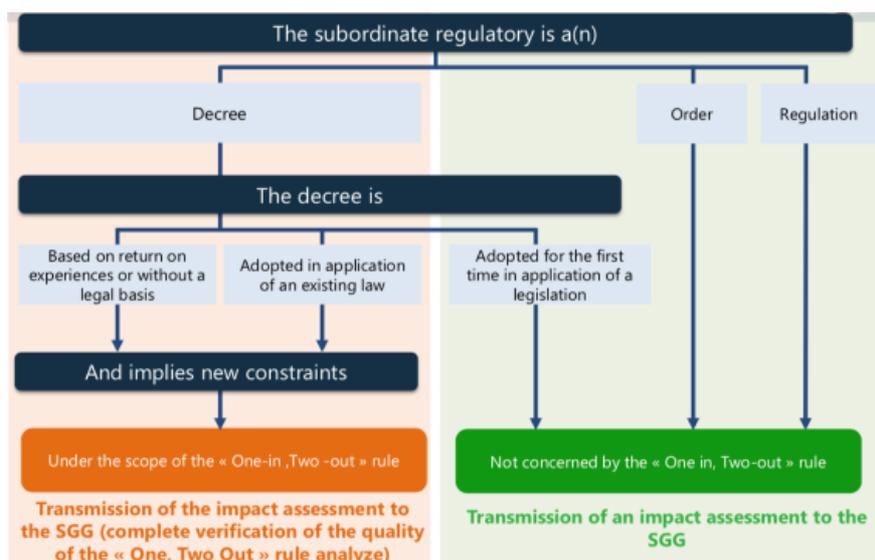
burdens³¹. In 2013, the government introduced a *gel de la réglementation* that involved the creation of a Business Simplification Council (January 2014) and the appointment of a Minister of State for State Reform and Simplification attached to the Prime Minister (June 2014). **Since 2015 the government has considered the adoption of an OIXO approach to regulation. Initially, departments were required to follow an OIOO rule** by both offsetting the increase in costs to businesses and removing (or, if not possible, simplifying) an existing regulation when a new one was enacted. The system includes also **costs to local governments and citizens**. The rule was then transformed into a one in, two out (OI2O) **rule** with the introduction of the *maîtrise du flux des textes réglementaires* by the Macron government in 2017³². The French model was formally introduced by a “circular” adopted on 26 July 2017 *on the control of regulatory texts and their impact*, which aims at controlling normative production so as to limit the negative effects on business (competitiveness); local authorities (administration); local services (operation); and citizens (daily life). To this end, “any new regulation must be offset by the elimination or, if impossible, the simplification of at least two existing regulations”. The General Secretariat of the Government (SGG) must ensure compliance with the application of this circular to ministries and arbitrates in case of difficulty.

The SGG ensures compliance with the two necessary prerequisites of the effective application of the OI2O rule: that the “two” repealed or simplified regulations **belong to the same departmental field or fall within the framework of the same public policy, as the regulatory measure that is being introduced;** and that the **rules appear qualitatively of equivalent level**. The rule also implies the establishment of **an inventory of rules** for each department according to its public policy field, overseen by the SGG.

³¹ The Oscar database was developed in order to take account of the administrative burden of new regulations, which implies a “net” target. As such it is interesting for the purposes of this project, even if it is not used in support of a comprehensive baseline measurement of regulatory burdens or costs. Oscar uses reference data collected from DGAFP (*Direction générale de l'administration et de la fonction publique*), the INSEE statistics office and the Budget Directorate on the hourly costs of civil servants and the cost of company employees for each socio-professional category and sector of activity. Furthermore, the database resulting from the work of the MRCA (Measure to reduce the Administrative Burden) provides preliminary information on the default values in Oscar for the “initial deployment” phase and the additional learning cost and indicates reference values for the recurrent application phase to the user.

³² The offsetting obligation was doubled with the intent to impose greater control of the flow of regulatory texts on the different ministerial departments, because the original approach had not achieved the desired results. (Gouvernement de la République Française, 2017, 2013).

Figure 2 – OIOO in the French System



Source: French SGG (2018)

The OI2O rule applies to all national regulations, decrees and circulars. Not included in this framework are draft decrees that are by nature without impact on the administrative burden of civil society (eg. Statutory provisions applicable to state employees and provisions of a budgetary nature) as well as the decrees issued to accompany a new law or regulation in order to condition their entry into force (See Figure 2). The General Secretariat of the Government is responsible for ensuring department’s and agencies’ compliance with the OITO rule, and is in charge of centralizing the elements of costing, quality control (via the impact sheets that are systematically addressed to it), and reports on a half-yearly basis the evolution of the costs and the savings obtained. The Secretariat submits the draft decrees containing the new rule and the proposed simplification measures to the arbitration of the presidential cabinet. The cabinet then decides whether to continue, modify or abandon the draft regulation (Gouvernement de la République Française, 2017).

The French system stands out from other systems adopted in the EU, due to the fact that it requires regulatory offsetting by means of the repeal or simplification of two, rather than one rule. It is therefore an **OIOO rule in terms of volume of costs, and an OI2O rule in terms of number of regulations.**

1.1.5 Germany

Germany has adopted a strategic approach to regulatory cost reduction since 2006. Between 2006 and 2013 it successfully implemented a reduction target of 25% regarding administrative burdens for businesses. The decision of the council of ministers on 27 January 2010 reinforced the reduction target. In 2006 a National Regulatory Control Council (NKR) was introduced to provide independent oversight regarding the respective

numbers and figures in the Impact Assessments and to support the Government’s efforts to achieve the target. The net reduction target was subsequently achieved in 2013, and since then a Bureaucracy Cost Index has been maintained, which keeps track of new additions and reduction in regulatory costs.

The German experience has shown that bureaucracy costs ensuing from information obligations account for only a small part of the follow-up costs incurred by Federal regulations, and this led to an expansion of the scope of the reduction efforts to cover also compliance costs. The “Bureaucracy Reduction and Better Regulation” programme has thus been significantly expanded, as has been the mandate of the NKR. In December 2014 the Federal Government decided on key points for further reducing the bureaucratic burden on SMEs: one of these key points is the introduction of the OIOO rule, with the aim to “restrict the proliferation of red tape in the long term without hindering political projects”, and specifically those measures outlined in the coalition agreement must not be obstructed or delayed.

The “one in, one out” rule generally applies to all regulatory proposals from the Federal Government which impact on the business community’s annually recurrent compliance costs. Exemptions apply to proposals which:

- constitute an exact (1:1) implementation of EU legislation, international agreements or rulings by the Federal Constitutional Court and Court of Justice of the European Union
- serve to combat substantial security threats, or
- have impacts that are time-limited (up to one year).

All measures were based on a common methodology (regarding administrative burdens, the Standard Cost Model, regarding compliance costs: a common methodology, which was developed based on the SCM)³³. In 2015-2018, an “in” (burden) of round EUR 1 billion has been counterbalanced by an “out” (relief) round EUR 3 billion, which means that on balance there has been a relief for companies of round EUR 2 billion³⁴.

- *Compensation is specific to the target sector.* Any increase in recurrent compliance costs for businesses can only be compensated for by a reduction in recurrent compliance costs for businesses.
- *Possibility of exemptions.* If there is a political will to regulate, but no prospects of identifying the offset within the competent ministry's portfolio, a ministry can ask the steering group of state secretaries (representing all ministries) for an exemption, but it needs to secure the approval of the NKR. None of the ministries has used this option so far. Moreover, the State Secretaries Committee on Bureaucracy Reduction can cap

³³ See also Renda *et al.* (2013c), for a description.

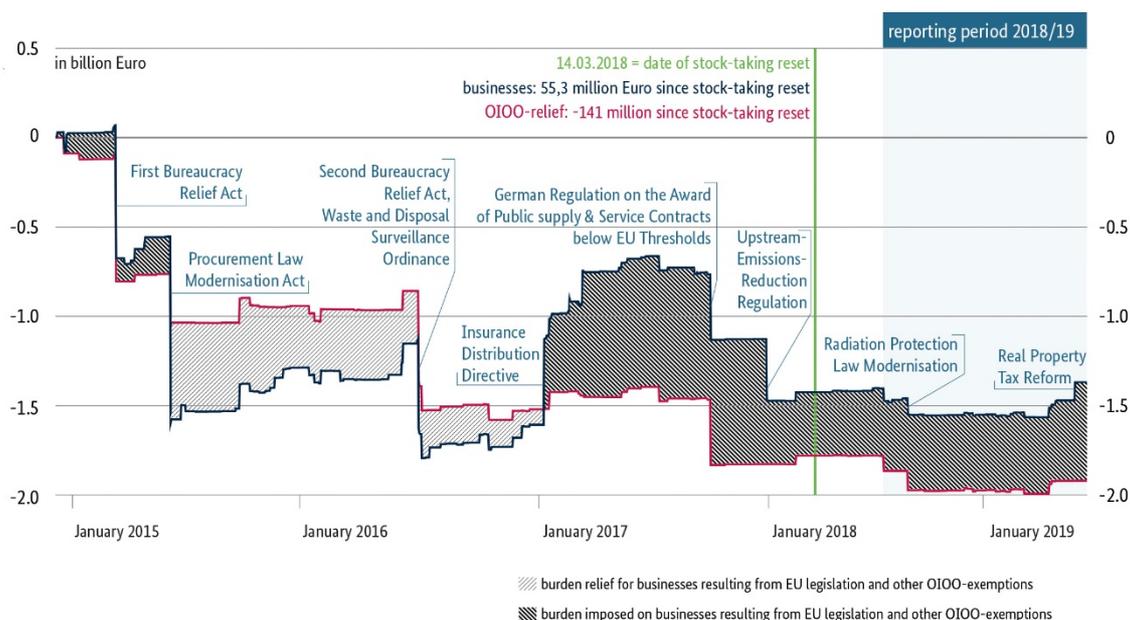
³⁴ See Jahresbericht der Bundesregierung Bürokratieabbau und Bessere Rechtsetzung, page 13f <https://www.bundesregierung.de/resource/blob/975232/1638896/100d34950150332b04201f46b3fe9693/2019-0619-bericht-buerokratieabbau-data.pdf?download=1>. The National Statistical Office (StBA) has a well elaborated system to support the ministries with data and for banking of cost reduction. See <https://www.skm.destatis.de/webskm/online>.

the amount of compensation required if the new increase in compliance costs demonstrably exceeds the capacity of the relevant ministry to offset the burden or if the compliance costs as presented do not adequately reflect direct cost reductions that could be expected, or if the regulatory proposal will otherwise benefit the business community. Before the State Secretaries Committee takes a decision on any plan to cap compensation, the NKR must be consulted as to whether the planned compensation, particularly the compliance costs, has been presented reasonably and plausibly.

- *Ministry-specific compensation.* The lead ministry for the respective individual provision is responsible for the compensation. If that department cannot identify any possible way of balancing out the increase or demonstrate that it has achieved a suitably significant reduction with previous proposals, then it may – either bilaterally or in the State Secretaries Committee on Bureaucracy Reduction – ask other government departments to take on the task (interdepartmental compensation).
- *Temporal dimension.* Where a proposal increasing the bureaucratic burden cannot be balanced out with immediate effect, the plan or prospects for compensation will be explained either in the explanatory or covering note or by some other suitable means. The usual time limit for compensatory measures to be presented is one year. The aim is to limit the rise in compliance costs within the legislative term.
- *Quantitative compensation options.* Any increase in the bureaucratic burden must trigger a decrease of the same amount elsewhere.

Government departments report to the State Secretaries Committee on Bureaucracy Reduction every six months on progress made and difficulties encountered with regard to the planned reduction measures and any imminent failure to meet targets. The Federal Government must then report annually to the German Bundestag, and in *liaison* with the NKR reviews and (if necessary) revises the procedure for identifying and expressing compliance costs. The relief achieved as a result of national legislation shows that the **OIOO rule has had a tangible effect so far**, as it has resulted in a net relief for businesses since its introduction in 2015. However, the German government argued that EU legislation, which is currently not subject to the OIOO rule, added regulatory costs for an additional annual “in” of 0.5bn (2015-2018) to this equation. Figure 3 below shows that the burdening (marked in dark grey) and the relieving impact (marked in light grey) of the implementation of EU directives on businesses has not been taken into account in the OIOO records. Furthermore, the current relief arising from national legislation can be partially or completely offset by burdens that are currently exempt from the OIOO rule.

Figure 3 – One in one out in Germany: results year by year



Source: Normenkontrollrat (2018)³⁵

Importantly, the **German OIOO rule includes only ongoing compliance costs, excluding so-called “one-off costs”**. The process is coordinated by the State Secretary Committee for Bureaucracy Reduction led by the Minister of State with the Federal Chancellor; and the NKR verifies the quality of cost estimations provided by ministries, therefore provides an independent oversight.

Trnka and Thuerer (2019) report that in Germany the rule is meant to raise regulators’ awareness of the issue of compliance costs by linking the responsibility of calculating costs and finding offsets to the “owner” of the regulation. This implies that the prospect of complying with the OIOO rule provides incentives to the administration to control regulatory costs while adopting socially and economically beneficial regulation.

1.1.6 Hungary

The Hungarian Government implemented several measures to decrease the impacts of bureaucracy concerning business environment. One of the first milestones of establishing a competitive regulatory environment was the **Cutting Red Tape** in November 2011. Beyond the Cutting Red Tape programme, additional administrative burden reductions measures were implemented between 2010 and 2014. **As a result, the target of 25% administrative burden reduction was achieved.** Based on the National Competitiveness Council’s recommendations, a number of regulatory amendments were passed in the

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<https://www.normenkontrollrat.bund.de/resource/blob/300864/1548198/a53ca395512296087f96a45d0b839d44/2018-11-09-jahresbericht-englisch-data.pdf?download=1>

summer of 2017 in the areas of starting business, construction permits, utility connection procedures and corporate insolvency. As a result of the National Competitiveness Council’s work, in late autumn 2018 the Council adopted the “Programme for a more competitive Hungary”.

The Hungarian state administration’s impact assessment guidelines – based on the SCM method – enable to analyse the administrative costs and burdens related to small and medium-sized enterprises as well as citizens. The portal, featuring the abovementioned tools and useful information about the Hungarian RIA system has been available online since 2011.³⁶ More recently, the objective of the *Good Governance – Magyar Program* (2010-2014) was to create a simple, efficient and customer-friendly public administration. The aim of The Public Administration and Public Service Development Strategy (2014-2020) is to build a Service-provider State. The latter document defines the goals to be achieved. According to these goals, a Service-provider State has to be organised, cost-efficient, professional and through different measures it has to implement integration, bureaucracy reduction and strengthening of the managers.

In Hungary in order to keep the balance in the public administration and make the regulation easier for citizens and businesses **an OIOO principle was introduced by a government decision in March 2019**. The decision focuses on different types of costs, including administrative burdens and substantive compliance costs. According to the decision, the Government Office of the Prime Minister and the Ministry of Justice are in charge for the monitoring of the principle”.³⁷

1.1.7 Italy

The Italian Government applies a **OIOO rule since 2011**. In particular, Law 11 November 2011, n. 180 “Statuto delle Imprese” (article n. 8) provided a stock-flow control mechanism of administrative burdens, introducing the OIOO rule (*annual regulatory budget*)³⁸. To foster the implementation of the rule, in 2013 the Department of public administration published Guidelines on administrative burdens helping public administrations in identifying costs and defining the regulatory budget³⁹.

The **OIOO rule applies to both primary and secondary legislation and does not apply to independent agencies**. It applies to administrative burdens. It applies also to both **citizens and businesses**, despite the fact that it was introduced by a law dedicated to businesses.

The rule is **cost-based: it does not require that for every new regulation introduced, x existing regulations are removed, but it requires that the total amount of new**

³⁶ See <http://hatasvizsgalat.kormany.hu>

³⁷ Additional information available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=213269.365786.

³⁸ <https://www.senato.it/service/PDF/PDFServer/BGT/01044562.pdf>

³⁹ DPCM 25 January 2013 -

<http://www.funzionepubblica.gov.it/sites/funzionepubblica.gov.it/files/documenti/Semplificazione/Misurazione-Oneri/Linee%20guida%20oneri%20introdotti-eliminati.pdf>

administrative burdens introduced every year be offset by an equivalent amount of costs to be removed in the same sector. It applies to **administrative burdens**. The OIXO rule **does not take into account the benefits** introduced by new regulation nor those of the regulations that are repealed.

The Italian OIOO rule **allows for offsetting to take place also by modifying** (thus, not necessarily repealing) **existing regulations**. The rule **does not allow for banking** of regulatory costs⁴⁰. Each Ministry chooses the regulations to be repealed or simplified, and there are **no specific provisions about the qualitative criteria that must be used to offset new costs**. The repealed rules **must fall in the same policy area** as the ones that are introduced. Fiscal, tax and public games and lotteries regulations are exempted.

According to the Statuto delle imprese, each Ministry is required - by January 31 of each year - to submit to the Presidency of the Council of Ministers (Dipartimento per gli affari giuridici e legislativi - DAGL) a report on the total amount of the newly introduced or eliminated administrative burdens on citizens and businesses by the regulatory acts approved during the previous year⁴¹. The Department of public administration (DFP - Presidency of Council of Ministers) prepares, both on the basis of these reports and considering the results of ad hoc stakeholders consultations, a comprehensive report (“Relazione complessiva contenente il bilancio annuale degli oneri amministrativi introdotti ed eliminati”) containing the annual budget of the newly introduced or reduced administrative burdens, by each Ministry. The report is published on the Government's institutional website by March 31 of each year. If the administrative burdens introduced are higher than those reduced, the Government is allowed to provide for the corresponding offsetting, adopting, within ninety days after the publication of the report, one or more regulations for removing an equal amount of administrative burden costs from the existing stock of regulations. Regulatory offsetting measures have to undergo an impact assessment.

1.1.8 Latvia

In Latvia, an OIOO rule was introduced very recently. From 1st November 2019 the “zero bureaucracy” (OIOO) principle entered into force, which aims to stop growth of Administrative burdens and substantive compliance costs for entrepreneurs. Practically this

⁴⁰ Se gli oneri introdotti sono superiori a quelli eliminati, la disposizione in esame prevede le seguenti modalità per operarne la riduzione: per la riduzione di oneri amministrativi di competenza statale previsti da leggi, il Governo adotta, entro 90 giorni dalla pubblicazione della relazione, regolamenti di delegificazione ai sensi dell'articolo 17, comma 2, della legge 23 agosto 1988, n. 40023; per la riduzione di oneri amministrativi previsti da regolamenti, si procede con regolamenti governativi, adottati ai sensi dell'articolo 17, comma 1, della medesima legge n. 400 del 1988; per la riduzione di oneri amministrativi previsti da regolamenti ministeriali, si procede con decreti del Presidente del Consiglio dei ministri, adottati ai sensi dell'articolo 17, comma 3, della legge n. 400 del 1988.

⁴¹ Paragraph 2, Article 8 of the Statuto delle Imprese, as modified by decree-law n. 5 of 2012, provides that “entro il 31 gennaio di ogni anno, le amministrazioni statali devono trasmettere alla Presidenza del Consiglio dei ministri una relazione sul bilancio complessivo degli oneri amministrativi, a carico di cittadini e imprese, introdotti e eliminati con gli atti normativi approvati nel corso dell'anno precedente, ivi compresi quelli introdotti con atti di recepimento di direttive dell'Unione europea che determinano livelli di regolazione superiori a quelli minimi richiesti dalle direttive medesime, come valutati nelle relative AIR (il c.d. regulatory budget)”.

means that when submitting a draft legal act to the Cabinet of Ministers, which potentially increases the administrative burden or creates new compliance costs, the applicant (respective Ministry) must simultaneously submit a draft legal act aimed to offset the administrative burden or existing costs for the same target group. Ministries are obliged to involve representatives of the target group into the early stages of the legal act drafting in order to ensure the most effective and propitious outcome. The estimated increase and reduction of the burden as well as the engagement of the target audience should be included in the initial impact assessment of the draft legislation. The new Latvian system thus is focused on businesses, and covers both Administrative burdens and substantive compliance costs.

1.1.9 Lithuania

Lithuania introduced a **cap on administrative burdens** in 2014. This takes the form of a zero-growth policy on administrative/regulatory costs (OECD, 2015), which *de facto* amounts to a cost-based OIOO rule since it requires that for new costs introduced, corresponding cost items are identified for repeal. It is also important to mention that there are no exceptions provided for the OIOO rule in Lithuania – it is obligatory for the reduction of the administrative burden for national legal acts, as well as for the implementation of EU law.

Administrative burden reduction is one of the better regulation key tools adopted in Lithuania to improve the **business environment**. Public authorities are required to calculate new administrative burden and introduce reports to the Ministry of the Economy and Innovation, and then perform a **stabilization of the general level of administrative burden** in compliance with the zero-growth (OIOO) rule. The Ministry of the Economy and Innovation coordinates the process. Authorities that introduce new burdensome regulation must repeal an existing regulation in their area of competence: in doing this, authorities are required to calculate new administrative burdens originating from new draft legislation, and ensure that they are offset within one calendar year. The overall level of administrative burden is assessed by the Ministry of Economy and Innovation and reported to the Government twice a year. The Ministry of Economy and Innovation provides a comprehensive report including assessment of the administrative burden, the amount of “ins” and “outs” in euros by institutions, analysis and review of burden reduction trends. In case a specific institution introduces new administrative burdens and takes no action to balance them, the Ministry of Economy and Innovation can take a number of actions, including the organisation of trainings for the authority to strengthen the institution’s ability to assess administrative burdens; or raising the problem at the highest political level.

In 2018, the application of the rule led to a **decrease of administrative burdens of 103,9 million euros**⁴². In the first half of 2019 the administrative burden decreased by 11,7 million euros. **The overall experience was positive** and helped raising awareness of the

⁴² <http://eimin.lrv.lt/en/sector-activities/business-environment/better-regulation-in-lithuania>

need to reduce administrative burdens. This is considered to be important for preparing authorities for the next step, which entails the evaluation of both Administrative burdens and substantive compliance costs.

1.1.10 Portugal

In Portugal, since 2006 the Government launched a series of ongoing reforms known as the annual Simplex programme, with the aim to make everyday life easier for individual citizens and businesses by reducing bureaucratic red tape, cutting costs, and extending the use of information and Communication Technologies to a wide range of public services. Portugal launched a strategy in 2008 to reduce 25% of administrative burdens for businesses until 2012 (RCM 196/2008). Later, Parliament Resolution 31/2014, in introducing Simplificar, a comprehensive programme of administrative modernisation and simplification, also contained a mention to the OIOO principle as part of the system for administrative burden control.

After ten years of annual Simplex's, a new Simplex+ Programme was launched and is now under implementation, with 255 projects to deal with both administrative and legislative simplification. Within the new programme, a Technical Unit for Regulatory Impact Assessment (UTAIL) has been recently created (RCM 44/2017) within the Legal Centre of the Presidency of the Council of Ministers (CEJUR) to implement a specific project named “How much does it cost?” (focused on primary legislation). UTAIL is responsible for the impact assessment of proposed new legislative acts: notably, since the beginning of 2017 UTAIL is assessing, besides the administrative burdens that may result from legislative acts proposals, also other compliance costs for firms: direct costs (with fees and other public charges); specific costs with equipment, implementation, external services, material and other that may be directed related to the obligation that is being imposed; and non-specific costs, as overheads.

The OIOO rule originally mentioned in 2014 in Portugal has thus never been implemented in practice. That said, the UTAIL provided extensive guidance on the classification and attribution of costs, including a dedicated SME test, for officials in charge of *ex ante* impact assessment⁴³.

1.1.11 Spain

In Spain, regulatory offsetting was introduced by Law 14/2013, of 27th September, of support for entrepreneurs and its internationalization (article 37)⁴⁴. The Council of

⁴³ See UTAIL / JurisAPP, Avaliação Prévia de Impacto Legislativo, Guia de apoio à estimação de encargos para cidadãos e empresas, avaliação qualitativa de benefícios, teste PME e avaliação de impacto concorrencial, June 2018, Available at https://www.jurisapp.gov.pt/media/1027/guia_ail_06_2018.pdf.

⁴⁴ Art. 37: “Las Administraciones Públicas que en el ejercicio de sus respectivas competencias creen nuevas cargas administrativas para las empresas eliminarán al menos una carga existente de coste equivalente”.

Ministers Agreement of 30th January 2015 lays down measures to strengthen monitoring of the principle of compensation of administrative burdens, precise actions in this sense. No modification has been put in force since then. Law 14/2013 on the support for entrepreneurs and their internationalization introduced a OIOO principle for administrative burdens for businesses: “When public administrations create new administrative burdens for companies, at least one existing burden of equivalent cost will be eliminated”. This rule is limited to administrative burdens on businesses.

Some regulations are exempted from the mechanism. These include:

- Regulations transposing EU legislation or international agreements into national law;
- Regulations concerning civil emergencies;
- Regulations containing measures to prevent financial risk, contain inflation, regulate taxes and fees, fines and penalties and social security contributions;
- Regulations with temporary validity (especially those with an annual term).

Spain uses direct administrative burdens on businesses as a metric for regulatory offsetting. These costs are measured as part of the RIA process using a modified version of the Standard Cost Model called “Simplified Method”. According to the Council of Ministers Agreement of 30th January 2015, the annual global increment of administrative burdens in each ministry at 31st December should be compensated by the same ministry during next year so past/future rules are considered. Each ministry chooses the rules to be repealed considering the exceptions of the Council of Ministers.

Offsetting rules do not necessarily have to fall in the same area. Ministries make a global analysis in burdens considering the whole of their competences. The offsetting is explicitly announced in the Impact Assessment of the new regulation that adds burdens: such offsetting is not, per se, subject to an IA. However, if the repealed regulation for approval, was accompanied by an impact assessment, the compensatory regulation that replaces it, should also be accompanied with an impact assessment for approval⁴⁵.

The overall experience of the Spanish government with OIOO is reportedly positive since the administration became more attentive to burdens and also increased the quality of ex ante impact assessments, for instance the level of quantification, to capture the amount of burdens to be reduced. This also led to an increase in the quality of regulation.

1.1.12 Sweden

Sweden does not have an explicit OIXO rule. However, is has adopted a **net target, based on the goal that the administrative costs for businesses be lower in the year 2020**

⁴⁵ Moreover, according to article 26.9 of Law 50/1997, of November 27, on the Government, the Ministry of Presidency, Parliamentary Relations and Equality assess the need to include an expressed derogation, as well as the need to consolidate another texts in the same field. These functions are currently developed by the Office for Regulatory Coordination and Quality according to the Royal Decree 1081/2017, of December 29, which establishes its operating regime.

compared to 2012. This goal configures a “loose” OIOO rule, since the overall result has to be achieved by the end of the overall period and, therefore, new costs need to be balanced by new savings, but there seems to be no strict framework for compensating measures.

1.1.13 The United Kingdom

The United Kingdom features one of the most well-established experiences and traditions in the field of better regulation, which enables it to reach a greater degree of sophistication in the analysis of the costs and benefits of regulation. After a partly successful experience with the baseline measurement of administrative burdens in 2005-2006 (Beheim et al. 2006), initiatives aimed at monitoring and reducing regulatory costs have proliferated, including the introduction, in 2010, of an independent body, the Regulatory Policy Committee (RPC), to validate the costs and benefits of all new regulatory and de-regulatory proposals. **In 2011, an OIOO rule was introduced.** Over the 2011-12 period, government departments not only met the target but exceeded OIOO, removing around £963 million more in business burdens than they introduced⁴⁶. **Since 2013, the UK has operated a 'One-in, Two-out' (OI2O) regulatory management system.** The premise is that for every net £1 in regulatory cost introduced by domestic regulation, departments must find twice the amount of savings. The OI2O rule required an even stronger performance from departments compared to the previous rule.

The May 2015 General Election saw the Conservatives returned to power without (as they saw it) being constrained any longer by the Liberal Democrats. **The Small Business, Enterprise and Employment Act 2015 (SBEE) required** the Government to publish a Business Impact Target (BIT) for the duration of each Parliamentary term; obtain independent verification of the economic impact of new regulation; and report regularly on progress against the target. The Cameron government extended the scope of the BIT in the Enterprise Act 2016 to **include the activities of statutory regulators that have an impact on business**⁴⁷. In March 2016 the Government announced new measures to cut a further GBP10 billion of red tape, including moving **to a OI3O rule** to be achieved by departments in order for them to deliver the BIT⁴⁸. In addition, the “Cutting Red Tape” initiative led to the creation of an online website dedicated to interaction with stakeholders on areas that should be prioritized in this respect.

As observed by Gayer et al. 2017, the offsets identified in the UK system “often do not actually remove any regulatory requirements, but rather make regulatory compliance less costly, for instance by streamlining paperwork processes so that businesses could make

⁴⁶ This figure is based on independent validation by the Regulatory Policy Committee.

⁴⁷ See the Enterprise Bill: <http://services.parliament.uk/bills/2015-16/enterprise.html>.

⁴⁸ See: <https://www.gov.uk/government/policies/reducing-the-impact-of-regulation-on-business/supporting-pages/operating-a-one-in-two-out-rule-for-business-regulation>. The independent Regulatory Policy Committee publishes its Opinion on all ex ante assessments, including whether it has validated 'One-in, Two-out' measures from departments. <https://www.gov.uk/government/policies/regulatory-policy-committee-opinions-on-impact-assessments>.

some filings without the need of a lawyer”⁴⁹. Notably, European Union regulations and directives have been exempted from this requirement. The U.K. government reports that its regulatory offset policies have reduced both the number of regulations and the associated costs to businesses (Department for Business, Innovation & Skills, 2014).

However, after the Brexit referendum the popularity of the OI3O rule has decreased in the UK. The rule is now being given lower priority compared to other better regulation initiatives of the government, including the Business Impact Target and the promotion of innovation through smart regulation. According to our interviewee from the UK administration, this is also due to the fact that simplification initiatives have been underway for several years, whereas other instruments have been less strongly pursued by the government, and deserve now priority.

1.2 EU countries considering the introduction of an OIXO rule

According to our analysis and the results of our survey, there are four countries currently planning the adoption of an OIOO rule.

In **Poland**, the coalition government of Civic Platform and Polish Peasant Party (2007-2015) had already considered the introduction of a new instrument in order to improve a legislative process - a regulatory test as a new stage of law making before a bill will be submitted to the Parliament. The project was implemented as a pilot, to ascertain whether there would be sufficient acceptance in the administration: the rule was never officially launched, and the “regulatory test” was eventually replaced by a fully fledged regulatory impact assessment system. The new government is reportedly considering the introduction of an OIOO rule, which featured in the programme of a party which won the last parliamentary election.

Romania is reportedly planning to introduce a One-In-One-Out rule. The rule is not yet fully in place, as reported by the European Commission in its Small Business Act Factsheet on Romania⁵⁰.

The **Slovak Republic** plans to introduce the OIOO principle, which will be part of the ex-post evaluation of effectiveness and efficiency of regulation as one of the better regulation principles in Slovakia. The OIOO principle is part of the RIA 2020 - Strategy of Better Regulation approved in January 2018, which aims *i.a.* to reduce regulatory costs and administrative burdens. The methodology will be completed by the end of 2020: the introduction of the OIOO principle in the Slovak regulatory system will be considered during the creation and completion of the *ex post* methodology.

⁴⁹ Quoting Kohli (2017), Kohli, Jitinder. 2017. “What President Trump Can Learn from the UK about Reducing Regulations.” Forbes, January 27.

⁵⁰ <https://ec.europa.eu/docsroom/documents/32581/attachments/24/translations/en/renditions/native>.

Moreover, **Slovenia** has reportedly been considering the implementation of this rule for some time, primarily because the government is aware of the unsustainability of continuously growing number of regulations. Primarily, the government wishes to focus on improving existing regulation rather than introducing new rules.

1.3 EU Member States with no experience with OIXO rules: the reasons stated by the survey respondents

Nine EU countries have responded to our survey indicating that they do not have experience with OIXO rules and are currently not considering introducing such rule. Among these countries, two groups can be identified.

A first group includes **four countries that are not opposed to the rule, but observed that lack of resources or political will have so far prevented the introduction of the rule.** One of these governments welcomed OIXO as a regulatory offsetting approach in general, but the respondents think that for implementation of this ambitious approach, governments have to have adequate analytical capacity and skills: this is why this country plans to consider the adoption of an OIXO rule in the future. A similar situation, of lack of political commitment, was reported for all other countries in this first group.

A second group of **countries featured a clearer opposition to the adoption of the OIXO rule.** For example, one government reported that at the federal level, in view of the competences shared with the sub-national level of government, it would be very complicated to set up this system; and that problems would also arise since the current system is based on a coalition government, rather than an evidence based-system. Likewise, in the opinion of another respondent, OIXO is a very technical and too political tool that does not always corresponds with the spirit of the law. Another respondent observed that despite the county’s focus on lessening the burden on businesses, the setting of concrete mathematical deduction rules regarding legal acts has not been a mainstream idea so far. Another respondent observed that systems such as OIXO require a strong information base as well as their own methodological ‘accounting system’ so as to set realistic offsetting, and it is thought that applying such rules when designing new regulations will further slow down achievement of desired burden relief as well as unnecessarily delay the adoption of new regulation. Finally, one respondent does not consider an OIXO rule to be the best approach to reduce regulatory burdens. The respondents think that this approach is too much focused on figures, driven by the need to compensate the “in”. This, according to the respondents, can take up all the energy of government officials and it could influence negatively the quality of the measures taken to reduce burdens. This could possibly lead to “solutions” that look good on paper in terms of reducing regulatory costs but are not considered as important by businesses. This government believes more in a system focused on taking the right, concrete measures tackling problems that have been put forward by business and that really make a noticeable difference in the life of businesses.

1.4 OIXO rules in non-EU OECD countries

Over the past few years, a number of large non-EU OECD countries have introduced OIXO rules, which are worthy of investigation for the purposes of this report. Trnka and Thuerer (2019) report that “Canada was the first country to actually legislate regulatory offsetting” and that “more recently, Korea, USA and Mexico introduced their versions of regulatory offsetting”. On the other hand, Australia has experimented with the rule, but has later abandoned it.

1.4.1 Canada

In Canada, administrative burden is a key area of focus since the 2011 Red Tape Reduction Commission formulated its far-reaching recommendations. The Recommendations Report was released in January 2012 and detailed 15 systemic changes and 90 department-specific solutions to reduce or remove “regulatory irritants”. The Government of Canada has taken specific actions in response to the Recommendations Report, including the introduction of a OIIO⁵¹. The Canadian one-for-one rule is highly formalized and accompanied by policies and guidance by the Treasury Board of Canada Secretariat. In terms of formalization, the rule was rooted in the Red Tape Reduction Act introduced in January 2014 in Parliament to control the administrative burden that regulations impose on business. The Act received Royal Assent on April 23, 2015. The Red Tape Reduction Regulations were registered on July 23, 2015 to operationalize the rule. This fulfilled a commitment made in the Government's October 2012 Red Tape Reduction Action Plan and reaffirmed in the October 2013 Speech from the Throne.

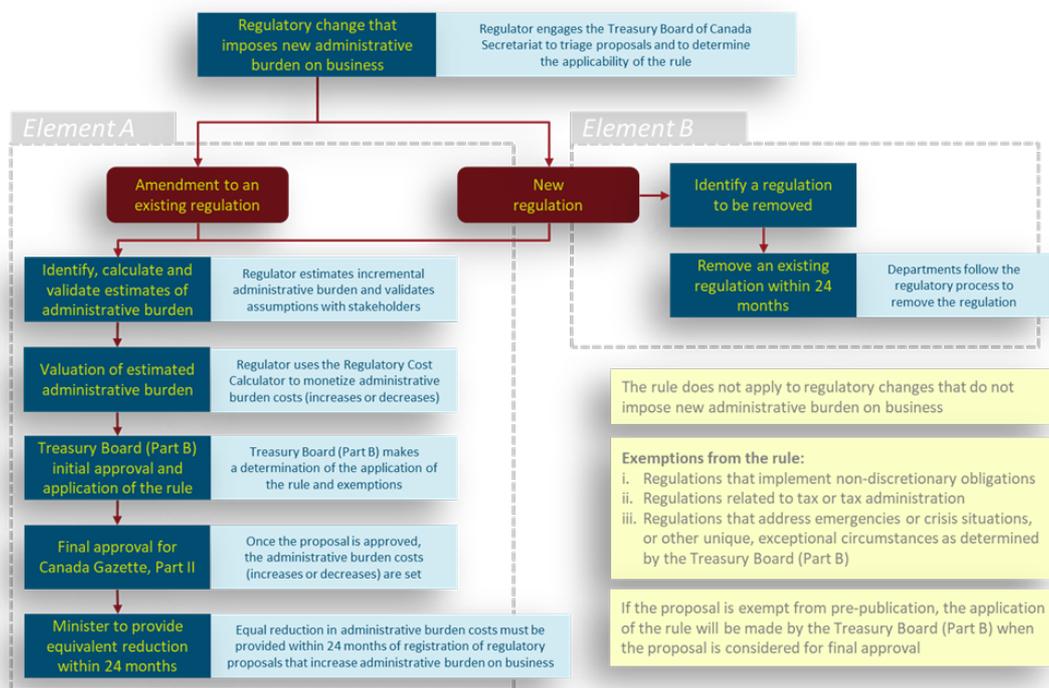
In September 2018, the Cabinet Directive on Regulation was introduced, replacing the 2012 Cabinet Directive on Regulatory Management as the Government of Canada's policy for the regulation-making process. Subsection 5.2.4 of the 2018 Cabinet Directive on Regulation states that regulators must comply with the one-for-one rule and must identify and estimate the cost of administrative burden impacts of regulatory proposals on Canadian businesses, as set out in the Red Tape Reduction Act and the Red Tape Reduction Regulations⁵².

Figure 4 below shows the step-by-step description of how the system works in Canada, for the case of Governor in Council regulatory changes.

⁵¹ See <http://www.reduceredtape.gc.ca/heard-entendu/tr/rrtb-eng.asp>.

⁵² Further detailed information can be found in Section 7 of the Policy on Limiting Regulatory Burden on Business.

Figure 4 – The Mechanics of the One-for-one rule in Canada



As shown in figure 4 above, the rule applies to **all regulatory changes that impose new administrative burden costs on business**⁵³. All federal regulations are generally included, but primary legislation issued by the legislative branch of the government (i.e., Parliament) is not included. When a department intends to seek approval for a new regulation or to amend an existing one, it must engage the Regulatory Affairs Sector of the Treasury Board of Canada Secretariat at the earliest stages of regulatory development so that its level of impact can be determined. At this “triage” stage, the Regulatory Affairs Sector will provide an early indication as to whether the rule applies.

The rule has two elements. Under Element A of the rule, if a new regulation or an amendment to an existing regulation imposes new administrative burden costs on business, departments are required to **monetize and offset those costs with equal administrative burden reductions within 24 months of approval** (i.e., registration of the regulatory change). In particular, departments are required to monetize burden in and out using a **Regulatory Cost Calculator**; and to **consult on their estimates with affected stakeholders**. Element B of the rule requires that all new regulatory titles that impose administrative burden on business be offset by removing an existing regulatory title within 24 months.

The Red Tape Reduction Regulations authorize the Treasury Board to exempt regulations from the requirement to offset burden or titles. The three categories of exemption are:

⁵³ The Red Tape Reduction Act defines administrative burden as “anything that is necessary to demonstrate compliance with a regulation, including the collecting, processing, reporting and retaining of information and the completing of forms”.

- Regulations related to tax or tax administration.
- Regulations that implement non-discretionary obligations: This exemption applies to regulations that implement obligations for which there is no discretion with regard to the manner in which they can be designed and administered.
- Emergencies and crisis situations or other unique, exceptional circumstances.

Following stakeholder consultation on the estimates of new administrative burden costs, departments prepare their regulatory submissions for Treasury Board (Part B) approval to pre-publish the proposed regulatory change in the Canada Gazette, Part I. Not all regulations are pre-published, however, as Treasury Board can exempt regulatory proposals from pre-publication. When considering approval to pre-publish, Treasury Board (Part B) makes a determination as to the application of the rule and whether to exempt the proposal from the requirement to offset based on the categories above.

At the pre-publication stage, regulators receive public comments on the proposed regulatory text and make adjustments as necessary; this provides a final opportunity for refinements before the proposal is finalized and is not considered to be a substitute for thorough stakeholder consultation.

Once adjustments are made (if required) to address public comments, the proposed regulation is submitted to Treasury Board (Part B) for final approval. If approved, it is registered and published in the Canada Gazette, Part II. The requirement to offset titles and burden under the one-for-one rule is required within 24 months of the registration date.

1.4.2 Korea

In Korea a “Cost-in, Cost-out” (CICO) system has formally entered into full force in July 2016 by ordinance of the Prime Minister, after having been launched in 2014 as a pilot. CICO is a mechanism to restrict the increase of the costs of newly introduced or reinforced regulations by abolishing or relaxing regulations that carry equal or greater costs. As of late 2018, 27 central administrative agencies have adopted CICO concerning regulations that generate **direct costs for profit-seeking activities of any individual or business**. Since CICO **requires the responsible agency to conduct a cost-benefit analysis for outgoing regulations** that are bound to offset the costs of newly introduced regulations, there is a built-in mechanism to reassess the validity, rationality, and appropriateness of the existing regulations.

The CICO system entails a different calculation compared to the general RIA analysis carried out in Korea. In particular, the **system looks only at the direct burdens added and subtracted as a result of new legislation**. In this respect, this system does not cover the broader, indirect impacts stemming from regulation for the economy. Table 3 below shows an illustration of this difference.

Table 3 – Calculation of net benefits in RIA and CICO system in Korea

	Benefit		Cost	
	Direct	Indirect	Direct	Indirect
Regulatees	A	B	W	X
Others (general public and government)	C	D	Y	Z
	RIA system: $(A+B+C+D) - (W+X+Y+Z)$			
	CICO system: $A-W$			

Source: OECD and KDI (2007)

The following cases are **exempted** from the CICO programme:

- Regulations necessary for dealing with national crisis or emergency;
- Regulations required to implement treaties or international agreements;
- Regulations directly related to maintenance of order or public life and safety;
- Regulations necessary for preventing financial crisis, securing financial stability, dealing with environmental crisis, and fostering fair competition;
- Regulations associated with administrative fees, administrative actions or administrative sanctions;
- Regulations that are sunseting within 1 year.

Approximately 72% of new regulations established during the pilot project were subject to the exemption of application (OECD, 2017).

In the CICO system, **banking is allowed, whereas trading is not allowed** and the agency increasing regulatory costs is itself responsible also for finding necessary offsets.

In the pilot tests of CICO, started in July 2014, 15 ministries analysed and abolished (or relaxed) 28 existing regulations together in exchange for 24 newly-introduced ones. Only in July 2016 it was introduced in full force covering 27 agencies in total.

All ministries and agencies have to evaluate their performance related to CICO bi-annually. RRO compiles this information and submits it to RRC. CICO is one of the factors that play a role in the evaluation of the ministries' performance. The results are published online. Interestingly, **ministries are graded based on their performance and financially rewarded for very good performance**. The RRC submits an annual report to the National Assembly in which one chapter is dedicated to CICO.

The key advantages of the CICO system in Korea include **greater awareness** of public authorities of the need for ex post evaluation of regulation, as evaluation becomes a conditionality for the identification of the rules to eliminate in case a new regulatory intervention is being proposed. Administrations also reportedly have the **incentive to**

replace old regulations with more efficient ones over time. The system, initially thought to be costly, proved to be **cheaper than other ex post evaluation mechanisms**. And its **impact on the quality of RIA has also been found to be extremely positive** in a recent study jointly undertaken by the OECD and the Korea Development Institute⁵⁴.

1.4.3 Mexico

In Mexico, the new General Law on Better Regulation includes the adoption of an **OIOO rule, which is implemented by the new National Commission of Better Regulation (CONAMER) in the Federal scope of government**. Art. 78 of the new law aims directly at reducing or at least preserving the regulatory stock. Based on the new law, the OIOO rule require regulators to expressly indicate in their regulatory proposals the regulatory obligations or acts to be modified, abrogated or derogated; that the corresponding impact on cost is zero or negative; and that the acts or obligations to be eliminated are referred to the same subject matter or regulated sector than the ones introduced.

Additionally, based on the Presidential decree dated March 8th, 2017, the Federal government initially applied a similar version of the OIOO rule, which requires regulatory authorities to eliminate two⁵⁵ regulatory actions or administrative acts in the same economic sector, in order to issue a new regulation. This initial OIOO rule, as a result of the 2017 Presidential Decree, is still valid for Federal regulatory proposals and the CONAMER currently makes a joint interpretation of both versions of the OIOO.

The General Law on Better Regulation published on May 18, 2018, recovered the OIOO policy at a national level scope, in which the CONAMER has the responsibility of overseeing the implementation of OIOO at the Federal scope of government and the subnational oversight authorities are responsible of overseeing the implementation of OIOO at the subnational scope of government (Congreso general de los Estados Unidos Mexicanos, 2018). The rule requires departments and agencies to offset an increase in direct compliance costs to individuals caused by a newly introduced regulation by repealing or modifying one or more regulatory obligations or acts from the same economic sector with an equivalent or superior value of costs.

The OIOO rule generally applies to **all national regulations imposing direct compliance costs to individuals**. However, the following regulations can be exempt from both versions of the OIOO rule:

- Regulations that address an emergency situation, provided that they have a validity of no more than six months, seek to avoid imminent damage or mitigate existing damage, and an act with equivalent content has not previously been issued;

⁵⁴ <http://www.oecd.org/gov/improving-regulatory-governance-9789264280366-en.html>

⁵⁵ It must be emphasize that this rule might not be interpreted as an "one in two out OITO" rule because the spirit of the Presidential decree was to verify that, for each new regulatory proposal, there would be at least a reduction in the compliance cost for the individuals by eliminating 2 regulatory obligations or acts (including procedures), with a greater emphasis on the amount of cost saved by eliminating these regulatory obligations or acts.

- Regulations with automatic sunset or evaluation clauses;
- Regulations related to the disbursement and operation rules of the Federal subsidies;
- Regulations issued by the President;
- When the regulator proves that the economic sector to be affected by the regulatory proposal does not have current regulations to be eliminated in order to comply with the OIOO rule. In this case, the regulator can request CONAMER to exempt the compliance with the OIOO rule.

In the period of March 9th, 2017 to October 31st, 2019⁵⁶, 13.7%⁵⁷ of the total of new Federal regulatory proposals received by CONAMER were applicable to the OIOO rule.

In Mexico, the CONAMER monitors the offsetting of compliance costs for individuals following the introduction of new Federal regulations as part of the OIOO rule (Estados Unidos Mexicanos, 2017). Since its introduction, the OIOO rule has shown the following statistics in the Federal regulations applicable to the OIOO: between March 9th, 2017 to October 31st⁵⁸, 2019 CONAMER reported USD517 million of new regulatory compliance costs, and almost USD15.8 billion of savings, leading to net savings of USD15.3 billion⁵⁹.

As a conclusion, the following lessons has emerged as a result of the implementation of OIOO rule in Mexico:

1. This tool has become an effective way to differentiate relevant regulations from those that are not, since regulators are not willing to comply with their OIOO obligations in the case of unnecessary new regulations, so with this tool, the oversight authority can easily identify the magnitude of the new regulatory proposals.
2. The implementation and interpretation of the OIOO by the oversight authority has avoided a non-planned dismantling of the legal framework of current regulations in order to comply with the OIOO, since the spirit of this rule focuses on avoiding the increase in the amount of costs of new regulations, without focusing exclusively on the elimination of regulations in order to comply with the rule.

⁵⁶ Source: internal statistical reports in CONAMER

⁵⁷ Between March 9th, 2017 to October 31st, 2019, the CONAMER received 3466 new regulatory proposals from which 2990 (86.3%) were applicable to the exceptions included in the OIOO rule or were regulatory proposals that didn't generate compliance costs to individuals.

⁵⁸ Source: internal statistical reports in CONAMER

⁵⁹ During this period, over 80% of the reduction in compliance costs (12,662.5 million dollars) was result of a regulatory proposal issued by the National Banking and Securities Commission about "Financial Hybrid Limits" (Resolution modifying the general provisions applicable to the institutions of credit), in which at least 4 provisions of current regulatory obligations were repealed as part of the OITO rule. The consequence was more flexibility in the use that credit institutions could give to their capital, so, the credit institutions were able to put more resources in the financial market and that financial profits could not be generated if they had to be placed as capital, as it was stipulated in the initial provisions. The repeal of provisions as a result of the OITO rule implied that credit institutions could generate additional profits in the market of around 12,662.5 million dollars per year.

3. The implementation of the OIOO rule has allowed to systematically increase the quality of regulatory impact analysis and also improve the quality of the human capital dedicated to performing this type of analysis.
4. The adoption of the OIOO rule must take into account a great sensitivity by the oversight authorities in order to safeguard the public interest of regulations and thereby avoid place the obligation of achieving the regulatory simplification before particular situations in which the regulation aims to safeguard the public interest.
5. The statistical evidence of this policy after two years of implementation confirms its success since the savings generated would not have been achieved by another mechanism if the rule did not exist.

1.4.4 The United States

In the United States, under the Trump Administration, Executive Order (EO) 13771 adopted on January 30, 2017, titled “Reducing Regulation and Controlling Regulatory Costs”, introduced a new regulatory budgeting system. The goal pursued by the new Order is to reduce regulation, i.e. reducing the number of regulations; and to control regulatory costs, i.e. avoiding new regulation if it leads to an increase in the costs imposed by the existing stock of federal regulation. The new rule was later accompanied by EO13777 on “Enforcing the Regulatory Reform Agenda”, which aimed at strengthening the governance of regulatory reform inside the administration, in particular by mandating the creation of Regulatory Reform Task Forces in each agency. Overall, the new Executive Orders introduce a radically new system in federal agencies, with substantial consequences for the regulatory process and oversight. EO13771 introduces a number of new features in the U.S. federal rulemaking process:

- A “*stock-flow linkage rule*”, which combines an OI2O rule in terms of number of regulations and an OIOO rule in terms of volume of incremental regulatory costs. The rule mandates that “any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least two prior regulations” (Sec. 2c)⁶⁰.
- A *regulatory budgeting system*, based on which from 2018 onwards the U.S. Office of Management and Budget will attribute specific incremental cost allowances to each federal agency, with a view to reaching an overall target for the reduction of incremental costs, which can change every year.

The new qualifying regulatory initiatives will not only have to comply with the offsetting requirement: they will also need to comply with the pre-existing EO 12,866, which means

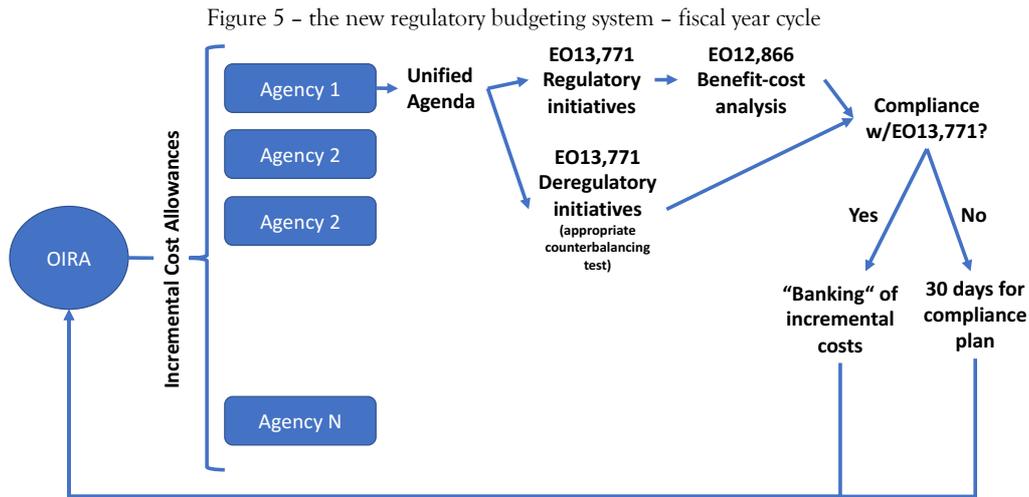
⁶⁰ The expression stock-flow linkage rule is used at the OECD level to denote rules that link the management of the regulatory stock with the adoption of new regulations. See e.g. “Regulatory Policy in Perspective A Reader’s Companion to the OECD Regulatory Policy Outlook 2015”, at <http://www.oecd.org/gov/regulatory-policy-in-perspective-9789264241800-en.htm>.

that they will have to produce net benefits, or at least have benefits that justify the cost. OIRA has also confirmed, in this respect, that the definition of incremental cost to be used for the purposes of EO 13,771 is the same that is contained in Circular A-4 and applied to EO 12,866; and that the renewed focus on incremental costs shall not lead to neglecting regulatory benefits. Agencies will thus be confronted with what could be defined as a double constraint, since they will be asked to propose regulation only after two basic preconditions are met: (i) that the benefits of the new rule justify the costs (EO 12,866); and (ii) that the incremental costs are offset by at least two qualifying deregulatory actions, which have to be identified and finalized at the time of adoption of the regulatory action, and certainly by the end of the fiscal year (EO13,771).

The new guidance document also explains that the term “offsetting” implies that the cost of new significant regulatory initiatives will have to be “appropriately counterbalanced” by incremental cost savings generated by the deregulatory actions, consistently with the agency’s total incremental cost allowance. Depending on the agency’s incremental cost allowance, the rule might thus not take the form of a precise “one in, one out” rule based on the volume of incremental costs, but rather lead to different constraints and objectives for each agency. Imagine, for example, that the EPA has been given a mandate to reduce regulatory burdens by 25% (or a nominal amount, say \$500 million) in 2018: then, rather than simply offsetting the incremental cost of each new qualifying regulatory initiative, the EPA will have to ensure that the sum of all “ins” and “outs” is consistent with the negative incremental cost allowance. This, as will be discussed below, could lead to cases in which an agency abandons the adoption of potentially welfare-enhancing regulatory initiatives since they comply with EO12,866, but not with the specific incremental cost allowance attributed to the agency by the OMB.

Agencies that do not comply with the incremental cost allowance by the end of fiscal year will be given a strict deadline of 30 days to develop a compliance plan. If they comply, or go beyond the allowance, they will be able to “bank” incremental cost allowances for the subsequent fiscal years. They will also be able to request, whenever appropriate, that some of the incremental cost allowances be transferred to or from other agencies, subject to approval by the OIRA.

Figure 5 below provides a sketch of the new cycle, in which OIRA attributes incremental cost allowances, agencies



Source: Renda (2018)

From fiscal year 2018 onwards, **the OMB also attributes an incremental cost allowance to each agency**. Each agency then has to draft a yearly Unified Agenda of Regulatory and Deregulatory Actions, in which foreseen actions leading to qualifying regulatory and deregulatory actions are identified. As clarified by OIRA, the rule applies (at least for the “one in” part) only to “significant regulatory actions”, as defined in Section 3(f) of EO 12,866 (which continues to apply)⁶¹; as well as to “significant guidance documents”, as defined in OMB’s Final Bulletin for Agency Good Guidance Practices⁶². For each new such initiative planned, agencies have to issue and finalize during the fiscal year at least two “EO13771 deregulatory actions”, which have total incremental costs less than zero and qualify both as “two out” measures; and for the purposes of meeting the overall incremental cost allowance attributed to the agency by the OMB. Importantly, the new guidance document clarifies that deregulatory actions may lead to either repealing, or also merely revising existing regulations to reduce incremental costs, contrary to what the previous interim guidance document implied⁶³. All in all, it seems that the two offsetting requirements (“one in one out” in terms of incremental costs, and “one in two out” in terms of number of regulations) will be separable at the time of adopting new significant regulations; but **will have to be jointly met by the end of the fiscal year**.

⁶¹ These are regulations that have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities (also termed “economically significant regulations”); and regulations that create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; materially alter the budgetary impact of entitlements, grants, user fees, or loan programmes or the rights and obligations of recipients thereof; or raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in this Executive order. Importantly, under Executive Order 12866, OIRA is responsible for determining which agency regulatory actions are “significant” and, in turn, subject to interagency review.

⁶² See <https://www.gpo.gov/fdsys/granule/FR-2007-01-25/E7-1066>.

⁶³ See M-17-21, answer to Question 35.

The new system introduced by EO13771 and EO13777 is substantially different, and in many respects, more ambitious and complex than the regulatory budgeting and stock-flow linkage rules that have been tested in other countries. In particular, the U.S. is **seeking the implementation of such rules without narrowing down the scope of the system to compliance costs or administrative burdens**. This is a very critical choice since all comparable systems have significantly departed from the notion of opportunity cost that typically backs economic analysis of the social welfare impacts of regulation. Many of these countries have adopted simpler and narrower cost definitions and rely on financial analysis as opposed to economic analysis, with the clear intent to simplify the whole exercise and avoid having to engage in complex calculations of opportunity costs, in particular ancillary or indirect ones, or distributional impacts of regulation. To the contrary, the U.S. system promises to remain in line with a more economically sound approach to regulation, but it is difficult to foresee whether this methodological choice will prove sustainable.

Among the most relevant question marks that surround the new system are thus the following: whether the U.S. administration will manage to reconcile benefit-cost analysis with the regulatory budgeting system introduced by EO13771 and EO13777; whether the new rules will incentivize more meaningful retrospective review of regulation in each agency; whether the new system could lead to strategic behaviour both on the side of agencies, and OIRA; and whether the combined effects of budget cuts and regulatory cuts could really undermine the stability and soundness of the U.S. regulatory state.

1.5 Summary table and graph: OIXO rules in Europe and beyond

Table 4 below shows a summary of our comparative analysis of OIXO rules in the EU Member States and in non-EU OECD Member States. As already mentioned, in the EU28 there are ten countries that already have such rules in place; two countries in which the rule was recently discontinued; one country where it is formally in place but not implemented in practice; and four countries that are currently planning to adopt an OIOO rule. In addition, we report information on existing OIXO rules in Canada, Korea, the USA, and Mexico.

Table 4 – Overview of the experience with OIXO rules in EU member states and non-EU OECD Countries

Country	Rule	Type of costs covered)	Scope (law)	Regulated entities)	Timing of offsets	Banking	Trading	Exemptions	Details	Experience
Austria	OIOO	Administrative burdens and substantive compliance costs	Federal legislation	Citizens and businesses	n.a.	n.a.	n.a.	n.a.	OIOO foreseen in the Deregulation Act 2017.	n.a.
Denmark	OIOO (discontinued in the summer of 2019)	Administrative burdens and substantive compliance costs	Primary and Secondary legislation (but not independent agencies)	Businesses	Simultaneous	No	No	1. Minimum implementation of EU regulation. 2. Large deals with the business community (e.g. deals made by labor and employer organizations). 3.Substantial public interest.	The 2015 OIOO was part of the burden stop on business regulation.	Administrations became more attentive to costs. The rule was however discontinued by the new government.
Finland	OIOO	Administrative burdens and substantive compliance costs	Primary legislation (pilot)	Businesses	Within Government term.	Yes	No	Emergency legislation	Pilot test in 2017, applied in two ministries and including also major compliance costs. Pilot continued in one ministry after 2017.	Positive so far (still pilot)
France	OI2O (number), OIOO (costs)	Administrative burdens and substantive compliance costs	National regulations, decrees and circulars	Businesses, Local Administration and services, Citizens	Simultaneous	No	No	Decrees without impact on civil society and decrees that accompany new laws or regulations	Since 2015 OIOO. Then OI2O in 2017 with Macron.	First tests did not achieve the desired results. The government decided to move to an OI2O for this reason.

Germany	OIOO	Administrative burdens and substantive compliance costs	Primary and Secondary legislation	Businesses	Within a year's time	No	Yes	Ministry can ask the steering group of state secretaries for an exemption (never happened to date) Taxes and Budget 1:1 transposition of EU-directives Decisions of the Constitutional Court	Since 2015 OIOO. Limited to costs for businesses. Offsets should occur within a year's time.	Positive: ministries became more attentive to costs.
Hungary	OIOO	Administrative burdens and substantive compliance costs	Primary and secondary legislation submitted to the Government	Citizens and businesses and public administrations	Simultaneous/ within a short time	No	No	-	Government Decision in March 2019.	Positive: administrations became more attentive to costs
Italy	OIOO	Administrative burdens and substantive compliance costs	Primary and Secondary legislation (but not independent agencies)	Citizens and businesses	Within 90 days after the publication of the annual report	No	No	Fiscal, tax, public games and lotteries regulations are exempted.	Since 2011 OIOO rule in the Statuto delle Imprese. It is a sort of regulatory budgeting system applied to administrative burdens only.	
Latvia	OIOO	Administrative burdens and substantive compliance costs	Primary and Secondary legislation	Business	Within 6 months (but offsetting measures are announced in the impact assessment of the "in" regulation)	No	No	1. Budgeting and tax policy. 2. Compliance with minimum requirements to be introduced in the EU 3. International agreements and obligations 4. Emergency regulation 5. Situations where the issue needs to be addressed immediately in relation to	Entered into force since 1 st November 2019	n.a.

									the occurrence of adverse effects affecting the essential interests of the public (incl. consumers) or the international, financial, economic or security interests of the country, assessed on a case-by-case basis.		
Lithuania	OIOO	Administrative burdens	Primary and Secondary legislation	Businesses	n.a.	No	No	n.a.	OIOO - Cap on Administrative Burdens in 2014	n.a.	
Spain	OIOO	Administrative burdens	Government regulation	Businesses	Within a year's time (but offsetting measures are announced in the impact assessment of the "in" regulation)	No	Yes	<ul style="list-style-type: none"> • Transposition of EU legislation or international agreements • Regulations on civil emergencies; • Measures to prevent financial risk, contain inflation, regulate taxes and fees, fines and penalties and social security contributions • Regulations with temporary validity (especially those with an annual term) 	Since 2013, for administrative burdens	Positive: administrations became more attentive to costs, the quality of IAs improved, along with the quality of regulation	
Sweden	OIOO	Administrative burdens	Primary and Secondary legislation	Businesses	n.a.	n.a.	n.a.	n.a.	"Loose" OIOO: Administrative burdens for businesses should be lower in 2020 compared to 2012.	n.a.	

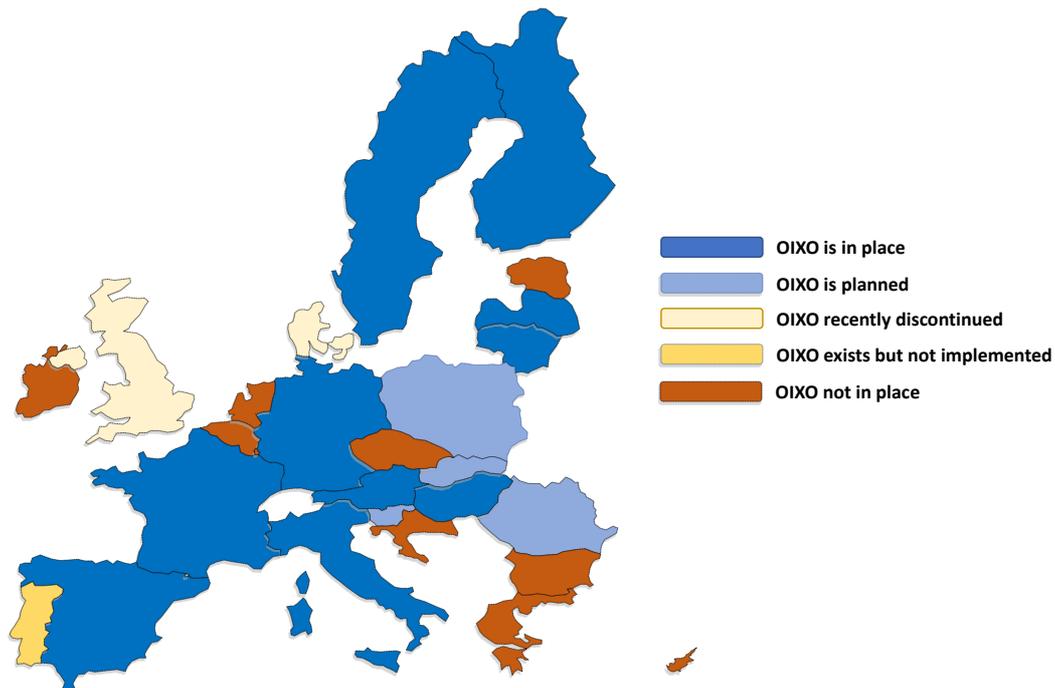
The UK	OIOO in 2011; OI2O in 2013; OI3O in 2016 and 2017	Administrative burdens and substantive compliance costs	Primary and Secondary legislation	Businesses						Currently the OIXO rule is only a lever by which to help deliver the Business Impact Target, which is a statutory requirement.
Poland – planned introduction of an OIOO rule										
Romania – planned introduction of an OIOO rule										
Slovakia – planned introduction of an OIOO rule										
Slovenia – planned introduction of an OIOO rule										
Non-EU OECD countries with an OIXO rule										
Canada	OIOO	Administrative burdens	Secondary legislation		Within 24 months	Yes	No	<ul style="list-style-type: none"> Regulations that implement non-discretionary obligations; Regulations related to tax or tax administrations; Regulations that address emergencies or crisis situations, Or other unique circumstances. 		
Korea	OIOO	Administrative burdens and substantive compliance costs	Secondary legislation			Yes	No	<ul style="list-style-type: none"> Regulations necessary for dealing with national crisis or emergency; Regulations required to implement treaties or international agreements; Regulations directly related to maintenance of order or public life and safety; 		

								<ul style="list-style-type: none"> • Regulations necessary for preventing financial crisis, securing financial stability, dealing with environmental crisis, and fostering fair competition; • Regulations associated with administrative fees, administrative actions or administrative sanctions; • Regulations that are sunset within 1 year. 		
Mexico	OIOO	Administrative burdens and substantive compliance costs	Secondary legislation					<ul style="list-style-type: none"> • Regulations that address an emergency situation, provided that they have a validity of no more than six months, seek to avoid imminent damage or mitigate existing damage, and an act with equivalent content has not previously been issued; • Regulations with automatic sunset or evaluation clauses; • Regulations related to the disbursement and operation rules of the Federal subsidies; • Regulations issued by the President; • When the regulator proves that the economic sector to be affected by the regulatory proposal does not have current 		

								regulations to be eliminated in order to comply with the OIOO rule. In this case, the regulator can request CONAMER to exempt the compliance with the OIOO rule.		
The United States	OIOO (coupled with OI2O in terms of number of rules)	Administrative burdens and substantive compliance costs	Secondary legislation	Citizens and businesses	By end of fiscal year	Yes	No			

Figure 6 below shows a map of the EU28 with an indication of those countries in which an OIXO rule is currently in place (deep blue); countries in which the introduction of the rule is currently being planned (blue); and countries in which the rule used to be in place, but was recently discontinued (light yellow); countries in which the OIXO rule formally exists, but is not being implemented (yellow). Countries where no such rule is in place are marked in brown.

Figure 6 – The experience of EU Member States with OIXO rules



As shown in the figure, a large number of Member States, representing a large portion of the GDP and the population of the EU, currently have an OIXO rule in place. More specifically:

- Many Member States have chosen to cover both administrative burdens and substantive compliance costs in implementing their OIXO rules. They include Austria, Finland (pilot), France, Hungary, Germany and Sweden.
- Italy, Latvia, Lithuania and Spain have a rule in place that is limited to administrative burdens.
- Four Member States (Poland, Romania, Slovakia and Slovenia) are planning to introduce an OIXO rule in the near future.
- One Member State (Portugal) has introduced an OIXO rule but never implemented it.
- Two Member States (the UK and Denmark) has had an OIXO rule until recently, but the rule has been discontinued by the new government.
- All countries marked in “brown”, as will be explained in the next section, have experimented with the measurement of administrative burdens in the past years.

In summary, a number of lessons can be learnt from the observation of the national experience with OIXO rules at the EU level. First, the majority of EU member states has already developed experience with OIXO rules: such experience is prevalently positive, which motivates many national governments to support the adoption of a similar rule at the EU level. Second, countries have reported that the key advantage of the OIXO rule is a “disciplining” effect on administrations, which appear to have become more attentive to costs as a result of the introduction of the rule. Third, most countries incorporate a degree of flexibility, by allowing for a closed number of exemptions in the application of the rule; allowing modifications of legislations, rather than only repeals; and granting the administration a relatively long timeframe for the adoption of the reduction measures that realise the “outs” (e.g. within a year, or within the solar year). Fourth, and not surprisingly, countries that have extended the application of the OIXO rule beyond administrative burdens, to embrace also substantive compliance costs, have reported more significant results: as a matter of fact, administrative burdens are most often a tiny share of direct compliance costs.

2 Experience of EU and OECD countries with burden reduction targets

Most EU Member states have had, or currently have, experience with burden reduction targets. Already in Renda (2017) a comprehensive overview of these experiences was presented. For the purposes of this study, we have updated the national experiences and integrated in our analysis the results of our survey, which (as already mentioned) retrieved 21 useful responses (See table 1 above).

2.1 Experience in the EU Member States

2.1.1 *Austria*

In Austria, a programme to reduce administrative burdens was launched already in 2006. The following year administrative burdens were estimated at 4.3 billion Euros (1.6% of GNP). A 25% reduction target for administrative burdens (around one billion Euros) was set and achieved by 2012. Measures such as the Business Service Portal and e-invoicing were major simplifications. Another plan was launched, based on surveys and interviews, in 2009 and led to the identification of the 100 most burdensome activities for citizens; this then led to 140 reduction measures, aimed at reducing burdens by at least seven million hours (out of a total of 32.3 million hours generated by the 100 most burdensome pieces of legislation): eventually the government announced in 2014 a reduction of 7.4 million hours, which slightly exceeded the target.

In line with the work programme of the Austrian Federal Government for 2013 to 2018, a task and deregulation commission was established. 245 concrete reform proposals with an enormous potential for savings were elaborated and proposed to the Federal

Government. The work programme of the Federal Government for 2017/2018 also included concrete measures to reduce the number of regulations, which should lead to a sustainable relief for citizens and companies. Besides the OIOO rule, the government committed to ensuring that all new regulations will only be enacted for a certain amount of time (“sunset legislation”); and that when transposing EU legislation into national law, any higher level of regulation than foreseen at the EU level will have to be duly justified (to avoid “gold-plating”). The government programme for 2017-2021 acknowledged problems of administrative burden for the business environment.

Seeking to reduce, inter alia, this burden, Austria adopted a new ‘clearing’ law (*Zweites Bundesrechts-bereingungsgesetz*), pursuant to which all federal laws adopted before 2000 were repealed by 31 December 2018 unless listed in the law’s annex. This concerned 5 000 (basic) legal acts, half of which (631 [38%] out of 1645 statutory laws, 1823 [49%] out of 3355 government regulations) were repealed (including younger legal acts, 1604 statutory laws, and more than 3500 government regulations remained).

As a further step to reduce administrative burdens for businesses, the Federal Government recently launched the national Once-Only-Principle program. Relevant information obligations for businesses will be recorded in an Information Obligation Database to foster the detection and elimination of redundancies in business reporting. This is achieved by recording all forms, data fields and legal passages involved in processes between businesses and the government. The implementation of an Information Hub connecting decentralized registers will lead to an easier data exchange between public agencies and to fewer reporting duties for businesses.

All in all, **Austria has had a very positive experience with burden reduction targets** for businesses, but does not currently have a specific target for its administrative or compliance costs.

2.1.2 Belgium

In **Belgium** efforts to simplify the legislative environment and reduce administrative burdens started very early, at least 25 years ago. Initiatives such as the *Auditform* and the *Kafka* portal (1999) were pioneers in the field of administrative burden reduction. A Measuring Office operates since 2007 within the Administrative Simplification Agency (ASA, itself created in 1998), with the mandate to capture the changes in administrative burdens caused by the adoption of new or changed regulations in selected areas. A publicly available database includes the main measures of the administrative burden for companies and the self-employed in Belgium from the biennial surveys conducted by the Federal Planning Bureau (FPB) since 2000: the database also includes a qualitative part, which allows the evolution in the perception of the quality of regulation and of contacts with the administration to be followed. The database, limited to businesses (companies and self-employed), is conducted every two years using the same methodology and includes three regulatory domains for companies - employment, taxation and the environment - and two regulatory domains for the self-employed - taxation and the environment. Despite all these

efforts, however, both the OECD (2015) and the European Commission (in its country specific recommendations for Belgium, May 2016) argued that “the business climate is hampered by administrative and regulatory burdens, which inhibit the creation and expansion of companies”⁶⁴.

At the request of the Council of Ministers and in collaboration with the Administrative Simplification Agency (ASA), the Federal Planning Bureau is responsible for estimating, every two years, the amount of the administrative burdens on companies and self-employed persons in Belgium⁶⁵. In 16 years, the relative weight of administrative expenses has been reduced by more than half, from 3.48% of GDP in 2000 to 1.60% in 2016. The "SME Plan" approved on Friday 27 February 2015 proposes 40 concrete measures to support SMEs in their development. The objective of this plan is to generate **30% savings for companies**. Among proposed reforms are the creation of a “one stop shop” for SMEs (the Crossroads Bank for Enterprises, CBE) and a systematic and more targeted dissemination of contract notices on existing electronic procurement portals⁶⁶. The 30% reduction target **applies to business-relevant legislation and specific sectors/policy areas**. The results obtained **only concern administrative burdens on companies and self-employed people**, not those faced by citizens. In addition, the survey addressed to companies only covers **administrative burdens in three regulatory areas, taxation, employment and the environment**, and the survey addressed to self-employed persons only covers costs administrative matters related to **taxation and the environment**. The target applies to both administrative burdens and substantive compliance costs and is expressed in percentage.

In Flanders, the government has experimented in the past with the OIOO rule, and is currently very actively seeking the reduction of administrative burdens. A Compensation Rule for Administrative Burdens was introduced by the Flemish Government in 2004 (VR/2004/1712/DOC.1271). The rule implied that any increase in administrative burdens as a result of a government decision (decree, decision, etc.) had to be accompanied by an equally large reduction in existing administrative burdens (thus, configuring an OIOO rule)⁶⁷. After an internal evaluation, however, the rule was no longer maintained as from 2014. The reasons for discontinuing the application of the rule were related to the too small number of dossiers in which the impact on administrative burdens was being measured, the low quality of the measurements, the lack of perceived impact by the target

⁶⁴ http://ec.europa.eu/europe2020/pdf/csr2016/csr2016_belgium_en.pdf

⁶⁵ The first national survey, conducted from 15 March to 1 July 2001, covered administrative costs in 2000. The second survey, conducted from June 1 to August 31, 2003, focused on administrative expenses for 2002. The third survey, conducted from June 1 to August 31, 2005, was on administrative expenses for 2004. The fourth survey, conducted from June 1 to September 5 2007, covered administrative expenses for 2006. The fifth survey, conducted on June 1 as at 7 September 2009, covered administrative expenses for 2008. The sixth survey, conducted from May 4 to September 6, 2011, covered administrative expenses for 2010. The seventh survey, conducted from 31 May to 3 September 2013, covered administrative burdens in 2012. The eighth survey, conducted from 29 May to 3 September 2015, covered the administrative costs of the year 2014. This ninth investigation, conducted from May 31 to September 20, 2017, focuses on the charges of the year 2016.

⁶⁶ See: <https://www.plan.be/databases/data-29-fr-les+charges+administratives+en+belgique> and http://www.cerap.be/IMG/pdf/charges_administratives_2016.pdf

⁶⁷ This compensation rule was also mentioned in the report ‘Better Regulation in Belgium’ by the OECD, at <https://www.oecd.org/gov/regulatory-policy/betterregulationineuropebelgium.htm>

groups, and the decision by the Flemish government to go beyond the ‘standard cost model’ to consider various types of costs to be reduced, including i.a. through eGovernment - projects. In the new coalition agreement of the Flemish government 2019-2024 there are several engagements for reducing administrative and regulatory burden. These include a commitment to systematically reduce the regulatory burden on citizens, companies and associations by making them less restrictive and less detailed. The government also works on administrative simplification from the bottom up, in cooperation with the local authorities, and ask the input of citizens, companies and associations to remove administrative barriers and unnecessary legal obligations.’

2.1.3 Bulgaria

In **Bulgaria**, three consecutive plans for the reduction of administrative burdens have been completed between 2009 and 2018. All these plans **focus on administrative burdens and on businesses only**, and mostly covered purely national legislation, rather than transposition measures of EU legislation. Bulgaria had a **20% reduction target for administrative burdens** during the implementation of the first and the second Action plans and 30% reduction target during the implementation of the third Action plan. The first target was introduced in 2009 and it applied to business-relevant legislation, or specific sectors/policy areas. The target only applies to administrative burdens. And it is expressed in percentage⁶⁸. The second target was introduced in 2015 and by the end of 2018 was achieved 26% of the planned 30% reduction.

More recently, during 2017 and the first quarter of 2018, new measures were adopted to ease administrative burdens on SMEs:

- The Decision 338/2017 of the Council of Ministers, ‘Reduction of Administrative Burden’ intends to reduce further administrative burdens by withdrawing the requirement for presenting certified/notarised documents to the public administration.
- The ‘Strategy for the Development of Electronic Governance in the Republic of Bulgaria 2019-2023’ aims to define new and improved e-services.

In addition, the ‘Amendment to the Administrative Procedure Code’ was formally announced during the current reference period. The measure intends to digitalise administrative proceedings.

By Decision of 5 October 2018, the Council of Ministers approved a new package of 1 528 measures aimed at changing and improving administrative services for citizens and businesses. The changes are based on data from visits of 3 700 points providing services from all central administrations and their territorial units, including all district, municipal and regional administrations.

⁶⁸ See Atanassov (2017).

Bulgaria reported a rather **negative experience with reduction targets**, but **thanks to the target the administration became more attentive to costs**. The main negative effects was that businesses did not feel the relief from regulatory costs. The main obstacle was that it was difficult to quantify and monetise costs. Overall, the government reported that the measurement and quantification of costs is extremely expensive and difficult, and at the same time companies did not see a difference before and after achieving the target.

2.1.4 Croatia

In Croatia, the Ministry of Economy Entrepreneurship and Crafts has implemented the Standard Cost Model and SME Test to help support businesses, which face steeper burdens and procedures than in many comparable countries. More specifically, Croatia is using the SME test for the prevention of the introduction of new administrative costs measured by SCM methodology. This method enabled the rapid identification of various burdens and the effective preparation of reform measures, as well as the possibility of monitoring the quality of the implementation of these reforms. In addition, the Croatian administration is planning to extend the scope of the impact assessment for the SME test to other criteria by introducing new regulatory impact assessment methodologies for secondary legislation (e.g. using adapted cost-benefit analysis). Regarding the implementation of a regulatory offsetting model, the Croatian government considers the merit of starting with minor, gradual steps, such as focused reviews of existing regulations, strengthening administrative capacity as well as building a comprehensive Better Regulation system. All of that in long-term is expected to will provide a good foundation for the possible setting up of the OIOO model.

The Action Plan for Administrative Burden Reduction on the Economy is part of a broader reform package from the National Reform Plan drafted by the government within the European Semester. The purpose is to create an improved investment climate, simpler business conditions and to provide easier access to market services through the full implementation of the EU Services Directive. The three action plans (2017, 2018 and 2019) cover administrative commitments of the current annual cost for the economy of HRK 12.4 billion, and the implementation of all measures under these action plans will open up the relief of HRK 2.7 billion or a total decrease in measured liabilities by 21.86%. In less than three years, the Croatian government has implemented 300 measures that include some kind of administrative burden reduction, at the same time 821 SME tests were carried out.

The Ministry of Economy, Entrepreneurship and Crafts estimates that implementing all the measures would save the economy HRK 625.9 million – an administrative burden reduction of 12%. The goal for administrative reduction until the end of 2021 is 21%. The cost reduction target applies to business-relevant legislation and to administrative burdens; it is expressed in percentage.

Overall, the Croatian government had a positive experience with reduction targets, as the administration became more attentive to costs. There were no negative effects, but the biggest obstacle was the resistance in the administration.

2.1.5 Cyprus

In **Cyprus**, there have several, partly successful attempt to measure administrative burdens for businesses, and at the end of 2011 the government presented the results of a project on the reduction of the administrative burden, which lasted from November 2009 to the beginning of 2011 and formed part of the Better Regulation initiative. A manual for the mapping and reduction of administrative burdens, entirely inspired by the SCM, was published by the government in 2011. **The goal was to achieve a 20% reduction of administrative burdens on businesses by the end of 2012:** the project included a mapping of 5,500 different legal obligations imposed on businesses, the selection of 8 areas of priority and the measurement of costs generated by such obligations. The 30 proposals that emerged from the final report were almost entirely implemented by June 2013, reaching a **total of about 19% reduction of administrative burdens**. Another action plan on better regulation was then approved by government in October 2015, and was accompanied by selected, sectoral initiatives to reduce burdens in specific sectors. For example, **a 25% reduction target was introduced in the tourism sector** (study published in December 2015); and dedicated inquiries have been launched in the construction permits sector (started in September 2016), in the Social Insurance Service administration, in the Civil Registry and Migration Department and in the simplification of environmental permits (started in January 2017).

A new Action Plan for better regulation for 2019-2022 was approved by the Council of Ministers in November 2019, which consists of **policy areas of high priority for the reduction of administrative burden**, under three priority axes:

- (i) Simplification of procedures and legislation and reduction of administrative burden.
- (ii) Better law making and impact assessment of new legislation.
- (iii) Embedding the culture and enhancing relevant skills in relation to better regulation.

The new Action Plan includes, among others, actions for the modernisation of the Registrar of Companies and Official Receiver, the Tax Department, the Service of Industry and Technology and the Asylum Service. Furthermore, it includes measures aiming to improve the effectiveness of impact assessment procedures and stakeholder communication: e.g. development of a central government website for e-consultation.

In summary, Cyprus **does not currently have a reduction target** for administrative burdens in terms of numerical quantification, **however sectoral areas have been identified with specific measures being introduced**, as well as **horizontal measures** towards the goal of achieving a reduction in administrative burdens.

2.1.6 Czech Republic

In the Czech Republic, a “Remeasurement of the administrative burden for entrepreneurs” (the Remeasurement Project) was undertaken in 2012, with the help of an external consultancy which performed the independent research on 16 selected administrative tasks and identified the irritating obligations: the exercise led to a total measure of administrative burdens (65.3 billion CZK/year), resulting from 104 legal regulations issued by selected ministries, which imposed 1,338 reporting obligations on entrepreneurs⁶⁹. 53 measures from 12 areas were suggested for reduction of the administrative burden for entrepreneurs. In 2014 a new Expert Group was established with the aim to reduce the burden on entrepreneurs, which informs the public administration about irritating obligations for business. A new goal has now been set to repeal 60 measures by 2015. Another measurement of the administrative burden for entrepreneurs was initiated in 2016⁷⁰.

Today, the Czech Government **does not have any reduction target for regulatory costs**. The Ministry of Industry and Trade has taken systematic steps towards reducing the administrative burden on businesses since 2005. In 2007 the government approved the first plan on administrative burden reduction of the entrepreneurs. The original goal was to reduce the administrative burden by 20% till 2010. Based on the official reports, the **administrative burden was reduced by total 31% till 2016 when compared with 2005**. However, the business association criticized that the results had been achieved mostly by reduction of unused regulation or merging 2 forms into 1. Nowadays, the Ministry of Industry and Trade continues only in fulfilling its program of reduction of administrative burden on businesses. 40 measures are planned to be taken by 2020. **Concrete measures are defined instead of aiming for percentage values**.

The regulatory process is overseen by a dedicated body, the Regulatory Impact Assessment Board, established as part of the Government’s Legislative Council in 2011, and composed of independent experts. RIAB provides statements to RIA reports regarding their form, adherence to the RIA methodology and overall reasoning.

2.1.7 Denmark

In Denmark, a systematic reduction of administrative burdens for business using the SCM was carried out between 2004 and 2010⁷¹. This activity implied extensive use of the SCM and led to a large number of proposals for simplifications, which ultimately **reduced burdens for businesses by a total of 24.6%**. In 2012, a Business Forum for Simplification was established, with the goal of singling out suggestions for further simplification of legislation. Moreover, thematic reviews of the following areas have been carried out: reuse

⁶⁹ A comparison of the data showed a reduction in the administrative burden for entrepreneurs of 24.4% compared to 2005 (in 2013 prices).

⁷⁰ <http://www.mpo.cz/dokument142910.html>

⁷¹ http://erhvervsstyrelsen.dk/file/239619/redegorelse_erhvervslivet_reguleringen_20092010_juni2011.pdf

of data, employment of foreigners, implementation of EU legislation, digitalisation, subnational implementation and processing times, working environment / health & safety, statistics, Denmark as an industrial nation, accounting and taxation. In these areas 60 proposed simplification measures have been identified⁷². With the appointment of the present government in the summer of 2019, the Danish Business Forum for Simplification and the Danish Implementation Council were merged into a Danish EU and Regulatory Forum.

Denmark has had a reduction target for regulatory costs until recently. The last reduction target, introduced in 2016, was **4 Billion Danish Kroner in annual reductions by 2020; a further 2 Billion Danish Kroner had to be reduced by 2025 (EU regulation was exempted)**. The target applied to **business-relevant legislation and to both Administrative burdens and substantive compliance costs**. However, the target was discontinued by the new government in the summer of 2019: after having continuously stepped up efforts to reap the remaining burden reduction potential, Denmark does not any longer have reduction targets, and the focus shifted to achieving simplification and better solutions for businesses and citizens through the promotion of digital-by-default and future-proof regulation as well as intensifying the efforts for simplification of existing regulation at the areas and sectors stakeholders find the most relevant and burdensome.

2.1.8 Estonia

Estonia carried out a Mapping the Evaluation Need of Administrative Burdens and a subsequent Evaluation of Administrative Burdens since 2009. The measurement was then carried out in four areas: economic administrative law, environmental law, construction and planning law, social law. Since 2015, the reduction of administrative burdens has been considered as part of a whole-of-government plan aimed at slowing down the production of legislation and reducing bureaucracy. This plan is particularly focused on the *ex ante* assessment of new legislation, but includes as part of its goals the need to reduce administrative burdens for citizens and businesses.

Although not having concrete targets for reduction for regulatory costs, it was declared also in a 2016 policy document that a reduction in unnecessary burdens, *i.a.* on businesses, has to occur in case burdens in some other areas need to be increased. The perception is that better regulation does not mean deregulation, and reviews have to be done case by case. Moreover, the government has simultaneously launched the **zero-bureaucracy project** with the goal to reduce burdens on businesses by collecting ideas for reductions from businesses themselves.⁷³ Several reductions have already been introduced as a result and several will be introduced in the near future.

The zero-bureaucracy project ended in December 2018 and follow-up activities are currently underway. These activities mainly focus on ensuring that all burdens imposed are

⁷² <http://enklereregler.dk/temaer>

⁷³ <https://www.mkm.ee/en/zero-bureaucracy>.

as simple to fulfil for the subjects as possible, mainly using innovative digital solutions. Reducing administrative burdens is also an objective under the Research, Development, Innovation Strategy and Entrepreneurship Strategy 2021-2035.⁷⁴ These aims are achieved through legislation and through practical solutions, e.g.:

- There is a continued policy that all burdens introduced must be guided by public interest and proportionate towards the subject. This also means that all unmotivated and disproportional burdens should be abolished. In order to enhance the achievement of this goal, there are plans to improve the drawing up of impact assessments through (partial) automatization of administrative burden calculations.
- The fulfilment of the obligations should be based on once-only principle (data and information), be as automated as possible and take place in real time. This includes the development of Real-Time Economy conception and the use of single digital gateways when dealing with public sector.

2.1.9 Finland

Finland has carried out numerous studies on administrative burdens for businesses in the period 2008-2012⁷⁵. The government from June 2015 to May 2019 started a new programme to reduce and simplify regulation. Under the plan, Finnish ministries are supposed to come up with lists of legislation to be amended or repealed in 2015, to establish indicators for deregulation in 2016 and to propose legislative amendments in 2016-2017. Specific plans were also formulated to reduce burdens in specific areas, such as simplified permits and compliant procedures for companies. In terms of governance, an independent Council of Regulatory Impact Analysis was established at the Prime Minister's Office in December 2015. The Council is responsible for issuing statements on government proposals and on their regulatory impact assessments. It aims at improving the quality of bill drafting and, in particular, the impact assessment of government proposals. It also aims to develop the overall bill drafting process including the scheduling and planning of government proposals and bill drafting. In April 2016, the Government appointed the Council for its first term of office, running from 15 April 2016 to 14 April 2019. The current term of office runs from 15 April 2019 to 14 April 2022.

A project was launched by the Prime Minister's Office on freezing regulatory costs that incur to business companies (Tuominen-Thuesen et al. 2018). The main results are summarized by Ahonen (2018) as follows:

- The notion of “regulatory burden” should be used only with caution.

⁷⁴ <https://www.hm.ee/en/activities/strategic-planning-2021-2035>.

⁷⁵

https://www.tem.fi/en/enterprises/reduction_of_the_administrative_burden_on_businesses/initial_level_of_administrative_burden_on_businesses/studies_of_the_administrative_costs_and_administrative_burden_on_businesses

- The focus on relieving regulatory burdens should be upon unnecessary burdens rather than any regulatory cost.
- One focus in reforming regulation should be put upon systems of government-awarded permits.
- Sufficient attention should be paid to reducing burdens to the regulated from having to provide regulation-related information for the public authorities.
- High-quality and adequately resourced preparation of legislation comprises one of the important preconditions for high-quality regulation.
- Abolishing contradictory, imprecise, complex and ambiguous regulation should continue.
- Regulatory burdens should be assessed together with other broad-based policy impacts. The multiplicity of the objects of regulation should be taken into account, from business companies to citizens and voluntary organizations.

2.1.10 France

In France, after a first application of the Standard Cost Model in 2004, the government decided to rely on a simpler method to continue monitoring the evolution of administrative burdens⁷⁶. In 2013, the government introduced a “simplification shock” that involved the creation of a Business Simplification Council (January 2014) and the appointment of a Minister of State for State Reform and Simplification attached to the Prime Minister (June 2014). A first package of 124 business simplification measures was announced in July 2013 and 50 new business simplification measures have been announced every six months since April 2014. Measures include the “ask only once” programme designed to reduce the provision of redundant information requested from businesses and the “silence means consent” principle for a first batch of procedures. The government has adopted in 2015 a “one-in, one-out” approach to regulation.

Accordingly, it developed a simpler, less systematic measurement method based on user surveys. These surveys are based on life events which generate administrative procedures (e.g. birth of a child, setting up a business) and must make it possible to identify the most complicated, frequent and/or irritating administrative formalities for different categories of user (members of the public, firms, associations). The approach therefore changes from

⁷⁶ The Oscar database was developed in order to take account of the administrative burden of new regulations, which implies a “net” target. As such it is interesting for the purposes of this project, even if it is not used in support of a comprehensive baseline measurement of regulatory burdens or costs. Oscar uses reference data collected from DGAFP (*Direction générale de l'administration et de la fonction publique*), the INSEE statistics office and the Budget Directorate on the hourly costs of civil servants and the cost of company employees for each socio-professional category and sector of activity. Furthermore, the database resulting from the work of the MRCA (Measure to reduce the Administrative Burden) provides preliminary information on the default values in Oscar for the “initial deployment” phase and the additional learning cost and indicates reference values for the recurrent application phase to the user.

one that is basically top down to one that is bottom up, and the emphasis has squarely been placed on “listening to users”. For each of these life events, the Directorate-General for the Modernisation of the State (DGME) analysed the procedures users had to follow and, using the findings of sample satisfaction surveys, identified points along the way where procedures could be improved. Since October 2008, the DGME conducted studies, working closely with a specialised institute, to gain an understanding of what users expected (users were divided up into four target groups: members of the public, businesses, subnational levels and associations). The surveys were aimed at identifying both problems encountered in the course of administrative procedures and users’ expectations as regards the procedures to be simplified (how easy/complicated the user perceived them to be for a given life event). After the surveys had been completed and their findings analysed, the DGME established lines of approach to simplification in collaboration with different ministries and identified 15 areas of work or measures to be pursued by the ministries. These 15 work areas or measures constitute the simplification plan announced in October 2009.

The DGME identified a lead ministry (or inter-ministerial body as the case may be) and prospective head of project for each area of work. The monitoring of progress in each work area is part of the overall process of monitoring the RGPP programme. Indeed, the DGME published an initial report on the progress made with each of the 15 measures in February 2010. In the past three years, the government has promoted even further its simplification agenda. 450 new simplification measures have already been tabled since the announcement in March 2013 of a “simplification shock” by the President of the Republic. The Government then introduced 92 new measures on 1st June 2015. These are aimed at facilitating everyday life for French people in various sectors: justice, social, administration, economy, business and industry. Of these measures, 40 are designed to simplify everyday life and procedures for individuals.

More recently, the Prime Minister has planned, in its circular of January 12, 2018, in addition to the establishment by each ministry of a plan for simplification of law and procedures in force, that as of the second quarter of 2018 each sectoral bill would include a component of measures to simplify legislative standards in the same area of public policy and in relation to the purpose of the law. Law No. 2018-1021 of 23 November 2018 on the evolution of housing, planning and digital technology is the first piece of legislation to have implemented this instruction by the Prime Minister. In his circular of July 26, 2017 on controlling the flow of regulatory texts and their impact, the Prime Minister said that “The control of the flow of regulatory texts is the first step of a broader simplification exercise that is intended to also cover the texts of law. As part of the constitutional reform announced by the President of the Republic, it will be up to the Parliament to define the terms of a better framework for legislative production”. However, Constitutional Bill 911 for a more representative, accountable and effective democracy, which was considered by the National Assembly on Sunday, July 22, 2018, does not contain any provisions to better control normative inflation, but rather to rationalize parliamentary procedure. The Senate

has also launched initiatives to simplify laws. On 7 March 2018, it adopted a proposal for an organic law aimed at improving the quality of impact assessments of draft laws.

The Senate has now embarked on a process of repealing old laws on the initiative of its mission of legislative simplification, called "mission BALAI" (*Bureau d'abrogation des lois anciennes inutiles*), launched in January 2018 by his Office. On March 13, 2019, the Senate passed a bill to improve the readability of the law by repealing obsolete laws, which removes 49 laws passed between 1819 and 1940 that have become obsolete. The "mission BALAI" plans to propose the repeal of other obsolete laws adopted between 1940 and 1970.

2.1.11 Germany

Germany has a strategic approach on regulatory cost reduction since 2006. Between 2006 and 2011 it successfully implemented a reduction target of 25% regarding administrative burdens for businesses. With the aid of the Federal Statistical Office, the Federal Government conducted a "baseline measurement" of the costs ensuing from statutory information obligations for businesses, so as to provide a starting point for verifiable cost reductions. The exercise was largely based on the Standard Cost Model, and led to an overall estimated burden of around €49 billion a year due to information obligations under Federal law. The intention was to reduce these costs noticeably – by 25% (net target), i.e. by roughly € 12 billion.

The National Regulatory Control Council (NKR) was introduced to provide independent oversight regarding the respective numbers and figures in the Impact Assessments and to support the Government's efforts to achieve the target. The net reduction target was subsequently achieved in 2013, and since then a Bureaucracy Cost Index has been maintained, which keeps track of new additions and reduction in regulatory costs. The German experience has shown that bureaucracy costs ensuing from information obligations account for only a small part of the follow-up costs incurred by Federal regulations, and this led to an expansion of the scope of the reduction efforts to cover also compliance costs. The "Bureaucracy Reduction and Better Regulation" programme has thus been significantly expanded, as has been the mandate of the NKR. All measures (which include the OIOO rule described above) are based on a common methodology (regarding administrative burdens: SCM, regarding compliance costs: a common methodology, which was developed based on the SCM)⁷⁷.

Recently, the German government has also experimented with "life events" surveys. So far the cost reduction strategy refers only to ex ante assessments. However, in the end, the strategic approach of ex post evaluation should lead to further cost reductions as well (when legislation is reviewed and revised after the ex post evaluation procedure).

In Germany a key role is attributed to the NKR, an independent body in charge of regulatory scrutiny and oversight, with

⁷⁷ See also Renda et al. (2013c), for a description.

Under the Joint Rules of Procedure of the Federal Ministries, the NKR is incorporated into the legislative process. Draft regulations must be submitted to the NKR at the beginning of the coordination process within the Federal Government and in practice, ministries often involve the NKR at an earlier date. Ahead of the Cabinet vote, during all stages of the legislative process the NKR provides informal advice in order to improve the ministries’ impact assessments as far as possible. The NKR issues a formal opinion only at the end of the process, when Cabinet issues the proposals. The NKR has no formal right of veto. The Cabinet, Bundestag and Bundesrat always receive the government drafts together with the NKR’s opinions and the NKR reviews draft regulations from the Bundesrat when the Bundesrat refers these to the NKR. It comments on draft legislation from the floor of the Bundestag only at the request of the parliamentary group or members introducing the bill.

2.1.12 Greece

In Greece, a project to reduce administrative burdens was launched in cooperation with the OECD at the end of 2012. The most burdensome areas (13 economic sectors) were identified through desk research, and the search was later narrowed down to the most burdensome obligations, accounting for approximately **20% of all burdens**. The SCM was used to measure the burdens generated by those laws, Measurement results were presented in 2014, showing a total 3.28 billion Euros generated by the selected obligations. These were followed by 87 recommendations, which were expected to lead to a **25% reduction** of administrative burdens.

The Growth strategy launched in 2018 includes major reforms that will have as a result the reduction of administrative burdens: these include in particular the setup of an e-One Stop Shop (e-OSS) and interoperability between the Taxis and the General Commercial Register/GEMI databases. In collaboration with the SRSS, an action plan is being prepared, aiming at the quantification and assessment of the administrative processes that are most burdensome for companies throughout their lifecycle. The action plan will provide a road map for the simplification and digitization (where applicable) of those processes, based on the one-stop shop and once only principles. With the new law, business licensing is done immediately, with a simple and digital notification in the Integrated Information System, while the required inspections take place later on during the operation of the business, safeguarding more effectively the public interest. While it previously took 30 days on average for a business license to be issued, with the adoption of the new law the operation of a business can begin immediately after the terms and conditions have been disclosed.

The country does not currently have a burden reduction target. However, according to the provisions of the new Law on the “Executive State” (4622/2019), the Government’s annual plan drafted by the Presidency of the Government, can set an annual target for reduction or rationalization of legislation (par. 2 art.50).

2.1.13 Hungary

In Hungary, the Cutting Red Tape Programme (a coordinated set of measures of the Government aimed to reduce administrative burdens for entrepreneurs) started in 2011. An *ex post* evaluation of the programme was completed in 2013, and concluded that the target of 25% administrative burden reduction was successfully achieved.⁷⁸ Subsequently, the Government decided to take actions to further reduce burdens. Based on the National Competitiveness Council’s suggestion – which was established in the end of 2016 – the Government has adopted several amendments to legislation which would make starting a business easier. At its meetings in spring 2017 the Council has focused on short term regulatory measures with immediate impact on the business environment (“quick wins”), identified by using the World Bank’s *Ease of Doing Business* survey as a benchmarking tool. Based on the Council’s recommendations, a number of regulatory amendments were passed in the summer of 2017 in the areas of starting business, construction permits, utility connection procedures and corporate insolvency. As a result of the National Competitiveness Council’s work, in late autumn 2018 the Council accepted the “Programme for a more competitive Hungary”, which synthesizes the initiatives from the Ministry of Finance, the Ministry for Innovation and Technology, the Hungarian National Bank, and the Hungarian Chamber of Commerce and Industry. The programme affects several areas, like taxes, employment, education, health, business environment and service state, with altogether 42 actions.

For what concerns the modernization of the state, the objective of the Good Governance – Magyar Program (2010-2014) was to create a simple, efficient and customer friendly public administration. Later, the Public Administration and Public Service Development Strategy (2014-2020) aimed at building a Service-provider State. The document defines the goals to be achieved. According to these goals, a Service-provider State has to be organised, cost-efficient, professional and through different measures it has to implement integration, bureaucracy reduction and strengthening of the managers. By the year 2019, 306 Government Windows have been set up all over the country with an average distance of 14,4 km between them. In 2018, 13 507 900 customers got their 14 616 789 cases administered in these one-stop-shop offices.

⁷⁸ This Programme identified 114 measures in ten intervention areas, among others, taxation and accounting, e-government, public authority procedures, construction permits and employment. According to an impact assessment report – which was presented to government – by the end of 2013, 96 of the 114 measures had been implemented (8 were canceled, 10 were still being implemented), resulting in a 211 billion HUF administrative burden reduction. The remaining measures were expected to result in an additional 110 billion HUF. Beyond the Cutting Red Tape program, an additional 115-130 billion HUF administrative burden reductions were implemented in this period through other solutions like tax burden reduction, transparency of rules, amendments to the Public Procurement Act, Labour Code, Product Fees Act, OSAP revision, and the introduction of KATA (fixed rate tax for small enterprises) and KIVA (small business tax).

2.1.14 Ireland

In Ireland, a programme for the reduction of administrative burden was run between 2008 and 2012, with a target of 25 per cent reduction of administrative burdens on business by 2012. The programme ran across seven Government Departments, the Central Statistics Office and the Revenue Commissioners. By November 2012 an estimated 18.6 per cent overall reduction had been achieved. Since then burden reduction has carried on, where appropriate, across the gamut of Government activities but has not been seen as part of a single programme. For example, the Companies Act 2014, the Companies (Accounting) Act 2017, the eGovernment strategy 2017-2020 and the Data Sharing and Governance Act have led to very significant reductions of administrative burdens. In addition, the Central Statistics Office’s Response Burden Barometer, which measures the administrative burden placed on the Office’s business respondents in line with the preferred method of calculation of the European Statistical System, has fallen substantially (41.4 per cent from peak to latest). The work of the independent National Competitiveness Council must also be noted, as it focuses mostly on improving the business environment in Ireland (Renda and Dougherty 2017).

The overall experience of the Irish government was positive, as it can be argued that it helped embed consideration of the need to reduce burdens on business balanced with the need for proper protection for, *i.a.*, consumers, employees, the environment, health and safety and financial market stability.

2.1.15 Italy

Italy adopted the Programme for reducing administrative burdens 2007-2012 to reduce administrative burdens on businesses by 25% by 2012. The target was introduced in 2007. The review covered 93 high-impact procedures in the following sectors: Labour and Welfare, Fire Prevention, Landscape and Cultural Heritage, Environment, Taxes, Privacy, Public Procurement, Safety and Health at Work, Constructions. The Government achieved and exceeded the 25% reduction target, reducing the administrative burden by 29%⁷⁹. The target was specific to business legislation. The 93 high-impact procedures to be covered for reduction target were selected also on the basis of stakeholder consultation. The target applies to administrative burdens and is set in percentage.

Targeted simplification measures were adopted to reduce high impact administrative burdens. However, Businesses did not perceive sufficient relief as a result of the measures adopted. This made it very difficult to communicate the added value of the reduction target.

⁷⁹ See results on: <http://www.funzionepubblica.gov.it/i-risultati-del-programma-di-misurazione-degli-oneri-2007-2012>

2.1.16 Latvia

In 2007 Latvia has set the goal to reduce administrative burden on average by 25% of the imposed burden in obtaining licenses and permits, VAT, administration of excise duties, registration of real estate, employment of labour, receipt of direct and area payments in agriculture, etc. areas⁸⁰. Even if the document came with no precise methodology, it was at least partly successful in promoting reform inside the administration. In 2007, the first pilot projects to define administrative costs and administrative burdens were launched. These studies included an analysis of the existing regulatory framework (ex-post analysis) to identify the regulatory reporting obligations. The administrative burden calculation (also in monetary terms) has also been carried out within the project "Reducing Administrative Burdens for Entrepreneurs in the Latvian-Lithuanian Border Region" (REDBURDEN). Projects were carried out by different institutions and there was no single coordinating body for them. Contrary to most OECD countries, Latvia has not carried out a large programme on ex post measurement of administrative burdens. The Latvian government has rather opted for a more qualitative approach based on a sustained and systematic dialogue with stakeholders. The approach seems to be delivering tangible results, contributing to steadily improving the country's performance over the past few years. The approach is also generally viewed positively by the representatives of the private sector and the public administration bodies⁸¹.

The longest standing and arguably most significant initiative undertaken by the government to ease doing business in Latvia is the Action Plan for Improvement of the Business Environment (the “Action Plan”), elaborated yearly since 1999 by the Ministry of Economy in co-operation with stakeholders: the National Economic Council, the Foreign Investors Council in Latvia, the Latvian Chamber of Commerce and Industry, and the Employers' Confederation of Latvia. The Action Plan lists concrete measures aimed at eliminating excessive regulatory burdens in all areas related to running a business. Over the years, several hundreds of such measures were identified and introduced as a part of the plan. The Action Plan currently being implemented, issued in February 2017, includes 46 measures that fall under the portfolio and responsibilities of several ministries. The implementation of the Action Plan and the respect of the targets and deadlines defined therein is hence decentralised, with rather soft co-ordination and oversight powers entrusted to the Ministry of Economy. In case of significant delays and lack of progress, political discussions take place at the ministerial level.

Reduction of red tape and introduction of electronic services to simplify administrative procedures has become a horizontal principle of public administration. Portal

⁸⁰ Basic guidelines of Public Administration Policy Development 2008.-2013. Available at: <http://polsis.mk.gov.lv/documents/2675>

⁸¹ To date, ministries have not yet fully deployed quantification methodologies such as the Standard Cost Model (or equivalent), grounding their simplification programmes on qualitative assessments and perception surveys. One established source of information in this respect is the portal *Let's Share Burden Together!*, which offers citizens and businesses the opportunity to report excessive administrative burdens and submit proposals for simplification (OECD, 2016). In addition, every other year a business survey, “The Impact of Administrative Procedures on Business Environment” is conducted to collect inputs from the stakeholders on perceived barriers to doing business and on trends further to the simplification agenda.

www.latvija.lv offers 718 e-services and 4082⁸² descriptions of public services. Separately the electronic declaration system of State Revenue service provides possibility to submit all relevant declarations via Internet. Already 56% of all public services were requested and granted online and most probably that is the reason why the complexity of administrative procedure is not regarded as a problem for doing business in Latvia, although burden of government regulations is high. Noteworthy is also the Public Administration Reform Plan 2020, Priority 8, which seeks to leverage better regulation policy and strengthen efficiency and effectiveness audits to minimise administrative burdens.

In summary, **Latvia does not operate a burden reduction target**, but is extremely active in seeking the reduction of administrative burdens through targeted actions and leveraging the potential of digital technologies.

2.1.17 Lithuania

Lithuania had a cost reduction target in 2011, after revising administrative burden on business. It was planned to reduce administrative burdens for business by 30% in particular areas (taxation, statistics, environment etc). The goal was not reached, probably because the agencies were not well prepared and did not realise the importance of improving the regulation. Among positive results, the administration increased the quality of the *ex ante* impact assessments, for instance the level of quantification, to capture the amount of costs to be reduced.

In summary, **Lithuania does not have a burden reduction target**. Its past experience was **not very positive**. However, as mentioned above, it operates a zero-growth policy, which equates to a OIOO rule.

2.1.18 Luxembourg

In **Luxembourg**, a 2009-14 plan set a **national target for reducing administrative burdens by 15% by 2012 in four priority areas**, social security, municipal development planning, environment and taxation. The choice of fields was based in part on a 2006 business survey, and the target has been set at what is considered a feasible level. Cutting red tape is the responsibility of the Committee for Administrative Simplification (Comité à la simplification administrative, CSA), which was established in 2004. This committee comprises representatives of public administrations and employers' organisations and meets once a month. The presence of business representatives on the CSA has allowed for active co-operation by businesses in the work of administrative simplification.

Previously, simplification efforts focused solely on **businesses**, but in the period 2009-2014 the plan was extended to **citizens and administrations**. An inter-ministerial platform for administrative reform and simplification (*Plateforme Interministérielle de Réforme et de*

⁸² Available at: <http://polsis.mk.gov.lv/documents/6483>

Simplification Administrative) was created in 2014, and focuses on simplification and streamlining of administrative procedures; it is chaired by the Minister for Civil Service and Administrative Reform, and reports directly to the Council of Ministers. One of the relevant legislative actions was an 'omnibus bill' that modified 33 clauses, which aimed to reduce administrative burdens in the areas of regional development, town and country planning, establishing licenses for industrial sites, environmental law, and housing. The original preparatory work involved different ministerial departments and stakeholders, as well as non-governmental organisations (NGOs) acting in these specific areas.

In summary, Luxembourg has had sectoral reduction targets in the past, but currently does not operate any such targets.

2.1.19 Malta

Malta has launched a programme to reduce administrative burdens in 2006, and in 2008 the government published a plan to reduce administrative burdens, committing itself to reducing administrative burden on businesses by 15% by 2012 as measured using the Standard Cost Model methodology. The target was exceeded; in fact, 62 initiatives realised 15.6% administrative cost savings (equivalent to 18 million Euros yearly savings, liberating more than 640,000 man-hours every year).

The Budget Speech 2018 included a reference to measurable targets in Section 6.9.: “the simplification and mitigation of unnecessary bureaucracy are important in sustaining the economic growth rhythm of our country. While substantial progress has been achieved, we are committed to reduce bureaucracy by a further 30 per cent during this legislature.”⁸³

2.1.20 The Netherlands

The Netherlands were the pioneer in launching an administrative burdens reduction programme, following early pilot programmes such as MISTRAL. The country has had a reduction target since 1994⁸⁴. During the first years, the target was aimed at reducing administrative burdens for businesses only. Since 2000 there is a common methodology, external scrutiny and a network within all departments. Between 2003 and 2007, as will be described in more detail in the next Section below, the Dutch government launched a programme for the reduction of administrative burdens for Business. The government promised the parliament to reduce administrative burdens by 25% in the period 2003-2007; as part of this project, not all legislation was reviewed, but it still qualifies as a 'major review'. In 2007 the approach introduced the need for perceivable effects and better services for citizens/businesses. A covenant was for instance agreed with municipalities to lower the

⁸³ https://mfin.gov.mt/en/The-Budget/Documents/The_Budget_2018/Budget_speech_English_2018.pdf, pgs. 65-66.

⁸⁴ In the years before, there was also a project to reduce the admin burdens - but there was no target.

burden with 25% for citizens. Also, the inspections established a reduction target (which no longer exists though).

The Cabinet developed a better regulation strategy built around six cornerstones: less regulatory burden by improving the quality of legislation (i.e. internet consultation, role of Actal); a **structural net reduction of 2.5 billion Euros for businesses, professionals and citizens by 2017 compared to 2012 levels**; a perceivable reduction with a sector-specific approach; smarter and more effective enforcement; less regulatory burden through cooperation with municipalities and the EU level; and better (digital) services.

Importantly, the current net reduction target for the Netherlands goes beyond that of many other Member States in a number of respects: it covers **both administrative burdens, substantive compliance costs** (which according to Dutch definition include information obligations to third parties) **and inspection/enforcement costs**; it covers **both primary and secondary legislation**; it envisages **both a general plan and sector-specific “deep dives”**⁸⁵; it relies on a well-established independent oversight body; it covers administrative burden stemming from the implementation of EU directives; and it sometimes also covers amendments presented by Parliament.

The targets introduced a strong “disciplining effect” on the administration and greater sensitivity for the topic of regulatory policy. The main criticism was the lack of noticeability of the reductions achieved. Besides, energy in the administration was more focussed on achieving the target rather than making a real noticeable difference for businesses with measures that matter. It became a “book-keeping exercise”, with measures that looked good on paper but were not necessarily noticed by businesses and recognized as important.

2.1.21 Poland

Poland has launched a burden reduction exercise in 2008, when the government established the general target of reducing administrative burdens for businesses by 25% within 3 years. The government added a focus on seven chosen areas of economic law: environment, land development plan, economic activity law, social security, hallmarking law, tourist services, and employment law. However, the target has not been achieved (the estimated reduction was 15.95%). In 2010 a baseline measurement was carried out, which identifying administrative burden as reaching 2,9% of GDP. Since then, administrative burdens identified in the analysis have been gradually eliminated.

Reduction of regulatory burdens (not only administrative ones) for business but also for citizens remains one of the priorities. In particular, a Strategy for Innovation and Efficiency of the Economy was established in 2012 which included cost reduction targets – 1% of

⁸⁵ With the sector-specific approach special attention for reduction is given to the following sectors: Logistics, Chemical sector, Agrofood, pharmaceuticals and medical devices, Financial sector, Construction, Care and Cure in the health sector, Recreational sector/tourism, Craft shops, Child care, Metal industry, Volunteers, Police, Judicial system, Education (aimed at professionals), Public transport for people with a handicap.

GDP till 2015 (0,72% achieved) and 1,5% of GDP till 2020. The simplification of economic law and regulatory burden reduction were also included in the Responsible Development Strategy launched in 2017 for the perspective up to 2030. Today, burden reduction is mostly relying on dedicate legislative instruments, such as yearly deregulation acts developed by the Ministry competent for economic affairs in close cooperation with entrepreneurs and business organisation representatives.

Recently, in 2018, an ambitious “Constitution for Business” package was launched, along with a “100 changes for enterprises” proposal. The “100 changes” aim at abolishing the most burdensome regulations which are barriers to conducting business, and is estimated to potentially bring saving opportunities for entrepreneurs of around PLN 230 million per year (approx. 53 million euros). Within the package “Constitution for Business”, the Entrepreneurs’ Law Act of 6 March 2018 introduced the obligation for all Ministries to yearly evaluation of adopted law having impact on business in order to reduce administrative burdens with focus on SMEs. The need to minimize the regulatory burdens when drafting new economic law has also been emphasized in the Entrepreneurs’ Law Act.

2.1.22 Portugal

In Portugal, since 2006 the Government launched a series of ongoing reforms known as the annual Simplex programme, with the aim to make everyday life easier for individual citizens and businesses by reducing bureaucratic red tape, cutting costs, and extending the use of information and Communication Technologies to a wide range of public services. Until 2010, 757 initiatives were promoted, 80 per cent of which have been fully implemented. These initiatives were proposed by civil servants, businesses, professional associations and ordinary citizens, and consequently they address a wide range of issues across the board in terms of both central and local government. In general the aims of the programme are to simplify laws and procedures; maximise the number of procedures that can be done online; reduce the amount of certification; consolidate existing legal rules; and facilitate access to public services. Since then, the emphasis on administrative burdens has led to new initiatives. In line with the Action Programme for Reducing Administrative Burdens in the EU, Portugal launched a strategy in 2008 to reduce 25% of administrative burdens for businesses until 2012 (RCM 196/2008). The inventory is now being expanded to citizens via public consultation (along the ‘red tape challenge’ model adopted in the UK, see below). Parliament Resolution 31/2014, in introducing *Simplificar*, a programme of administrative modernisation and simplification, also introduced a “one-in, one-out” principle as part of the system for administrative burden control. *Simplificar* follows three main principles: (i) Ask only once; (ii) digital by default; and (iii) One-In, One-Out, where every euro of costs created by new legislation or rules, must be compensated by the reduction of one Euro in other costs generated by the same or other pieces of legislation.

Finally, ten years after the SIMPLEX programme, a new SIMPLEX+ Programme was launched and is now under implementation, with 255 projects to deal with both administrative and legislative simplification. Within the new programme, a Technical Unit

for Regulatory Impact Assessment (UTAIL) has been recently created (RCM 44/2017) within the Legal Centre of the Presidency of the Council of Ministers (CEJUR) to implement a specific project named “How much does it cost?” (focused on primary legislation). UTAIL is responsible for the impact assessment of proposed new legislative acts: notably, since the beginning of 2017 UTAIL is assessing, besides the administrative burdens that may result from legislative acts proposals, also other compliance costs for firms: direct costs (with fees and other public charges); specific costs with equipment, implementation, external services, material and other that may be directed related to the obligation that is being imposed; and nonspecific costs, as overheads.

2.1.23 Romania

Romania has had a better regulation strategy since 2008, and the current strategy runs until 2020. The “Strategy for better regulation at central government level, 2008 – 2013” comprised, as priorities on medium term, “preliminary analysis of the issue of administrative burden, development of a general methodology to assess the administrative costs and to elaborate a concrete action plan in order to implement the Standard Administrative Cost Model”. The current strategy foresees the creation of an inventory of administrative burdens, but implementation is still ongoing.

2.1.24 Slovakia

Slovakia has launched a burden reduction programme in three main phases. The first phase in 2009 focused on 12 policy areas: commercial law, civil law, accounting, bankruptcy and restructuring, market regulation, taxes, duties and fees, regulation of investment incentives, other financial regulations, labour and employment, levies, environment, intellectual property. 54 recommendations were identified to change the legislation. Recommendations focused on electronic reporting and communication with authorities, decreasing the frequency of reporting, keeping of electronic evidence, produce manuals etc.

The second phase (2010-2012) mostly dealt with Occupational Safety and Health Protection Act and its implementing regulations. 165 information obligations (from 12 law) were measured and 18 recommendations were defined. Recommendations focused on digitisation of services, exceptions to the obligations, simplifications of forms, analysing the needs of specific obligations etc. An economy-wide review of administrative burdens (third phase) was later launched in 2013-2014. 282 legal instruments were deeply analysed, 4566 information obligations were identified, 2.7 billion Euros calculated as total administrative costs for business of which 10% is the estimated administrative burden⁸⁶.

The Slovak Government, since the latest parliamentary elections in 2016, approved three packages of measures, in total 94 measures. The 1st one in June 2017 with 35 measures;

⁸⁶ <http://www.mhsr.sk/informacia-o-vysledkoch-merania-administrativnych-nakladov-podnikania/144171s>

the 2nd one in May 2018 with 23 measures and 5 analyses; and the 3rd one in February 2019 with 36 measures. Reduction of regulatory burden on business and improvement of business environment related to those measures represents estimated annual savings of almost 95 mil. Euros. As there is a very positive response from the business environment the Ministry of Economy is currently preparing a 4th package. It is expected to be submitted to the Government of the SR in January 2020. The packages of measures are one of the tools for bridging the period into a complete reform of regulation, which is planned from 2020 within the implementation of RIA 2020 Strategy of Better Regulation.

By implementing the RIA 2020 - Strategy of Better Regulation, the Slovak government anticipates and plans to reduce regulatory costs and administrative burdens. Based on the RIA 2020 Strategy and the subsequent national project Improvement of Business Environment in Slovakia and Assessment of Policies in Competence of Ministry of Economy, the Ministry is currently developing a methodology for ex post evaluation of existing regulation. Together with the results from pilot projects, planned to be carried out at ministries and other governmental bodies responsible for regulation drafting, the methodology will be completed by the end of 2020.

The Slovak government considers its experience with reduction targets to be **positive**. The administration increased the quality of the ex ante impact assessments, for instance the level of quantification, to capture the amount of costs to be reduced.

2.1.25 Slovenia

In Slovenia since 2009 a programme “Minus 25%” for the reduction of administrative burdens was carried out and reduction target was fully met (27 % reduction achieved by the end of 2015). By using the SCM Methodology, the administrative costs were measured in 3,529 different regulations and as a result of this process, over 5,000 information obligation and more than 16,000 administrative activities were identified, amounting together 1.5 billion EUR administrative burdens per year. This remarkable figure led the Government to set an objective of reducing the cost of existing administrative burdens by 25 % (EUR 365 million per year) by the end of 2015. The analyses showed that greater emphasis regarding the burden reduction will have to be put on the area of environment and spatial planning, labour legislation, cohesion (drawing on European funds), finance (including taxes and excise duties), the economy (including status related legal affairs, and business or financial reports), and taxes and other duties. At the same time, it was confirmed by Strategic Council to avoid creating new administrative burdens unless absolutely necessary. In the same year National Assembly adopted a Resolution on legislative regulation that represented a political commitment from the incumbent government to respect the principles of better regulation during the process of policy-making in a particular field or during the process of drafting new regulations, and to involve the public and relevant stakeholders into the procedures of participation when adopting new regulations.

In October 2013 the Government of the Republic of Slovenia adopted a Single document to ensure better review over realization of burden reduction for business environment, better regulation and increase competitiveness. In the same year there were added in the Single document **245 concrete measures in 16 different fields** in line with ministries that are responsible for the implementation, follows the commitments taken by the Government of the Republic of Slovenia in the national reform programme from 2013 to 2015 and constitutes the basis for long-term strategies (such as Slovenia's Development Strategy, Europe 2020 strategy) and the implementation of programmes planned by the Government and the competent Ministries⁸⁷. In 2014 website which contained content from “Single document” was created. It has provided a one-stop shop approach enabling users to gain an overview of all measures and insight into the current stages of implementation of measures to improve the regulatory and business environment. The “Single document” is still a living mechanism, with new measures aimed at removing administrative burdens based on proposals by stakeholders, the expert public and different chambers for business being added periodically. The responsibility for the realisation of individual measures is clearly defined taking into account the content of an individual line ministry. The deadlines for the implementation of these measures are also clearly defined. To realise the objectives of adopted action programmes in relation to the Single document, a suitable mechanism for coordinating regulations, and a dialogue at the level of the inter-ministerial working group have been established. Individual members of the working groups report about the realisation to the Ministry of Public Administration as the coordinator, which then submits the report to the Government for discussion once per year. The realisation of the measures is published on the websites of the Government of the Republic of Slovenia and at the *STOP the Bureaucracy* website⁸⁸.

In April 2015, the government launched a new Public Administration Development Strategy 2015–2020, which contains a further reduction target, i.e. **to reduce burdens by a further 5% annually**. At the same time, more attention must be paid to overregulation and increased EU standards (gold-plating), and the (non)use of exceptions or reduced burdening of a certain section of the population – the introduction of the “introduce or explain” approach.

Slovenia considers its experience with reduction targets to be **positive**. The administration increased the quality of the *ex ante* impact assessments, for instance the level of quantification, to capture the amount of costs to be reduced. Since January 2017, the “SME test”⁸⁹ has been mandatory, whether laws are drafted using the regular or shortened procedure. Since 2018, web-based tool “SME test” has been available on the eDemokracija

⁸⁷ <https://www.stopbirokraciji.gov.si/en/home/>

⁸⁸ <https://www.stopbirokraciji.gov.si/en/home/>

⁸⁹ An inter-ministerial working group was established in 2014, which will focus on the introduction of impact assessments on the economy using the SME test in 2015, and prepare and introduce other assessments in all fields by 2020. The supervisory authority for assessing impacts on the economy will be the Ministry of Economic Development and Technology, and the supervisory authority for assessing impacts on other fields will be line ministries responsible for those fields.

(e-Democracy) website, allowing SMEs, their representatives and other stakeholders to respond to the impact assessments, make comments during public consultation and prepare their own SME tests.

2.1.26 Sweden

In Sweden, between 2006 and 2012 there was a dedicated strategy with ex post evaluation on administrative burdens for businesses which included a baseline measurement. There was a net reduction target of these costs by 25% within that time frame, but the result was only a reduction by 7%. Today, there is a general commitment to reduce the cost of regulation. Regarding the ongoing administrative costs for businesses (the SCM with ex ante assessment is used), there is a net target that the administrative costs for businesses should be lower in the year 2020 than in 2012.⁹⁰ Other types of costs for businesses (investment, compliance, indirect cost and financial costs such as taxes and fees) are also measured since 2016 but no deadline has been set regarding the reduction of these costs. However, the method is not yet fully complete for all of the cost categories.

An important role is played by the Swedish Better Regulation Council, an independent government-appointed committee of inquiry that assess the quality of the impact assessments of proposals for new and amended regulations that may have effects on the working conditions of enterprises, their competitiveness or other conditions affecting them. Except for the outlined general target for 2020, Sweden does not have a nominal or percentage target for reducing regulatory costs, and seems particularly focused on achieving significant burden reductions through an ambitious digital government agenda. Since 2009, Sweden has a website (verksam.se), which simplifies the process of starting and developing a business by providing information and e-services. The website is the result of a collaboration between different government agencies. Since 2018 Sweden has a new agency called the Agency for Digital Government, which will serve as a hub for digitalisation of the public sector and to achieve more transparent governance.

Furthermore, The Swedish Agency for Economic and Regional Growth, a government agency under the Ministry of Enterprise and Innovation that reports to the Government Offices, is (among other things) tasked with collecting and dealing with suggestions on administrative burden reduction from businesses. For example, the agency maps ‘customer journeys’ to gather insights into the needs of businesses when developing new digital services. Using insights from such customer journeys, the agency has, in collaboration with other government agencies, brought forward a proposal concerning the development of an ecosystem for businesses’ contacts with government, regional and local authorities. The main benefit of the ecosystem is simpler regulatory compliance by making the once-only-principle possible and through connected processes between government agencies.

⁹⁰ This net target is interpreted as a “loose” OIOO rule within this study, see Chapter 1.1.12.

2.1.27 Spain

In 2008, Spain launched a National Plan for administrative burden reduction, with a target of achieving a 30% reduction until 2012. The target was achieved. **No further target has been set after that experience.** However, building on this achievement and on the Royal Decree on RIA (1083/2009, 3 July), which established a simplified methodology for administrative burden measurement and reduction, the new report for the modernization of public administration (CORA Report) relaunched the need for administrative burdens reduction. A CORA report proposed a series of reforms to simplify the normative framework for business: these included the adoption of a OIOO rule, which is detailed above, Section 1.1.11).

2.1.28 The United Kingdom

The United Kingdom had a partly successful experience with the baseline measurement of administrative burdens in 2005-2006, which came with an initial 25% reduction target. The Better Regulation Task Force calculated that adopting the SCM for measuring administrative burdens and then targeting a 25% cut in such burdens over four years could reduce direct regulatory costs on businesses by £7.5 billion, yielding a £16 billion increase in the UK GDP in the medium term.

In 2010, an independent body, the Regulatory Policy Committee (RPC), was set up to validate the costs and benefits of all new regulatory and de-regulatory proposals. Over the 2011-12 period, government departments removed around £963 million more in business burdens than they introduced, in full compliance with the OIOO rule⁹¹. In the following years, along with the implementation of OIXO rules (see Section 1.5.2 above), a nominal reduction target for regulatory burdens of £10 billion was introduced in the last Parliament, reflecting the lessons learned in several years of setting and implementing cost reduction strategies⁹². Both the scope and metric for the BIT are set out within the Written Ministerial Statement on better regulation made on 20 June 2018. The end of Parliament Report was published on 5 November 2019⁹³.

2.2 Non-EU OECD countries

A quick overview of non-EU OECD countries reveals that sectoral or overall reduction targets are increasingly used. For example:

⁹¹ This figure is based on independent validation by the Regulatory Policy Committee.

⁹² The independent Regulatory Policy Committee publishes its Opinion on all ex ante assessments, including whether it has validated 'One-in, Two-out' measures from departments. <https://www.gov.uk/government/policies/regulatory-policy-committee-opinions-on-impact-assessments>

⁹³ <https://www.gov.uk/government/publications/business-impact-target-bit-report-2017-to-2019>

In **Norway**, for the last two decades all governments have had better regulation strategies. From 2011, a concrete regulatory cost reduction strategy was adopted. The current government, in office from October 2013, strengthened this strategy by setting a more ambitious goal. The goal to reduce the cost of annual administrative burdens by 15 billion NOK (25%) for the period 2011–2017 was achieved. The current goal for the period 2018–2021 is to further reduce the cost of annual administrative burdens by 10 billion NOK. Simpler rules for accounting and bookkeeping (reporting duties and documentation), and for the governance of limited companies are prominent examples of recent regulation simplifications. In addition, digital reporting solutions through the virtual one-stop shop *Altinn* has made life easier for business and citizens. A simplification project was in 2012 initiated by the Ministry of Trade, Industry and Fisheries in order to keep track of implemented simplifications in current regulations and the associated gains. The Simplification Project uses, in general a simplified standard cost model when evaluating cost reductions. In order to hamper unnecessary burdens from new regulation, a dedicated independent oversight body, the Norwegian Better Regulation Council (NBRC) was set up in December 2015 and became a member of RegWatchEurope the year after. The focus is essentially on businesses and the NBRC is required to consider all relevant costs for business in their assessments. In 2016, the guide lines *Instructions for Official Studies* was revised.⁹⁴ An important goal for the revision was to clarify the requirements to consider all relevant benefits and costs for all stakeholders associated with substantial new measures; a proportionality principle states that mapping of benefits and costs depends on the importance of the measure⁹⁵.

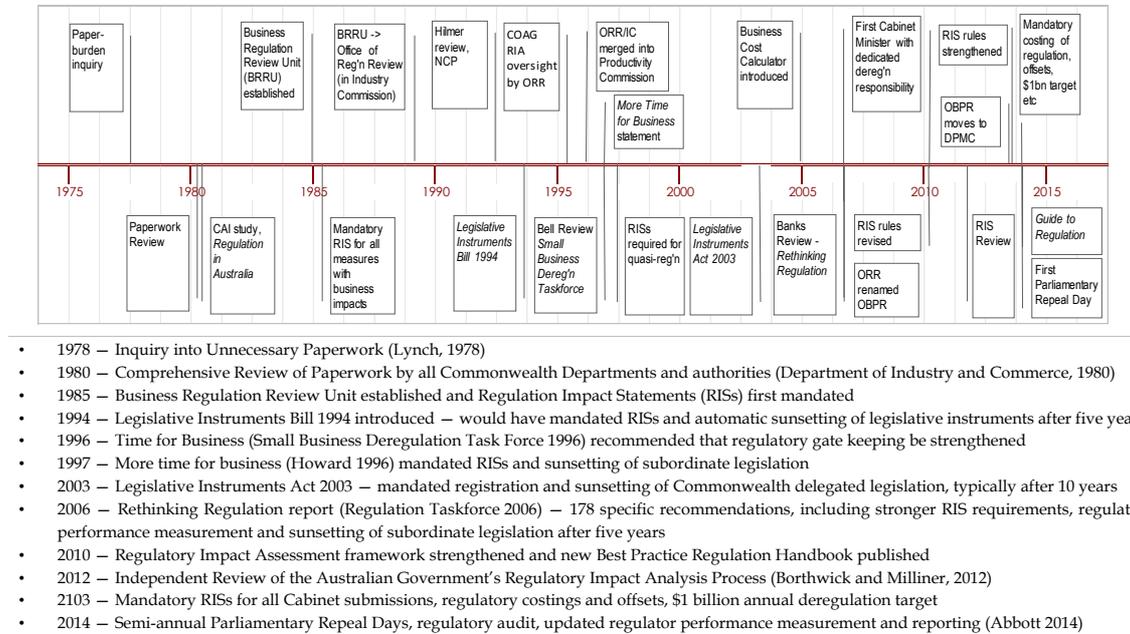
In **Australia**, in September 2013 a deregulation agenda was launched by the Australian government, which sought to reduce the costs of red tape by \$1 billion in net terms per year: however, this agenda reportedly had limited effect on the business operating environment. Under the Deregulation Agenda, the total estimated compliance and delay costs on individuals, businesses and community organizations from proposed regulatory changes—whether it be new regulation, amendments or removal of existing regulation—were to be quantified. Government portfolios were also assigned an annual red tape reduction (savings) target by Ministers. The combined total of the portfolio targets set in both 2014 and 2015 significantly exceeded the annual target of \$1 billion. By the end of 2015, the Government publicly announced measures to deliver estimated total net savings of \$4.80 billion. Prime Minister Abbott pledged to remove more than 9,500 regulations, saving Australians more than \$700 million annually. The Prime Minister has committed to holding at least two Repeal Days each year and has formed deregulation units within

⁹⁴ See https://dfo.no/filer/Fagområder/Utrekningsinstruksen/Guidance_Notes_on_the_Instructions_for_Official_Studies.pdf.

⁹⁵ The minimum requirements applicable to all studies are to answer the following six questions: 1. What is the problem, and what do we want to achieve? 2. Which measures are relevant? 3. Which fundamental questions are raised by the measures? 4. What are the positive and negative effects of the measures, how permanent are these, and who will be affected? 5. Which measure is recommended, and why? 6. What are the prerequisites for successful implementation? From a better regulation perspective, the new minimum requirements seem to have had a positive effect, so far.

each regulatory portfolio, noting, “It’s sometimes more important to repeal old laws than to pass new ones.”⁹⁶

Figure 7 - Three and a half decades of deregulation in Australia



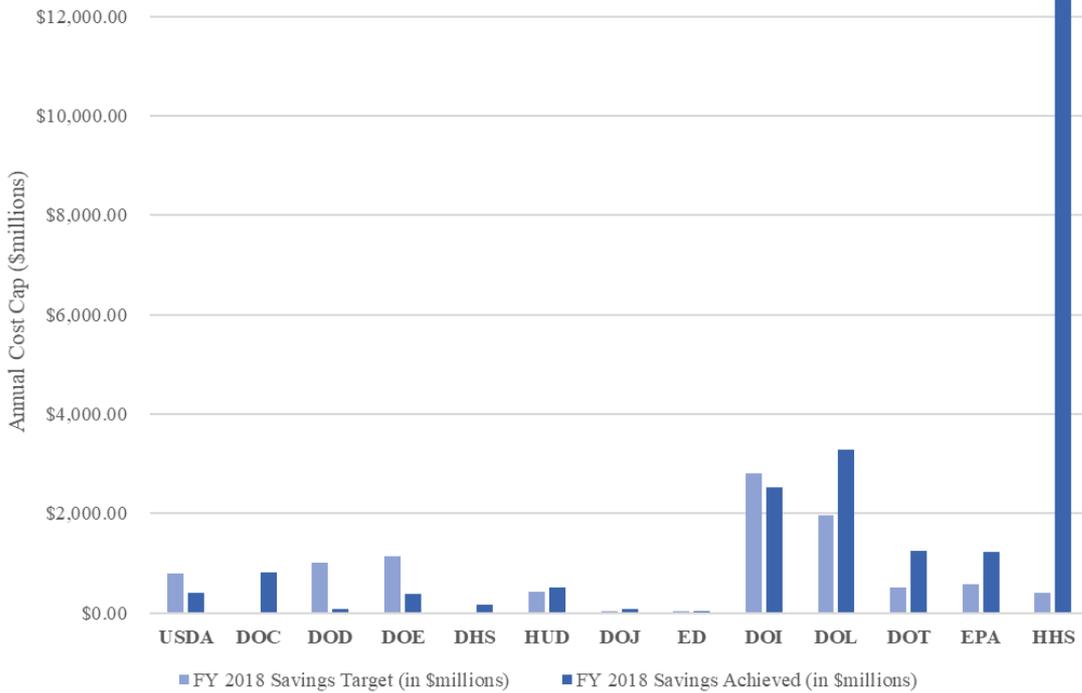
Source: Douglas (2018)

As already recalled, in the **United States** specific target regulatory cost savings are set for each Federal Regulatory Agency for every fiscal year by the Office of Management and Budget. The application of EO 13771 led to a dramatic reduction in new rulemaking. In the first 18 months of the Trump Administration, OIRA reviewed 70% fewer regulatory actions in the Trump Administration than in the Obama Administration and 66% fewer than in the Bush Administration. The Federal Register, as observed by Dudley (2019), printed 20,000 fewer pages in 2017 and 2018 than it did during President Obama’s first two years. Office of Management and Budget (OMB) data show that executive branch agencies, over whom the president arguably has more control, have issued less than half as many major regulations as they had at this point in the Obama administration. Trump’s executive agencies issued 57 major regulations, compared to 127 and 71 during the first two years of the Obama and Bush administrations⁹⁷. According to Coolidge (2019), The OIXO initiative “caused” this precipitous drop in new rules.

⁹⁶ Australian National Audit Office (2016); See also Bennett & Dudley (2014), Australia’s Regulatory Bonfire, Regulation, Fall 2014, pages 14-15.

⁹⁷ See Coolidge, at <http://yalejreg.com/nc/my-talk-at-regulatory-change-the-trump-administrative-state/>

Figure 8 – EO13771: savings targets and savings achieved



Source: OIRA

The White House has recently reported that agencies have accelerated the pace of regulatory reform in fiscal year 2018, eliminating \$23 billion in overall regulatory costs across the government. As already recalled, agencies issued 176 deregulatory actions, of which 57 actions were significant. In fiscal year 2019, agencies anticipate saving a total of \$18 billion in regulatory costs from final rulemakings. This does not include one of the most significant deregulatory rules anticipated in fiscal year 2019, “The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks”, which the proposed rule estimates will save between \$120 and \$340 billion in regulatory costs. OIRA did not include this rule in its regulatory budget, however, due to the unique size of its savings estimate⁹⁸.

The overwhelmingly largest component of the upcoming deregulation is the Environmental Protection Agency’s (EPA) expected repeal of the “Clean Power Plan,” with \$51.6 billion in currently estimated total “avoided costs.” Other rules with notable cost reductions include a pair of significant rules also affecting energy production as well as the first stage of the administration’s reconsideration of the “Water of the United States” rule. In terms of the estimated \$10.4 billion in potential new costs, it is important to note that the vast majority (11 out of the 13) had their proposed version published under the Obama Administration. Thus, while agencies still intend to finalize them per the Unified

⁹⁸ <https://www.americanactionforum.org/research/a-mid-fiscal-year-review-and-projection-of-the-regulatory-budget/#ixzz5lqRXNPfK>

Agenda, the new administration may make significant changes that substantially alter the final total. However, looking at regulatory and deregulatory initiatives published as of April 5, 2019, it looks like the goal is going to be very hard to achieve.

Table 5 – 2019 regulatory budget goals and actual savings as of April 2019, United States

Agency	FY2019 Budget (Costs/Savings \$millions)	Year to Date (\$millions)	Difference (\$millions)
HHS	-8,995.6	-3,003.8	-5,991.8
Education	-3,173.0	0.0	-3,173.0
DOT	-1,869.5	-2,170.1	300.6
USDA	-981.3	5,485.4	-6,466.7
EPA	-817.8	567.2	-1,385.0
Interior	-793.6	0.0	-793.6
Labor	-723.2	-71.8	-651.4
HUD	-490.7	-30.0	-460.7
Commerce	-51.2	0.0	-51.2
SBA	-8.8	0.0	-8.8
Treasury	0.0	9,653.2	-9,653.2
Justice	0.0	312.1	-312.1
Defense	0.0	1.8	-1.8
EEOC	0.0	0.0	0.0
FAR	0.0	0.0	0.0
GSA	0.0	0.0	0.0
NASA	0.0	0.0	0.0
OMB	0.0	0.0	0.0
OPM	0.0	0.0	0.0
SSA	0.0	0.0	0.0
State	0.0	0.0	0.0
USAID	0.0	0.0	0.0
VA	0.0	-5.2	5.2
Energy	0.0	-37.5	37.5
DHS	0.0	-568.0	568.0
Total	-17,904.8	10,133.3	-28,038.0

Source: American Action Forum (2019)

Moreover, **Mexico**, based on the guidelines set out in the PND 2013-2018, set the objective of reducing the regulatory burden of federal procedures and services by 25%. At the beginning of this administration it was estimated that the cost of compliance with federal procedures and services was equivalent to 4.25% of the Gross Domestic Product ("GDP") of the country, so that meeting the target would reduce it to 3.15% of GDP. As of today,

thanks to the application and monitoring of Regulatory Improvement Programs promoted by CONAMER, Mexico reached and exceeded the goal, positioning the indicator at 2.47% of GDP, which implies economic benefits for companies and citizens of over **210,449 million pesos**, through more agile and simple federal procedures⁹⁹.

2.3 Summary and comparison of national experiences

Overall, the international experience, and in particular that of EU Member States, suggests that setting and implementing a cost reduction strategy is possible, although its success requires strong political commitment and an adequate governance, methodology and resources. In addition, the main findings of our international comparison include the following:

- *Many EU Member States still focus essentially on administrative burdens, although there is a clear tendency towards extending the cost reduction efforts towards broader categories, such as substantive compliance costs or more generally regulatory costs.*
- *All countries focus on direct costs, mostly for businesses, and only one country (the UK) includes some notion of benefit (in particular, in the form of business revenues) in the implementation of a net reduction mechanism.*
- *There is a degree of divergence in the terminology and methodology used to measure regulatory costs: for example, the definition of compliance costs in the Netherlands does not coincide with the one used in Germany. On the other hand, the definition of administrative burdens is more standardized (although, for example, third party administrative burdens are not defined in the same way everywhere, and parameters such as overheads, BAU factor, etc. can diverge across countries).*
- *There seem to be at least four emerging approaches to cost reduction strategies: (i) standard, SCM-based administrative burden reduction; (ii) “life events”-based surveys and reduction strategies; (iii) extension to compliance costs coupled with net reduction targets; and (iv) extension to compliance costs coupled with a “one in, x out” rule.*

The international experience is very rich and diverse, but some common traits can be found. As shown in a recent report by the Japanese government (see figure below), many of the governments that apply an OIXO rule today have started with an application of the SCM to carry out baseline measurements in the past. One notable exception is France, where a simpler approach based on “life events” was introduced since 2007. Such approach is adopted in Portugal since 2004,¹⁰⁰ and was later adopted also in other countries, notably in Germany (together with many other initiatives).

⁹⁹ https://conamer.gob.mx/docs-bin/IAD/Informe_Anual_2018.pdf

¹⁰⁰ In Portugal, in the second edition of Simplex Programme, 2007, all simplification initiatives were organized in life events.

Table 6 below summarises our findings for all EU and non-EU OECD countries covered by this Report. As shown, the international landscape portrays an extremely rich and diverse set of experiences, which will form the basis for our discussion of a possible system at the EU level in Section 3 below.

Table 6 – Summary table for EU countries and non-EU OECD-Countries

SCM	Targets	OIXO	Scope (costs)	Scope (law)	Scope (regulated entities)	Experience	
Austria	2006, leading to results in 2012.	25% was reached by 2012. Currently no target in place.	OIXO foreseen in the Deregulation Act 2017.	Administrative burdens and substantive compliance costs	Federal legislation	Citizens and businesses	n.a.
Belgium	KAFKA (similar to SCM) in 2004. Measurement in 2002-2006 and 2007-2012 with 25% reduction targets	The SME plan in 2015 set the goal of 30% savings for companies.	No	Administrative burdens		Businesses	
Bulgaria	Since 2009, three plans.	A 20% reduction target was achieved in 2012 and 2014. A 26% of the planned 30% reduction target was achieved in 2018.. Currently no target.	No	Administrative burdens		Businesses	
Croatia	First pilots in 2015, a new project started in 2017.	Current goal to reduce administrative burdens by 2021 is 21%.	No	Administrative burdens		Businesses	
Cyprus	First project in 2009-2012.	Goal to achieve 20% reduction in admin burdens by end 2012. 19% was achieved. Since then, sectoral targets were introduced - eg in Tourism. 25% target set in 2015. Currently no target.	No	Administrative burdens		Businesses	
Czech Republic	SCM since 2005. In 2013-2016, 85 measures were implemented and in 2016, the Ministry of Industry and Trade measured the burden on entrepreneurs, finding a 31.49% reduction compared to 2005. Then new long-term goals were set to reduce the burden by 2020 and carry	After the measurement and remeasurement of administrative burdens, currently no target is in place. Specific measures are implemented.	No	Administrative burdens		Businesses	

	out another measurement in 2021.						
Denmark	2004-2010, leading to a 24.6% decrease.	No current target. The previous government’s reduction target of 4 billion DKK in 2020 and additionally 2 billion DKK in 2025 compared to 2015 has been discontinued by the new government appointed this summer	2015 OIOO as part of the burden stop on business regulation (discontinued by the new government appointed this summer)	Previous system: Administrative burdens, Compliance costs, indirect costs (accounts for benefits)	Previous system: Primary and Secondary legislation (but not independent agencies)	Previous system: Businesses	Previous system: administrations reportedly became more attentive to costs.
Greece	Yes, with OECD in 2012.	25% reduction of administrative burdens: results presented in 2014.	No	Administrative burdens		Businesses	
Estonia	Since 2009, focused on four areas.	No current target , but rather a zero-bureaucracy plan.	No			Businesses and citizens	
Finland	2008-2012, aimed at a 25% reduction.	No current target.	OIOO - Pilot test in 2017, applied in two ministries and including also major compliance costs. Pilot continuing in one ministry after 2017.	Administrative burdens and substantive compliance costs	Primary legislation (pilot)	Businesses	Positive so far (still pilot)

France	2004 first attempt. Then moved to life events.	No current target.	Since 2015 OIIO. Then OI2O in 2017 with President Macron.	Administrative burdens and substantive compliance costs	National regulations, decrees and circulars	Businesses, Local Administration and services, Citizens	First tests did not achieve the desired results. The government decided to move to an OI2O for this reason
Germany	2006-2012, leading to a 25% reduction	Since 2006. Net target achieved in 2012. Since then a Bureaucracy Cost Index is maintained.	Since 2015 OIIO. Limited to costs for businesses. Offsets within a year's time.	Administrative burdens and substantive compliance costs (only ongoing costs, not one-off costs)	Primary and Secondary legislation	Businesses	Positive: administrations became more attentive to costs
Hungary	Cutting Red Tape Programme for Businesses (2011) and additional measures helped to achieve the target of 25% administrative burden reduction. “Programme for a more competitive Hungary” (2018) affects several areas, with altogether 42 actions. Results were achieved also by Good Governance - Magyar Government (2010-2014) and the Public Administration and Public Service Development Strategy (2014-2020).	25 % reduction target was achieved. No current target.	Since 2019 March	OIIO	Administrative burdens and substantive compliance costs	Primary and secondary legislation submitted to Government	Businesses and citizens and public administration.
Ireland	2008-2012, aimed at a 25% reduction.	By November 2012 an estimated 18.6% had been achieved. No current target.	No	Administrative burdens		Businesses	

Italy	2007-2012, aimed at a 25% reduction.	A 29% reduction was achieved in 2012. No current target.	Since 2011 OIOO rule in the Statuto delle Imprese. It is a sort of regulatory budgeting system applied to admin burdens only	Administrative burdens	Primary and Secondary legislation (but not independent agencies)	Citizens and businesses	
Latvia	2009-2015 plan (but no precise methodology).	No current target.	OIOO - Since 1 st November 2019	Administrative burdens and substantive compliance costs	Primary and Secondary legislation	Businesses	
Lithuania	No	Aimed at 30% reduction in particular areas, but the goal was not reached. No current target.	OIOO - Cap on Administrative Burdens in 2014	Administrative burdens	Primary and Secondary legislation	Businesses	n.a.
Luxembourg	Limited and voluntary use of the SCM.	2009-14 plan set a national target for reducing administrative burdens by 15% by 2012 in four priority areas, social security, municipal development planning, environment and taxation. SCM was used in social security. No current target.	No				
Malta	In 2008 committed to reduce administrative burden on businesses by 15% by 2012 using the SCM methodology.	In 2018, Malta committed to reduce bureaucracy by a further 30% during this legislature.	No	Administrative burdens		Businesses	
The Netherlands	Pioneer with MISTRAL in 1994, SCM in 2003-2007, and then second baseline measurement.	Structural net reduction of 2.5 billion Euros for businesses, professionals and citizens by 2017 compared to 2012 levels. No current target.	No	Administrative burdens and substantive compliance costs		Citizens and businesses	

Poland	2008-2010, aimed at a 25% reduction. Then new Strategy in 2012, with new targets for 2015 and 2020.	2010 Target not achieved (15.95%). In 2012, goal to achieve a reduction equivalent to 1% GDP by 2015 and 1.5% by 2020. Today, no target is in place.	OIOO - Planned	Administrative burdens and substantive compliance costs		Businesses	n.a.
Portugal	Since 2007 with 25% target until 2012.	No current target.	OIOO foreseen in 2014 but not implemented	Administrative burdens	Regulations created within Government and Central Administration	Businesses	n.a.
Romania	No.	No current target.	OIOO - Planned	Administrative burdens			
Slovakia	Two plans, in 2009 and in 2015.	In March 2015 66 new measures related to seven ministries aimed at an estimated reduction goal of about 55 million Euro.	OIOO - Planned	Administrative burdens			
Slovenia	Goal to reduce the administrative burden by 25% or EUR 365 million per year was fully achieved (27 %). From April 2015 further reduction target is to reduce burdens by a further 5% annually.	Yes	Not yet, but in the government's plans	Administrative burdens	Federal legislation	Citizens and businesses	
Spain	2007-2012, net reduction target of 30%, which was achieved. No further target was set.	No	Since 2013, OIOO for administrative burdens	Administrative burdens	Government regulation	Businesses	Positive: administrations became more attentive to costs, the quality of IAs improved, along with the quality of regulation
Sweden	2006-2012, with 25% target (but only 7% was achieved).	Net target that the administrative costs for businesses should be lower in the year 2020 than in 2012.	No, but the net target for 2020 can imply a "loose" OIOO	Administrative burdens		Businesses	

The UK	SCM applied in 2005, with 25% target.	10bn pound savings set in 2015, current BIT at 9bn pound.	OIOO in 2011; OI2O in 2013; OI3O in 2016 and 2017. OIXO not in force since 2017	Administrative burdens and substantive compliance costs		Businesses	
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Importantly, for the purposes of this Study, the following main lessons emerge from the experience of some of the more advanced countries in the setting of reduction targets. These comments, even where not explicitly mentioned, apply also to OIXO rules, which can be considered as a special case of burden reduction target.

- *Targets can be set politically: there is no need for extensive data collections and/or baseline measurements before the target is set.* Many Member States have experimented with baseline measurements in the past, but have then come to realize that focusing on the flow of new regulation is a more cost-effective way to achieve and monitor cost reductions. That said, this political nature does not require that targets be arbitrarily set: the more information is available on the composition and magnitude of the stock of regulatory costs, the more accurate and actionable the target will be.
- *Target-setting can have a significant behavioural impact on the officials in charge of policy assessment and evaluation.* Rather than requiring extensive prior data collection, often targets can lead to better data and methodological improvements. Establishing a whole-of-government target can motivate officials to look more carefully for possible cost reductions and provide them with a general obligation to quantify and monitor the costs that regulation generates for stakeholders. The effect is reinforced whenever a stock-flow linkage rule such as OIXO is in place.
- *There is no obvious inconsistency or incompatibility between the adoption of a cost reduction strategy and a fully fledged better regulation agenda focused on benefits.* Not only governments of different “colour” have adopted similar strategies to modernise the administration; but some of them have clearly continued to pursue a proactive regulatory agenda (See Section 3 below for more details), while at the same time attempting to introduce more discipline, awareness and incentives in the administration to identify and reduce unnecessary costs.
- *A fully fledged better regulation agenda requires the launch of a variety of initiatives, which cannot be limited to OIXO rules or cost reduction strategies.* The menu of better regulation tools is now expanding to encompass experimental policymaking, alignment with sustainable development goals, behavioural economics, the innovation principle and much more. As will be highlighted in Section 3 below, investing in regulatory budgeting, OIXO rules or burden reduction targets may well be necessary, but is not going to be sufficient as a precondition for fully effective regulatory reform: this possibly explains why some countries that have heavily invested in cost reduction and simplification measures, such as the United Kingdom and the Netherlands, are now prioritising other areas where effort has reportedly been less massive and effective over the past decade, such as the impact of regulation on innovation, or sectoral “deep dives” aimed at improving the business environment in specific domains.

3 Towards a possible OIOO rule at the EU level

The European Commission has launched important initiatives aimed at simplifying EU legislation since the 1990s, and even more after 2007, when a first baseline measurement of administrative burdens generated by EU legislation was initiated. That measurement covered 43 EU Directives that had been flagged as particularly burdensome for businesses by a pilot study based on data from four Member States (the Netherlands, the Czech Republic, Denmark and the UK). The measurement led to the identification of a number of “low hanging fruits”, which were prioritized as “fast-track actions” in the effort to **reduce administrative burdens by 25% during the 2007-2012 period**. The reduction efforts were accompanied and overseen by a High-Level Group on Administrative Burdens, which was later discontinued in 2014 when the Juncker Commission took office.

At the same time, since 2012 the Commission has re-organized its better regulation (and in particular, regulatory simplification) efforts with the launch of the REFIT programme, which focuses on entire policy areas with the aim of ensuring that EU laws deliver their intended benefits for citizens, businesses and society while removing red tape and lowering costs.

At the end of 2014, the Council conclusions on better regulation already called on the Commission to “develop and put in place – on the basis of input from Member States and stakeholders – reduction targets in particularly burdensome areas, especially for SMEs, within the REFIT Programme”, noting that “this approach would not require a baseline measurement and should consider at the same time the costs and benefits of regulation”.

After the adoption of a new better regulation package in May 2015, the Commission has also created a new REFIT Platform (composed of a government group and a stakeholder group),¹⁰¹ chaired by the First Vice-President and aimed at making “EU regulation more efficient and effective while reducing burden and without undermining policy objectives”¹⁰². Over the past few years, as recalled in the Introduction to this Report, the Council has asked in several occasions to the Commission to consider the adoption of burden reduction targets. These calls were accompanied by similar suggestions, for example in the Franco-German Meseberg resolutions of June 2018.

Most recently, the new President of the European Commission, Ursula von der Leyen, announced that the Commission will apply the OIOO principle “to cut red tape”¹⁰³. The new President stated that “the Commission will develop a new instrument to deliver on a ‘One In, One Out’ principle”, adding that “every legislative proposal creating new burdens should relieve people and businesses of an equivalent existing burden at EU level in the same policy area”; and that the Commission “will also work with Member States to ensure

¹⁰¹ The REFIT Platform brings together the Commission, national authorities and other stakeholders in regular meetings to improve existing EU legislation. For more information, see https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly/refit-platform_en

¹⁰² https://ec.europa.eu/info/law/law-making-process/overview-law-making-process/evaluating-and-improving-existing-laws/reducing-burdens-and-simplifying-law/refit-platform_en

¹⁰³ https://europa.eu/rapid/press-release_IP-19-5542_en.htm

that, when transposing EU legislation, they do not add unnecessary administrative burdens”¹⁰⁴

3.1 The Juncker Commission’s arguments against burden reduction targets and OIXO: an analysis

The Juncker Commission has resisted the repeated calls by Member States to introduce burden reduction targets by putting forward a number of counter-arguments. These were outlined in two main documents: the Communication on “Completing the Better Regulation Agenda” adopted in October 2017, and in the Staff Working Paper and Communication on “Taking Stock of the Commission’s Better Regulation Agenda”, published in April 2019. They concern burden reduction targets in general, including OIXO rules.

In the 2017 Communication, the Commission explicitly mentioned its commitment within the Interinstitutional Agreement on Better Law-Making, “...to update and simplify legislation and to avoid overregulation and administrative burdens for citizens, administrations and businesses, including SMEs, while ensuring that the objectives of the legislation are met...”, and present within its REFIT programme an “annual overview, including an annual burden survey, of the results of the Union's efforts to simplify legislation and to avoid overregulation and reduce administrative burdens and ... assess the feasibility of establishing objectives for the reduction of burdens in specific sectors”. The Commission’s feasibility assessment took into account

- the Commission's experience with the Administrative Burden Reduction Programme (ABR and ABRPlus) between 2007 and 2013;
- the implementation of the REFIT programme since 2012;
- the results of a targeted survey of members of the REFIT Platform carried out in July 2017 on their experience and views regarding the implementation of burden reduction objectives, the quantification of regulatory burdens at EU level and the ways to ensure and monitor impact of burden reduction on the ground;
- the experiences of Member States, the OECD and analysis by research institutes.

The feasibility assessment considered all types of burden reduction objectives (sectoral and global) and it is applicable to all types of regulatory costs. While carrying out the feasibility assessment, the Commission examined in particular whether the REFIT programme could be usefully complemented by quantitative burden reduction objectives, in the light of acceptance (legitimacy), results and resources used (effectiveness and efficiency) and the capacity to drive further regulatory burden reduction among EU institutions (cultural change).

¹⁰⁴ https://ec.europa.eu/commission/sites/beta-political/files/mission-letter-maros-sefcovic-2019_en.pdf

The main arguments put forward by the Commission and a few national governments are listed below.

- Argument 1 *Baseline measurements are not cost-effective ways to achieve meaningful cost reductions, since calculating a baseline is a costly and complex exercise due to the data availability, transparency and reliability*¹⁰⁵.
- Argument 2 *Politically set burden reduction objectives create a significant risk of deregulatory pressure and complicate the ability to adopt new legislation that is objectively needed.*
- Argument 3 *Burden reduction objectives set without a significant involvement of stakeholders are likely to lead to a lack of legitimacy and acceptance by the stakeholders. Differences in the views expressed by the REFIT Platform’s government group (more in favour of politically set sectoral reduction targets) and the REFIT Platform’s stakeholder group (more divided) suggest that the sought-after change in administrative culture may not materialise due to lack of buy-in on the side of stakeholders.*
- Argument 4 *Burden reduction targets face a methodological challenge: the need to ensure that all Commission proposals are accompanied with reliable quantitative estimates of new costs and/or savings. This is particularly complex at EU level for reasons that include data availability and the nature itself of EU legislative proposals. The risk of building a target-based mechanism upon potentially costly, incomplete and/or weak quantitative estimates clearly needs to be taken into account.*
- Argument 5 *It is difficult to calibrate the ambition of any ex ante objective. The “absence of a sound methodology to identify what costs should be reduced on what sectors and why, creates the risk that objectives are set at a non-optimal level”.*
- Argument 6 *Burden reduction targets critically fail to consider “necessary costs”, and the benefits of legislation. The approach “does not differentiate between necessary costs that are those intrinsically linked to the achievement of a policy goal and un-necessary costs that can be reduced without preventing the accomplishment of the objectives of legislation”.*
- Argument 7 *There can be undesirable behavioural impacts from the adoption of burden reduction targets. The approach would “result in regulatory trade-off whereby necessary*

¹⁰⁵ As reported by the Commission, the “ABRPlus programme demonstrated that reliable and comparable data to establish a more robust baseline than the initially estimated one in the ABR was not available”. The burden reduction objective in ABRPlus was based on evidence and extensive data gathering. However, it “could not clearly demonstrate its benefits with businesses on the ground”. The ABRPlus programme suffered from several problems, including lack of data provision by Member States; lack of a commonly agreed methodology for classifying, gathering and providing data; lack of consideration for the implementation of examined measures by Member States; lack of a common strategy for the ongoing monitoring and evaluation of the impacts of the ABR measures once implemented; limited knowledge among Member States on how the estimates of administrative burden were calculated and on the choices made by different Member States to implement the adopted EU initiatives; and limited commitment of businesses to participate in the exercise.

and beneficial regulation will be set aside simply to meet the burden reduction objective, without consideration of its merits”. The Commission also added that “some national experiences show that if quantitative reduction targets apply, administrations tend to focus on meeting the target rather than seeking to maximise policy benefits”.

- Argument 8 *Politically set burden reduction targets would “impair the ability of the Commission to assume its political responsibility to put forward legislation where and when it is necessary and risks having a negative impact on its policy initiatives”.*
- Argument 9 *An OIXO rule would create delays, since “the need to find cost savings to finance any increase in costs due to a new regulatory initiative can represent a real impediment for the timely presentation of a new proposal irrespective of how useful or necessary it may be”.*
- Argument 10 *An OIXO rule would cause even bigger delays at the EU level, since “finding consensus among EU institutions over which legislation should be withdrawn or modified” would “delay even further the process”.*
- Argument 11 *Repealing or withdrawing a piece of legislation at the EU level would not guarantee cost reduction, since “this often implies that 28 un-harmonised laws will replace the legislation which is withdrawn, with the consequence that companies, particularly those operating cross-border, would face higher costs”.*
- Argument 12 *An OIXO rule would not be very effective at the EU level since “unnecessary regulatory costs often do not stem from EU regulation but from inadequate implementation” at Member State level.*

Against this background, the recent Communication on the Commission’s better regulation Agenda (“Taking Stock and Sustaining our Commitment”), reports the results of a survey in which, out of 538 respondents, 151 (28%) were satisfied or very satisfied with the Commission’s efforts to simplify existing EU laws and reduce costs where possible; while 220 (40%) were not¹⁰⁶. Accordingly, in the remainder of this section we discuss the merit of these arguments, with a view to duly considering them when proposing new mechanism on simplification at the EU level (see Sections 3.3 and 3.4 below).

3.1.1 It is widely acknowledged that baseline measurements are not cost-effective

As already observed, baseline measurements have proven to be too costly, and not necessarily more effective and even more accurate than systems focused on the so-called “delta”, i.e. the difference between new costs added by the regulatory intervention, and the costs repealed by the same intervention, or through the withdrawal or repeal of other

¹⁰⁶ The remaining 167 respondents (28%) were partially satisfied with the Commission’s efforts.

existing provisions. Interestingly, baseline measurements have also proven to be not necessarily more accurate than politically set targets, provided that the latter are reasonably evidence-based.

The national experience to date confirms this view: some baseline measurements have proven to be unnecessarily costly (in the UK, over 15 million pounds; in the EU, 20 million Euros), and the operation of the Standard Cost Model often led consultants into acrobatic guesstimates both in terms of the classification of origin (EU, national, regional), and in terms of the estimation of the so-called “Business As Usual” or BAU Factor, among other parameters (Allio and Renda 2010). The EU experience in 2007 was similarly disappointing, with a budget of 20 million Euros spent on the mapping of 43 EU directives, which did not retrieve reasonably solid results, and ultimately did not provide for sufficient value for money.

Accordingly, the Commission rightly observed in 2017 that launching another baseline measurement at the EU level would not be a good idea: even if all the governance and methodological challenges that the previous attempt faced in 2007 were successfully addressed, the cost of the exercise may still prove disproportionate.

For this reason, the proposed system is not based on a baseline measurement but on measuring the development of burdens (flow) and on the results of a “life events” survey combined with existing evidence on unnecessary costs caused by EU legislation.¹⁰⁷

3.1.2 OIXO rules and burden reduction targets are not incompatible with an ambitious policy agenda

The argument put forward by the Juncker Commission, that burden reduction targets bring about deregulatory stances, has some merit, since some countries have introduced OIXO rules and burden reduction targets in the context of a deregulatory effort. This is certainly the case of the United States, where the new rule introduced by the Trump administration was accompanied by an explicit attempt to “deconstruct the administrative state”¹⁰⁸. But the fact that these rules have been used in the context of a deregulatory attempt does not mean that they are, *per se*, incompatible with a more far-reaching and proactive approach to deregulation.

- In **Germany**, for example, the OIXO rule was adopted in a context in which by ambitious programmes such as *Energiewende* are in place, and a systematic scrutiny of the impact of new legislation on sustainable development is carried out: the country is now debating the adoption of a far-reaching Federal Climate Action Law (*Klimaschutzgesetz*)¹⁰⁹. More generally, the European Commission’s Environmental

¹⁰⁷ See chapter 3.3.2.

¹⁰⁸ See Stephen K. Bannon, Comments at Conservative Political Action Conference, (Feb. 23, 2017), <http://time.com/4681094/reince-priebus-steve-bannon-cpacinterview-transcript>.

¹⁰⁹ Federal Chancellor Angela Merkel set up the so-called climate cabinet, a round of ministers with responsibilities relating to climate issues, such as the environment, transport, buildings and energy ministers. They are now tasked

Implementation Review for 2019 praises Germany for significant progress on dossiers that are often thought of as contrasting with a deregulatory thrust, such as the circular economy or eco-innovation¹¹⁰. The German government has explicitly recalled that the reduction of 1.9 billion Euros in compliance costs for businesses due to the operation of the OIOO rule was achieved without preventing a single project that was a political priority or reducing standards.

- In **France**, the government uses the OI2O rule but at the same time adopts ambitious proposals in terms of social and environmental benefits. The European Commission observed in 2019 that France has adopted an ambitious agenda of planning measures to reduce emissions, technical improvements, and tax incentives to tackle air pollution at all levels; and welcomed the country’s ambitious roadmap for the circular economy adopted in April 2018; the ambitious biodiversity plan, which makes nature protection and preventing the loss of biodiversity central to government priorities; and the introduction of the “single environmental permit”, defined as a “major simplification”, which “simplified and streamlined procedures without lessening environmental protection”, also improving legal certainty for project promoters. This reform, adopted by a country that implements an OI2O rule, “should help save time and tighten deadlines while protecting the fundamental interests covered by the applicable legislation”.
- In the Social Progress Index, countries like France, the UK and Spain, and also Canada and South Korea, all having experience with OIXO or burden reduction targets, rank in the top 20 countries in the world. Denmark, a country that had an OIOO rule in place until the summer of 2019, ranked first in the global SDG index score elaborated by Sachs et al. (2019)¹¹¹; and France, Germany, Austria, the Netherlands are all in the top 10 worldwide.

In a nutshell: **there is no incompatibility *per se* between the adoption of a cost reduction or regulatory budgeting system and an ambitious regulatory and policy agenda in the social and environmental domain.** As already recalled, governments of both right- and left-wing orientation have adopted OIOO rules and burden reduction targets (Hahn and Renda 2018): what is important is that the system targets “unnecessary costs”, such as redundant provisions, irritation burdens, and existing provisions that new developments (e.g. digital technologies) can now help simplify, without compromising on regulatory

with deciding the “legally binding implementation” of Germany’s climate targets for 2030. Merkel said her cabinet would decide “one or several climate action laws” before year-end.
<https://www.cleanenergywire.org/factsheets/germanys-climate-action-law-begins-take-shape>
https://www.ecologic.eu/sites/files/publication/2017/2301_wwf_studie_klimaschutzgesetz.pdf;
https://www.spdfraktion.de/system/files/documents/ag_umwelt_ag_umwelt_entwurf_eckpunkte_klimaschutzgesetz.pdf;

¹¹⁰ “Germany’s Strong performance on eco-innovation has helped to develop a successful and highly competitive environmental goods industry, particularly in the fields of clean energy and water technology”.
https://ec.europa.eu/environment/eir/pdf/report_de_en.pdf

¹¹¹ Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G. (2019): Sustainable Development Report 2019. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN).

benefits. Our survey of national experiences also confirms that OIXO rules and burden reduction targets have been well received by stakeholders. That said, the Commission was right to be concerned: this is why, in Section 3.3 below, our proposed cost reduction mechanism for the EU level will be designed in a way that mitigates the risk that a cost reduction mechanism is used for unjustified deregulatory purposes, and preserves the evidence-based nature of the EU better regulation agenda.

The need to avoid compromising on regulatory objectives also implies that **an OIXO rule at the EU level may include forms of “banking”, but not incorporate forms of “trading” of administrative burdens and substantive compliance costs across policy domains, if not in exceptional circumstances**. As will be explained in Section 3.3, if OIXO rules and burden reduction targets are not part of an indiscriminate cost-cutting strategy, then trading should be kept to exceptional circumstances or be excluded upfront, since shifting burden reductions from one policy field to another would require an accurate estimate of the indirect impacts and in particular the benefits affected by the shift, plus distributional impacts.

3.1.3 OIXO rules and burden reduction targets do not necessarily lead to a lack of legitimacy and acceptance by the stakeholders

Critics argue that OIXO rules and burden reduction targets set without a significant involvement of stakeholders often lead to a lack of legitimacy and acceptance by the stakeholders. The Juncker Commission based this argument on the feedback received in 2017 by the REFIT Platform stakeholder group, which reportedly differed from the feedback given by the REFIT Platform government group. If the OIXO rule or the burden reduction targets are chosen in a way that does not involve stakeholders (as, in the Juncker Commission’s opinion, would arguably be the case for politically set reduction targets, or mechanically designed OIXO rules), then stakeholders would oppose the new system, since the decision on rules to be repealed or modified would not be shared with them, but taken directly through bureaucratic means.

Once again, there is merit in the Juncker Commission’s concern that a too mechanistic, bureaucracy-driven system would be opposed by stakeholders, especially in a system like the EU, where stakeholders are extensively consulted and involved in the selection of proposals that should be adopted, repealed, simplified. But an OIXO rule at the EU level does not necessarily have to exclude stakeholders: rather, the role of the REFIT Platform and stakeholder consultation should be preserved in full while deploying a future strategy to reduce unnecessary costs. Moreover, the EU better regulation agenda already implies extensive stakeholder consultation whenever a rule is adopted, modified, or repealed. Proposals are subject to inception impact assessments that are open to consultation for twelve weeks during their preparation, and another eight weeks consultation once the proposal has been finalised by the Commission. The yearly (and now also multi-annual) regulatory agenda provides information on the proposals being considered, and offer ample

possibilities to stakeholders to join in the debate and participate in an increasingly evidence-based process.

These achievements of the EU better regulation agenda should not be undermined by the introduction of an OIXO rule that transforms the Commission back into a “black box”, as it was accused to be until 2015, when draft impact assessments were not made public. What can be learned from the Juncker Commission’s stated concern is that there would be no merit in introducing a system that deprives stakeholders of their precious role in participating to the better regulation agenda; and/or weakens the EU’s orientation towards a proactive agenda, especially focused on social and environmental impacts.

A real challenge for the introduction of a workable, effective system for the containment of regulatory costs and the reduction of unnecessary costs at the EU level is thus **the need to tailor the system to the specific features of the EU policy process and better regulation agenda: the scope, design, timing and purpose of the system cannot deviate from the current, successful approach that the EU adopts in the better regulation field.** This is why, in Section 3.3, we propose a system that leaves space to the contribution of stakeholders, and is deeply rooted in a better regulation agenda oriented towards sustainability, in line with Agenda 2030 (Renda 2017; 2019).

3.1.4 It is true that reducing unnecessary costs requires reliable quantitative estimates: but this applies also to the current better regulation agenda

In order to fully operate, an OIXO rule requires an estimate of the regulatory costs that are being introduced by new rules, as well as quantification of the unnecessary regulatory costs that are being eliminated. This, the Juncker Commission argued, requires widespread, ubiquitous quantification of costs and benefits, which is not always possible. However, the Commission also convincingly stated in its “Taking Stock” Communication in 2019 that in order to ensure that legislation remains fit-for-purpose, there should be focus on “tackling unnecessary costs and eliminating administrative burdens without compromising policy objectives”. Moreover, the latest Annual Report of the Regulatory Scrutiny Board¹¹² showed that “the Board has higher expectations today for standard elements such as quantification, stakeholder consultation and reporting of evaluation findings, because methodologies have improved and good practices have spread”: in 2018, the Report shows that more than 80% of impact assessments contained the quantification of costs, and more than 30% had a full quantification of costs.

Accordingly, it is not clear why the adoption of an OIXO system would imply a disproportionate quantification effort on the side of the Commission. Even without this new system, the Commission’s commitment would remain the same: with the new system, Commission officials and stakeholders would have an additional incentive to locate and eliminate unnecessary regulatory costs. As we will discuss in Section 3.3 below, this shared

¹¹² For more information on the Regulatory Scrutiny Board see https://ec.europa.eu/info/law/law-making-process/regulatory-scrutiny-board_en.

effort to identify and propose the elimination of existing costs, if coupled with a well-designed system, can **increase, not reduce, the evidence-based nature of the better regulation agenda.**

3.1.5 The future OIIO rule should target only unnecessary burdens

The Juncker Commission also expressed concern that OIXO rules and burden reduction targets do “not differentiate between necessary costs that are those intrinsically linked to the achievement of a policy goal and un-necessary costs that can be reduced without preventing the accomplishment of the objectives of legislation”. It also argued that politically set burden reduction targets would impair the ability of the Commission to assume its political responsibility to put forward legislation where and when it is necessary. Considering these arguments, **it is essential that a future OIIO rule targets only unnecessary costs**¹¹³. However, these can also be costs that were considered to be necessary at the time of adoption of the legislation, but that are now unnecessary (or unnecessarily high) due to the availability of new solutions, such as digitally-enabled compliance measures. Likewise, in a system rooted in multi-criteria analysis and oriented towards sustainability, there would be no problem related to the reduction of benefits.

3.1.6 Calibrating the ambition of any ex ante objective requires evidence and stakeholder consultation

The Juncker Commission also expressed the concern that the “absence of a sound methodology to identify what costs should be reduced on what sectors and why” would create “the risk that objectives are set at a non-optimal level”. In other words, when targets are set politically, the lack of evidence-based analysis leads to a very tentative assessment of the potential for reducing unnecessary costs. Again, the Juncker Commission’s concern is correct: in Renda (2017) the issue was already addressed, and the need for backing political estimates with as much evidence as possible was already stressed in that publication.

Against this background, it is important to stress that burden reduction targets and OIXO rules should be **accompanied by an analysis of the potential for simplification and reduction of unnecessary costs at the sectoral level, through REFIT initiatives** aimed at assessing both the potential for simplification of existing unnecessary costs (to be identified with the help of stakeholders); and the potential for further cost reductions due to consolidation of existing legislation, or digitalisation (to be identified also with the help of external studies). Strengthening stakeholder participation and the overall evidence base would increase the viability and reliability of politically set targets.

¹¹³ See Box 1 in the introduction for a definition of unnecessary costs.

3.1.7 The adoption of burden reduction targets should avoid undesirable behavioural impacts

According to the Juncker Commission, the adoption of burden reduction targets would “result in regulatory trade-off whereby necessary and beneficial regulation will be set aside simply to meet the burden reduction objective, without consideration of its merits”. The Commission also argued that “some national experiences show that if quantitative reduction targets apply, administrations tend to focus on meeting the target rather than seeking to maximise policy benefits”.

These are important concerns, also since our analysis of national experiences showed that behavioural impacts are among the most relevant benefits from the adoption of an OIXO rule: indeed, the fact that “what gets measured gets done” is not necessarily always an advantage: if what gets measured is misleading or incomplete, then the overall result would be an inappropriate incentive scheme for public officials. This problem is not new in the EU better regulation agenda: the early years of the introduction of the Impact Assessment Board featured similar problems, with Commission DGs developing incentives to focus more on the areas that the oversight body tended to consider in its opinions (Renda 2011).

However, this argument only stands as far as the OIXO rule or the burden reduction targets are badly designed, and fail to target unnecessary costs, or do not refrain from compromising on regulatory benefits. **A well-designed system, with evidence-based assessments of the potential to reduce unnecessary burdens and adequate stakeholder involvement throughout the process, would not feature these problems.** To the contrary, the need to find unnecessary burdens, consolidation possibilities or technologically-enabled simplifications such as RegTech solutions may lead to greater cost awareness, more in-depth scrutiny of the regulatory stock, and ultimately a more efficient administration and more cost-effective *acquis*, without compromising on regulatory benefits or ultimate policy impacts. Needless to say, the removal of unnecessary burdens will also liberate resources for the private sector: such resources could then be re-invested into more productive activities.

3.1.8 OIXO rules and burden reduction targets can help strengthen the accountability of co-legislators

Another important argument raised by the Juncker Commission against the adoption of OIXO rules and burden reduction targets is the possible dilution of the impact of simplification measures, due to the fact that Commission proposals are then amended by the European Parliament and the Council, and are then implemented mostly at the national or local level. We address both of these arguments in this section.

First, it is true that Commission proposals that attempt to reduce unnecessary costs may be later amended by the European Parliament and the Council, in a way that frustrates the reduction attempt. This however applies to all cases in which the Commission attempts to

tackle unnecessary burdens: as a matter of fact, identifying, describing and quantifying the unnecessary costs to be repealed and demonstrating that this would not compromise on regulatory benefits is likely to make it much more difficult for the European Parliament and the Council to amend the proposal in a way that frustrates the cost reduction attempt, given the strong evidence base and stakeholder involvement that each proposal would be accompanied by. Moreover, the existence of oversight capacity (at least in the European Parliament), and the shared responsibility reflected in the joint programming and commitments nested in the Interinstitutional Agreement on Better Law-Making would further reduce the possibility for Commission officials to arbitrarily depart from their political commitments: since the European Parliamentary Research Service (EPRS) regularly analyses the Commission’s ex ante impact assessments, any attempt to circumvent sound economic analysis could be spotted not only by the Regulatory Scrutiny Board, but also by the EPRS.

Second, politically set (but strongly evidence-based) targets could be backed by the co-legislators, and then included in the three-year rolling legislative programme. This could be possible, also since there seems to be strong support for these measures in the Council (as reported by the European Commission in 2017). Once agreement is reached, the accomplishment of the sectoral burden reduction plans would rely on the “ownership” of the Parliament and Council and may then proceed more smoothly.

Third, the involvement of stakeholders in an OIXO system should in principle go beyond the early phase of the identification of provisions to be modified or repealed. Stakeholders could be involved throughout the process, including in the collection of feedback on the actual impact of simplification measures on the ground. This would facilitate the European Commission in keeping track of the impact of legislative proposals that were later amended by Parliament and Council.

3.1.9 Arguments related to multi-level governance are not directly related to OIXO rules or burden reduction targets

The Juncker Commission was of the opinion that OIXO rules and burden reduction targets would not be effective at the EU level, since unnecessary regulatory costs often stem from inadequate implementation at Member State level. This is an important concern, since an important part of the administrative burdens (more than compliance costs) tend to emerge in the interaction between the regulated entities and national or local administrations in charge of monitoring compliance or enforcing legal provisions, including administering sanctions. In classifying administrative burdens and substantive compliance costs it is always important to classify the origin of the cost, and in particular whether the cost originates in EU legislation, in the national transposition measure, or in purely national regional or local regulation: the original SCM included an “ABC” classification to this end, and subsequent implementations in many countries features a more articulate taxonomy, in which “A” and “B” types were broken down into “EU-Directive”, “EU-Regulation” and “other-international”, to sharpen the understanding and classification of the underlying

provision. In a future OIOO system at the EU level, such classification would be very helpful in attributing responsibility for the origination of administrative burdens and substantive compliance costs. Rather than making it more difficult for the Commission to administer the system, the monitoring and assessment of regulatory costs originated by EU legislation would become an extremely helpful tool to understand whether a given burden is inherently related to the original piece of legislation, or whether it depends on the way in which a Member State has implemented the measure. This analysis can only be undertaken in cooperation with stakeholders and Member States, as will be clarified in Section 3.3 below: if properly implemented, it would also shed light on cases of so-called “gold-plating” and “double-banking”, in which transposition measures become more costly for stakeholders due to added provisions at the time of transposing the legislation into national law (especially for “minimum harmonisation” EU directives); or failure to remove contrasting and overlapping pieces of legislation¹¹⁴. As a result, the unnecessary costs that cannot be reduced at the EU level and require action at the national level could be addressed within the European Semester and through the many existing national burden reduction programmes, leading to a further reduction of unnecessary costs for European businesses and citizens.

In addition, most of the simplification proposals that allow the deployment of digital solutions for the purposes of demonstrating or monitoring compliance (as in so-called RegTech or SupTech solutions) would be focused on enabling drastic simplifications in the act of compliance, monitoring or enforcement, which would reverberate also on public authorities at the national, regional and local level. Accordingly, while the multi-level nature of the EU is certainly challenging for better regulation in general, there are advantages and benefits that could be reaped if an OIXO rule was properly implemented.

Moreover, the Juncker Commission was also concerned that the multi-level governance that characterises the European Union may lead to additional costs introduced through national legislation, whenever “28 un-harmonised laws ... replace the legislation which is withdrawn, with the consequence that companies, particularly those operating cross-border, ... face higher costs”. This is not a trivial concern: for example, the narrowing down of the scope of the Commission’s action to “ten priorities” under the Juncker Commission has, according to some stakeholders, created more leeway for Member States to regulate specific subject matters, thereby leading to a possible fragmentation of the Single Market. Likewise, the simplification of legislation may lead to the EU withdrawing from a “policy space”, which may later be filled by national legislation. This, however, appears to be a general argument that applies to all attempts by the European Commission to “tackle unnecessary costs” while preserving policy objectives: every time an ex ante impact assessment confirms that simplifying legislation or even withdrawing altogether a piece of

¹¹⁴ As an additional note, one must also recall that most of the administrative burdens attributed to EU legislation would already be related to a given provision existing in the text of the EU legislation: should the problem lie in the implementation phase, the different origin should be already visible in the initial mapping of the costs. In addition, it is worth recalling that at least one Member States that successfully implemented an OIXO rule, Germany, is also implementing the system with sub-national governments (i.e. the *Länder*). This shows that managing an OIXO rule in a multi-level governance context is possible.

legislation is the preferred policy option, a counterfactual analysis should be run, which contemplates the possibility that Member States decide to regulate on their own what the Commission has decided not to regulate. This risk can be tackled and mitigated in various ways at the EU level: from the adoption of soft law to “maximum harmonisation” provisions, the tools in the hands of EU legislators are sufficiently sharp to allow the Commission to manage the risk of over-regulation in specific fields. That said, the risk highlighted by the Juncker Commission mostly referred to cases in which a “number-based” OIXO rule is in place, and accordingly Commission officials are forced to identify an existing provision to repeal whenever a new provision is proposed. This would certainly exacerbate the risk of rushing the elimination of specific provisions without adequately assessing the risk that Member States replace them with national rules: even in this case, if the Commission really and publicly identified “unnecessary costs” in the provision to be repealed, it would be very difficult for Member States to defend their decision to reinstate such provisions. And in any event, we explicitly exclude the adoption of a “number-based” rule in Section 3.3 below, and only analyse the adoption of a regulatory offset rule based on the volume of regulatory costs, not on the number of regulations¹¹⁵.

Against this background, it would anyway be essential to establish a degree of cooperation between the EU level and the many Member States that have in place an OIXO rule or a burden reduction targets. As already mentioned in this report, countries that have implemented, or are about to launch, an OIXO rule or burden reduction targets already represent the bulk of EU GDP and population: these countries could provide very useful feedback to the Commission on the origin, the extent and the impact of specific provisions creating unnecessary costs: if there is common understanding on a multi-level basis on the unnecessary nature of a given cost, it would be very unlikely that Member States would reinstate those costs in national legislation, as this would also violate their OIXO rules, or compromise the achievement of their burden reduction targets. This coordination would even be stronger if a rule were agreed upon, based on which costs that have been labelled as unnecessary (or unnecessarily high) at the EU level should be classified as such also in Member States.

3.1.10 A well-designed OIXO rule would not create delays

Finally, the Juncker Commission was also concerned that “the need to find cost savings to finance any increase in costs due to a new regulatory initiative can represent a real impediment for the timely presentation of a new proposal irrespective of how useful or necessary it may be”, since “finding consensus among EU institutions over which legislation should be withdrawn or modified” would “delay even further the process”. This

¹¹⁵ Complications may certainly arise in the operation of a OIXO rule at the EU level, whenever a proposed reform “moves” costs from one level of government to another, e.g. from the national to the EU level. In this latter case, two options would be available to incorporate the related costs into an OIXO system: either the situation in the member states is treated as business-as-usual costs and hence ignored at the EU level; or the total costs are transferred from the national to the EU level. In the case of abolishing European legislation in favour of national laws, the two possible solutions would work vice versa.

concern is again valid in all those systems in which there is no pre-defined list of provisions to be repealed, and offsets have to be contextual and simultaneous to the introduction of new rules featuring regulatory costs. However, our analysis of national experiences in the EU and in non-EU OECD countries shows that this is hardly the case in most advanced systems.

In most countries, the provisions to be modified or repealed have to be either identified contextually, but repealed within a given timeframe (e.g. a year, by year’s end, by the end of the reporting period); or can be identified and repealed at a later stage, provided that this happens within a given timeframe. The former scenario (e.g., the United States) is more likely to create delays in the process than the latter: we will propose the latter for the EU OIOO rule in Section 3.3.

3.2 Feedback from surveyed national governments

As already mentioned, we have launched a survey that retrieved sixteen replies from national governments, as well as one reply from a sub-national government (Flanders). The results of the survey for what concerns the scope and design of national systems are reported in Section 1 above. As part of the survey, we also asked a more direct question on the desirability of setting up an OIXO rule or cost reduction targets at the EU level. In this section, we report the main feedback received from respondents on this direct question that relates to the EU level.

Among respondents, there are very different opinions. The **Bulgarian** government’s respondent is not in favour of an OIXO rule or even a burden reduction target at the EU level: the main reason is that the measurement and quantification of costs is extremely expensive and difficult, and companies do not perceive a real difference before and after the target has been achieved. This seems to point at a lack of effectiveness of these strategies, which however contrasts with the rather positive experience of Member States that have adopted a strategy to date. The respondent from **Croatia** argued that the EU should adopt reduction targets focused mostly, but not exclusively, on most burdensome areas for SMEs. **Denmark** stressed the importance of developing an intelligent model for implementing the rule which delivers more simple, effective and future-proof regulation and contributes to the digital transformation, the green transition and better protection of consumers, health, environment and labour. The Croatian respondent added that targets should preferably be set in monetary terms in a way that avoids a baseline measurement; and should where possible consider at the same time the cost and the benefits of regulation. Among the expected positive impacts, Denmark expects that the right model has the potential to lift the whole better regulation cycle from impacts assessments and regulatory scrutiny to implementation and evaluation.

The representative from **Ireland** argued that the Commission should adopt quantified targets for reductions in burdens, to maintain and improve focus on burden reduction.

The respondent highlighted that burden reduction targets can be used as an internal management tool for the Commission to prioritise actions. The respondent also observed that while the Commission has so far been sceptical about burden reduction targets, perhaps combining their use with a ‘perceived-burden’ approach on a sectoral basis might gain traction. The **Italian** government observed that the Commission should set sectoral reduction targets focused on particularly burdensome areas, especially for SMEs, always taking into account a high level of protection of consumers, health, the environment and employees, and respecting existing protection standards. These reduction targets should not require a baseline measurement and should where possible consider at the same time the cost and benefits of regulation. The **Lithuanian** respondent was in favour of both an OIXO rule, but only if the implementation of this rule is well organised (mechanisms of evaluation and compensation). Also, the Commission should set burden reduction targets in line with international best practice (OECD).

The **Netherlands** expressed favour for a similar approach to the one it implements domestically: targets to be established by the Commission, linked to concrete measures to reduce regulatory burdens, a kind of “micro-targets”. These concrete measures can be part of an action plan that each Directorate General (DG) of the Commission can draw up to make transparent what ambitions it has in the field of Better Regulation. The action plan should contain measures that make a noticeable difference for businesses. The “targets” don't always have to be linked to an amount of cost savings. Targets can also be linked to measures aimed at increasing business satisfaction, e.g. satisfaction with the transparency of a system or the service delivered by tax or customs authorities. In those cases, the target can be the achievement of a higher degree of satisfaction. Working with action plans that contain targets linked to measurable concrete ambitions, in the way described, helps to achieve results. It creates a healthy pressure on all parts of the Commission to take action and show ambition. The action plans are also a good communication tool to enter in a dialogue with stakeholders to check if the proposed actions make a real noticeable difference for businesses as we act solely on concrete problems as put forward by business. Working with targets will also be an incentive for the Commission services to make more and better quantified impact assessments and evaluations and will also make it possible for the Commission to deliver a better REFIT-scoreboard. The Commission will have to change its procedures. In an early stage the Commission will have to formulate ex ante which concrete actions have to be taken to make a real noticeable difference for businesses and what the measurable results of the actions should be.

Much in the same vein, the **Spanish** respondent observed that reduction targets could be adopted, but a preliminary study would need to be developed in order to ensure that policy goals are not affected and determine what sectors should be prioritized in the reduction. The respondent also added that the European Commission should establish (for example, with four-year plans) a target to reduce the costs of the legislation. Among other respondents, **Slovakia** and **Slovenia** are in favour of burden reduction targets (in the case of Slovenia, expressed in percentage). The Slovakian respondent, in line with the Spanish one, considers it necessary to perform a preliminary analysis and discuss possible

meaningful objectives based on its conclusions. Sweden supports burden reduction targets on the EU level as important tools and methods to increase efforts within the area of simplification and proactively pursue benefits to the business climate. According to the Swedish respondent, the OIOO which the incoming European Commission committed to could be such a tool, however, its contours and *modus operandi* remain to be defined in detail. On the more general level Sweden considers it to be important to bear in mind regarding the proposed system that it would require resources and an efficient apparatus to function properly.

More generally, looking at the responses received, **there seems to be important support among EU Member States for the adoption of burden reduction targets**, focused on the most burdensome areas, especially for SMEs. A number of Member States have highlighted the need to target efforts and resources towards the areas that appear most burdensome, rather than applying a burden reduction target to the whole *acquis*. Arguments are also strong, but with a greater degree of caution, for the adoption of an OIXO rule, provided that it is properly designed and does not compromise protection standards. Indeed, it is not surprising that the debate on sectoral reduction targets is more consolidated than the one on OIXO rules. As a matter of fact, there is a long legacy of the Member States calling for burden reduction targets at the EU level, whereas the idea to implement OIXO is fairly new in the EU context.

After the finalisation of the draft of this report, in the month of November 2019, additional comments were sent by several Member States, mostly with requests for clarification. These comments led to important additions and rewording in the final version of the report.

3.3 Introducing an OIOO system at the EU level: opportunities, challenges, and risks

Our analysis of the international experience in Chapters 1 and 2, as well as our discussion of the concerns expressed by the European Commission and by surveyed Member States is extremely important for the design of the features of a possible future OIOO rule. In this section, we discuss a number of basic preconditions for the introduction of the new system, and then propose a system, which echoes the concerns expressed by the Juncker Commission and some national governments, and is designed to mitigate them.

3.3.1 Key Preconditions

Before we outline the key methodological and governance feature of a possible future OIXO system at the EU level, it is important to describe some of the key preconditions for the introduction of such system. In particular, it is essential to specify that there need not be any backtracking from Europe’s proactive and ambitious legislative and regulatory agenda; the system has to be flexible and based on a strong political commitment; the

system has to implement a regulatory budgeting framework, rather than a mechanistic application of algebraic rules; the system should economise on data and information by re-using existing and future information and figures; and by making the most of a coordinated approach with Member States. We elaborate on each of those preconditions below.

3.3.1.1 *No stepping back from an ambitious policy agenda*

As discussed above, there is no incompatibility per se between OIXO rules, cost reduction plans, and a regulatory and policy agenda oriented towards proactively pursuing social and environment benefits. Contrary to what is happening in other parts of the world, such as in the United States, in Europe countries that have adopted OIXO rules and burden reduction targets have continued to take the lead on pursuing ambitious policies in domains such as human and fundamental rights, welfare policies, consumer protection, the circular economy, etc. Whenever costs are necessary to achieve these goals, there should be no hesitation based on the existence of **any OIXO rule or burden reduction target**: such rules and targets **should only be referred (for the “outs”) to unnecessary costs**, as defined in Box 1 in the introduction to this report. Accordingly, in a future OIXO system at the EU level the costs introduced should be always, by definition, “necessary” to achieve the objectives; whereas the costs that are removed as a result of the application of the OIXO rule should be identified among the “unnecessary costs”, i.e. those costs that can be removed or reduced without jeopardising the objectives of EU legislation.

In terms of ambition, the Juncker Commission has marked important commitments in terms of social and environmental policies at the EU level, including the European Pillar of Social Rights, the Circular Economy Package and a “strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy by 2050”, now endorsed by 18 Member States¹¹⁶. This happened despite an initial strong commitment to do less, more effectively at the EU level, through the so-called “ten priorities”. Recently, the Timmermans Task Force also revisited the concepts of subsidiarity and proportionality, calling for a sharper allocation of competences between the EU and Member States.

The next Commission is expected to launch a more ambitious Agenda 2030, which will be even more oriented towards social and environmental benefits, but will also chiefly depend on digital technologies in order to achieve the sustainable development goals, which form the basis of Agenda 2030. All this can and should be achieved with the help of smart regulatory solutions, which do not compromise on outcomes, and yet leverage the effectiveness of strong institutions (another sustainable development goal), and benefit from enhanced productivity, a more citizen-friendly and business-friendly *acquis*.

Against this background, it has to be made clear that the EU better regulation agenda should not be only about cutting costs, even if only unnecessary costs. The economic literature confirms that regulation is an activity that can be undertaken to achieve benefits,

¹¹⁶ <https://www.euractiv.com/section/climate-strategy-2050/news/18-eu-countries-sign-up-to-2050-carbon-neutrality-goal/>

promote socially relevant innovation, raise the ambition on sustainable development, encourage beneficial technological transition, and redistribute wealth¹¹⁷. There is accordingly **no intention, in this report, to advocate a narrowing down of the scope of the EU better regulation agenda**. Rather, the introduction of cost reduction mechanisms and strategies is aimed at maximising the benefits of regulation, by harnessing the positive impacts of the *acquis*, and minimising the negative ones.

3.3.1.2 *A flexible system, a strong political commitment*

Our analysis of existing rules and regulatory offset mechanisms in EU and non-EU OECD countries shows that these rules are not necessarily applied *verbatim* and mechanically, but are in place to show a general commitment to pay enhanced attention to the evolution of regulatory costs, either by preventing them from increasing over time (as in an OIOO) rule, or causing the decrease of unnecessary costs (as in other OIXO rules, with $X > 1$). The system is often applied with some degree of flexibility in order to allow the smooth functioning of the regulatory process. Moreover, an OIXO system should be as “light” as possible for the administration, so that it can be applied without taking up all the energy of government officials.

Many countries envisage exceptions to the rules, but these exceptions are normally not used by Ministries or Departments¹¹⁸: importantly, the more the rule refers to “unnecessary” costs, the less exemptions and flexibility will be needed in order to accommodate ambitious policy initiatives. When exceptions are granted, it is important that a clear set of criteria for exemptions is introduced, in order to avoid that the flexibility introduced in the system does not translate into arbitrariness in the application of the rule. Also, the granting of one exception should be associated with a specific procedure, such as a formal political decision.

Measuring and monitoring the evolution of regulatory costs in specific sectors ultimately amounts to experimenting with a “regulatory budgeting” system, but this requires neither a simultaneous adoption/withdrawal of rules, nor a systematic deregulatory effort. Rather, it entails that competent ministries, departments or DGs start paying enhanced attention to the costs their regulatory stock generates, and constantly seek opportunities to reduce unnecessary costs by engaging in simplification or in other forms of smart regulation. Moreover, the proposed OIOO rule aims at a regulatory offset rule based on the volume of regulatory costs, not on the number of regulations.

As in all regulatory reforms, and as repeatedly stated at the international level by organisations like the OECD and the World Bank, the most important precondition is a strong, explicit political commitment to deliver on the promised measures. The strong backing of political leaders motivated civil servants to realise the common goal of eliminating unnecessary costs, while preserving the benefits regulation is expected to deliver. Commitment may also require enacting measures or implementing governance

¹¹⁷ Ashford and Renda 2016; Renda 2019; Kalff and Renda 2019; Renda 2016.

¹¹⁸ The only exception that is actively used, in particular in Germany, is the case of implementation of EU law.

mechanisms, such as reporting or stakeholder feedback, that increase the transparency and accountability of institutions when implementing the reforms.

3.3.1.3 *A system in which data and information are re-used*

The European Commission sits on a huge amount of data produced in several hundred *ex ante* impact assessments (and related background studies), interim and *ex post* evaluations, implementation reports, fitness checks, competitiveness studies, cumulative cost assessments, counterfactual evaluations (mostly by the Joint Research Centre/JRC),¹¹⁹ and of course general statistics. So far, these data have remained idle and have been hardly re-used in subsequent analyses, which is unlikely to maximise their “value for money”, looking at the resources that are spent every year to ensure all this evidence backs EU policymaking. In a future OIOO, the need for an initial evidence base in setting meaningful targets without launching a new baseline measurement already requires that existing data are pooled and merged, and constitute a knowledge base for meaningful politically-driven actions. Moreover, the operation of an OIOO rule as described in the next sections requires that EU and national data are re-used to build more reliable estimates over time. This is a key precondition for a consistent system, and a system that makes the most of the resources spent to generate data and information. Incidentally, the stocktaking of existing knowledge about Administrative burdens and substantive compliance costs (and where relevant, charges) would also become instrumental to the setup of an “evidence register” of existing studies and policy evaluations, as announced by Vice-President-designate Šefčovič during his hearing in the European Parliament on September 30, 2019.

3.3.1.4 *A system built in coordination with Member States*

The EU, as already recalled, operates a multi-level governance system in which rules drafted and approved at the EU level are then most often implemented and enforced at the national or even local level. This makes it very difficult, at times, to attribute possible unnecessary costs to one level of government only: and, in turn, dilutes the responsibility for reducing such costs. Accordingly, as already observed, the European Commission has expressed scepticism on the feasibility of operating an OIXO rule and/or burden reduction targets in a situation in which part of the costs are not dependent on the EU level. At the same time, many large EU Member States have collected valuable information over the past years on which (EU) rules are most costly and burdensome in their territories, and this information will prove extremely valuable both in setting up the system, and in implementing it over time.

¹¹⁹ The JRC is the European Commission's science and knowledge service which employs scientists to carry out research in order to provide independent scientific advice and support to EU policy. The JRC has seven scientific institutes and their respective support services, altogether employing some 2750 staff. See <https://ec.europa.eu/jrc/en>.

Accordingly, one of the key preconditions for a fully functioning system based on an OIOO rule is a constant cooperation and exchange between the EU institutions and Member States, especially those that have accumulated experience on the classification and measurement of regulatory costs. This will implicitly also provide incentives to other Member States to become more able to classify, measure and manage their regulatory stock, which in turn would be a way to strengthen the EU’s multi-level governance.

The European Commission confirmed the importance of multi-level coordination in its April 2019 Communication on better regulation, in which it observed that “the quality of evaluation depends on a shared understanding with the co-legislators and Member States on when best to evaluate, which indicators and frameworks to use for measuring performance, and how to efficiently collect the necessary monitoring information”; and that “the delivery of the benefits of simplification efforts in Commission proposals depends on the respective provisions being maintained by the co-legislators and on Member States’ implementing choices”¹²⁰. The Commission also added that in many cases, it “does not have adequate information about how Union legislation works in the Member States because the legislation as adopted by the co-legislators does not maintain the measures proposed to allow the collection of the data necessary to permit a good evaluation”, and that “obtaining data on the performance and impact of EU law in practice across all Member States remains a challenge”¹²¹.

That said, rejecting the possibility of a well-functioning system for the reduction of unnecessary costs on the basis of the imperfections in the EU multi-level governance would imply that both the benefit of a more well-functioning system and those of cost reductions are foregone. Rather, the Commission is right to advocate a more transparent interaction between the EU and the Member State level, including through reports on the implementation and possible gold-plating and double-banking practices related to EU legislation (the Commission has reportedly set up a dedicated IT platform to this end, but complained that only two Member States have notified gold-plating provisions over the past three years). This could take place through the proposed system based on burden reduction plans and a general commitment not to increase costs. An ideal setting for this form of coordination would be the REFIT Platform’s government group, where many governments that are currently active in measuring regulatory costs could provide a decisive help to the European Commission in setting up the system.

3.3.1.5 *A system based on thorough and frequent stakeholder consultation*

Stakeholder involvement is essential to the success of an OIXO rule. The burden reduction plans should be developed with the support of the “Lighten the load-Have your say” platform, which enables stakeholders to propose reforms that improve laws and reduce

¹²⁰ https://ec.europa.eu/info/sites/info/files/better-regulation-taking-stock_en_0.pdf

¹²¹ Id.

regulatory burdens;¹²² and relatedly, with the involvement of both REFIT Platform groups: the government group should be involved especially with a view to validating the choice of the offset decisions and the plans for implementing legislation that will realise the offsets; and the stakeholder group would ensure that the relief from unnecessary regulatory costs is perceived on the ground, and not just included in abstract calculations for the purposes of meeting the target. Moreover, it would be essential to include as a mandatory module, in the open public consultations that are carried out on the inception Impact Assessment (12 weeks)¹²³ as well as on the finalised proposal (8 weeks)¹²⁴, a set of questions on whether the costs are correctly identified, whether their reduction or elimination would produce the expected relief, and whether there is a risk that regulatory benefits or the achievement of sectoral goals are compromised as a result of the proposed intervention.

3.3.2 *Designing an integrated system: key features*

Based on the results of our analysis of experiences at the national level in EU and non-EU OECD countries, as well as on the key preconditions discussed in the previous section, we propose the introduction at the EU level of an OIXO rule, with the following characteristics:

- **We propose that the rule takes the form of an OIOO rule** (thus, $X = 1$), in a way that mirrors most of the national experience we have surveyed. The choice of an OIOO rule is also motivated by the need to avoid that the rule introduced places excessive pressure on the EU administration to identify and reduce costs generated by the *acquis*; as a matter of fact, the proposed rule is aimed at enabling gradual awareness of existing unnecessary costs, and a gradual improvement of the quality of the regulatory stock through the introduction of necessary “ins” and the removal of unnecessary “outs”.
- **The OIOO rule would cover all direct compliance costs**, thus including administrative burdens, substantive compliance costs, and charges where existing (see Box 1). As a matter of fact, in the systems, which have adopted this wider approach and not only focussed on administrative burdens, the most significant positive results have been observed. This can be explained by the fact that substantive compliance costs are, in most cases, more significant than administrative burdens.

¹²² https://ec.europa.eu/info/law/better-regulation/lighten-load_en.

¹²³ Inception Impact Assessments aim to inform citizens and stakeholders about the Commission's plans in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options. Since 2015, consultation on inception impact assessments was introduced in the EU better regulation agenda. See Renda (2015).

¹²⁴ Once the Commission has finalised a legislative proposal and submitted it to the European Parliament and the Council, you have another opportunity to give feedback. The feedback period for Commission proposals is 8 weeks, after which the contributions will be passed on to the Parliament and the Council. See https://ec.europa.eu/info/law/better-regulation/have-your-say_en.

- **Within the proposed system, all newly introduced costs count as “ins”. While “ins” may well correspond to necessary costs, “outs” can only be costs that were found to be unnecessary**, as described already in Box 1 above. Again, we define “unnecessary burdens” as corresponding to unnecessary administrative costs, unnecessary substantive compliance costs, and unnecessary charges. These are the cost categories that will be included in our proposed “burden reduction plans” (see below).
- **The proposed OIOO rule would apply to businesses and citizens**, in order to ensure that both can benefit from an improvement of the EU *acquis*, and the elimination of unnecessary costs. This would also be important to build ownership of the new system among all stakeholders, and avoid that reduction measures are exclusively focused on one category. Over time, also public administrations could be covered by the rule, but this would require a high degree of coordination between the European Commission and Member States.
- **The proposed system would allow for banking** of cost reductions achieved, subject to the achievement of the overall cost reduction plan. Banking, however, works both ways: in case of failure to achieve the planned reductions during a given year, the reductions to be achieved would then be passed onto the following year.
- **The proposed system will cover recurrent costs, not one-off costs**. The overall aim of the system is to reduce or, where possible, eliminate the unnecessary costs generated by existing EU rules: the one-off costs that emerge as a result of the introduction of a new rule are typically not “actionable” once they have been faced by regulated entities, no matter whether the administration seeks to simplify, consolidate legislation or seek digital solutions.
- **The system would in principle not allow for trading burden reductions**, since this would lead to a possible confusion of regulatory costs and benefits, with potentially significant distributional consequences. The system in principle attributes to each Commission DG the responsibility to comply with the OIOO rule, by looking into its own regulatory stock to identify unnecessary costs, which could be eliminated or reduced. **Only in exceptional circumstances trading could be admitted**, if the area in which “ins” are being introduced does not feature unnecessary costs, and other areas can be identified, in which measures could be adopted without affecting regulatory objectives or creating undesirable distributional impacts. In addition, as in Scenario 2 above, the proposal should be assessed with a view to demonstrating that the new costs are justified by the achievement of superior regulatory benefits.
- As the proposed OIOO-system is not a strict, mechanistic rule, complete **exemptions from the system are not necessary**. This holds especially true as in the proposed OIOO-system banking and, in exceptional circumstances, also trading provide sufficient flexibility. Outright exemptions would threaten to undermine the effectiveness of the system.

- **The proposed OIOO rule would require oversight, preferably by the Regulatory Scrutiny Board**, who would be asked to oversee the correct implementation of the rule, and ensure in particular: that *ex ante* impact assessments contain a section on the application of the OIOO rule, and that “ins” correspond to necessary costs; and that *ex post* evaluations report on possible unnecessary cost.
- **The proposed rule would require coordination by the Secretariat-General of the European Commission**, in particular for what concerns the procedural steps that will be described in the next Section (i.e., the development and update of a “heat map”, the adoption and update of burden reduction plans, and the introduction of criteria for exceptions to the OIOO rule).

Table 7 below shows the main features of the proposed system, following the scheme used in tables 4 and 6 above.

Table 7 – Key features of the proposed system

Country	Rule	Type of costs covered	Scope (law)	Regulated entities	Timing of offsets	Banking	Trading	Exemptions
EU	OIOO	Direct compliance costs (charges, administrative burdens, compliance costs)	All EU legislation	Citizens and businesses (and over time, possibly also public administrations)	By year end	Yes	Only in exceptional circumstances	No

3.3.3 Implementing the system

The setting up of a new system for the measurement and reduction of unnecessary costs can be imagined as a staged approach. This approach is composed of a setup phase to be implemented during 2020, and a yearly cycle, which will repeat itself from 2021 onwards.

First, already in 2020 **the Commission should launch a preliminary study to take stock of existing evidence of unnecessary costs in various sectors of the economy**. This, as explained in Box 1 above, are not a new category of costs, but rather any direct cost from regulation (including in particular administrative burdens and substantive compliance costs) that could be reduced or eliminated without compromising the achievement of regulatory objectives. Such study was evoked *i.a.* by the Dutch and Spanish respondents to identify those areas that appear most challenging for European businesses (in particular, SMEs) and citizens. This study could take stock of all the cumulative costs assessments performed by external consultants for the European Commission in sectors such as steel, aluminium, glass, ceramics, chemicals and others. In addition, these data could be combined with data from impact assessments and *ex post* evaluations, plus all data from

JRC studies¹²⁵. The JRC could be involved in this study, also due to its increased involvement in the collection of data for impact assessments to be performed at the EU level: this would also help retain knowledge of the costs generated by EU legislation inside the EU institutions, thereby ensuring continuity in the implementation of the system.

Second, **the study should be coupled with a “life events” survey at the EU level**, aimed at understanding the areas that are perceived as being most affected by administrative burdens and substantive compliance costs in the key moments of the life of businesses and citizens.¹²⁶ Such a life events survey, which could become an ongoing effort alongside the application of the OIOO rule, will retrieve important results, which would then be subject to further investigation in order to understand whether the perceived burdens are related to EU-level policy, implementation or enforcement; or whether Member States should take action to address the issue¹²⁷. An important consequence of launching this pan-European survey would also be the uncovering of differences in implementation and enforcement across Member States, and the possible inclusion of simplification measures at the national level as policy priorities in the context of the European semester. For the EU level, the life events survey will be complementary to the fact-finding exercise described above, and will lead to the definition of a “heat map” on regulatory costs, broken down by policy domain.

The **definition of a “heat map”** would replace the otherwise too costly baseline measurement phase, which was correctly defined by the European Commission and Member States as not cost-effective (see above, Section 3.1.1).

In principle, this scanning of the EU *acquis* could be carried out by taking as unit of analysis either individual policy domains (e.g. healthcare, financial services, taxation, etc.); or industry sectors (e.g. steel, ceramics, retail, etc.). The former approach should be preferred,

¹²⁵ Without investing excessive resources, the Commission should be able to set up Better Regulation Task Forces at the DG level (or for clusters of DGs), in order to refine the heat map and identify (i) the provisions that are perceived as costly and feature margins for simplification (for example, by adopting technological solutions); and (ii) the perceived costs that depend mostly on the EU level, rather than on the national or local level (as is the case whenever compliance costs depend on gold-plating, and/or administrative burdens are generated by enforcement practices at lower levels of government).

¹²⁶ A “life events” survey identifies a number of typical events in the life of companies and citizens, and surveys them to understand the quality of their interaction with government. This approach was tested i.a. in France and Germany over the past years. Examples of the selected life events for citizens were marriage, the birth of a child, the start of a training course, the death of a loved one and the loss of a job. Businesses were asked about their experiences of processes such as starting a business, developing a new product and ceasing operations. In Germany, responsibility for designing the survey and for developing and analysing the questionnaire lays with the Federal Statistical Office; the task of conducting the telephone interviews was put out to tender. At the EU level, the life events survey would most likely have to adapted to the specific scope of the EU *acquis*, and avoid asking questions exclusively related to the relationship between citizens and local administrations. One example of perception survey that retrieved interesting results at the EU level is the consultation on the top 10 most burdensome pieces of legislation for SMEs (TOP10), on which see https://ec.europa.eu/commission/presscorner/detail/en/IP_13_188. The TOP10 public consultation was an on-line questionnaire using Interactive Policy Making software. It ran from 1 October 2012 until 21 December 2012 and was available in 21 EU languages. The TOP10 public consultation attracted widespread attention among SMEs and their representative organisations with a total of 1000 replies received by the deadline (779 enterprises, 154 organisations representing the interest of enterprises and 67 other stakeholders).

¹²⁷ A “life events” survey typically retrieves results that are related to all levels of government, including citizens’ and businesses’ interaction with local authorities. The results of the life events survey would indeed require an apportionment of the resulting costs according to the origin (EU, national, local) of the costs identified.

in line with national experience and with the approach announced by the new Commission: it allows a more effective understanding of the existing possibilities for revising or repealing existing legislation in the same domain. This way, whenever a new piece of legislation with new “ins” is envisaged, the competent DG could directly recur to its policy domain’s heat map to look for possible “outs”. Consequently, individual DGs would retain control, ownership and accountability of the new system. Besides this, a policy domain based system is preferable because it makes it more likely that both businesses and citizens benefit from the new system; and that all pieces of legislation, including the more cross-cutting, non-sector-specific ones (e.g. data protection rules, rules on trade subsidies, competition rules) are included in the analysis.

The heat map will be essential to identify the possible “outs”, i.e. the existing provisions that are considered to create unnecessary costs¹²⁸. The key characteristics of the heat map could be the following:

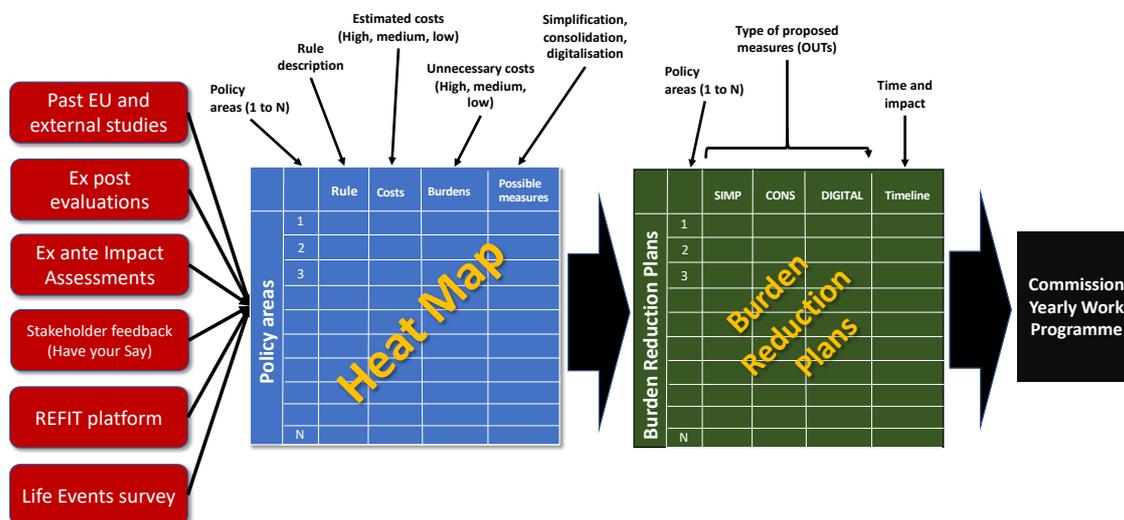
- An indication of the presence of perceived administrative burdens and substantive compliance costs, divided by type of cost (administrative burdens, substantive compliance costs, and where relevant charges). The heat map would then contain an indication of those costs that originate in EU legislation.¹²⁹
- The identification of “high cost”, “medium cost” and “low cost” areas of EU legislation, for example with a “traffic light system”, coupled with more detailed information on the individual provisions, especially those included in the high cost areas.
- An indication of which areas and provisions are considered likely to feature unnecessary costs, divided into administrative burdens and substantive compliance costs; and whether these costs fall on businesses, citizens or other stakeholders.
- Within provisions that are thought to contain unnecessary costs, the map could provide a description of the provision; a motivation of why the costs associated with the provision are thought to be unnecessary; and an indication of the possible way in which the cost reduction could be achieved (repeal or revision; and simplification, consolidation or digitalisation).

¹²⁸ A similar “heat map” approach was already implemented, though in a much narrower and purely business-oriented context, in the cumulative cost assessments commissioned by DG GROW in order to assess the impact of EU legislation on the cost competitiveness of industry players in specific sectors, such as steel, aluminium, chemicals, glass, and ceramics. This led to the identification of those provisions that were thought to create significant costs for the industry. Examples are found *i.a.* in the Cumulative cost assessment (CCA) of the EU ceramics and glass industry published on 14 July 2017 by the European Commission and carried out by CEPS, Economisti Associati and Ecorys. See https://ec.europa.eu/growth/content/cumulative-cost-assessment-cca-eu-ceramics-and-glass-industry-published_en. For cumulative cost assessment studies led by CEPS, a preliminary heat map was also prepared in consultation with stakeholders and the European Commission in the early phases of the study, in order to identify the pieces of legislation that were perceived as featuring higher cost levels. The heat map proposed in this report, however, differs in many respects, as it would include information on so-called “unnecessary costs”, would focus also on citizens, and would be developed with a view to identifying the possible “outs” in the OIOO rule.

¹²⁹ In case during the development of the heat map significant costs are highlighted, which originate in national legislation and thus require action at the Member State level, the cost reduction could be addressed within the European Semester, by proposing specific measures in the country-specific recommendations.

Figure 9 below shows a stylised example of a heat map, showing its main inputs, its main content, and its relations with burden reduction plans.

Figure 9 – Sample heat map and burden reduction plans: inputs, format, content



The main purpose of the heat map would thus be to highlight where costs exist, and identify areas in which reductions of unnecessary costs are possible, through simplification, consolidation and digitalisation¹³⁰. **The heat map could be updated annually** to reflect the proposals adopted by the European Commission, the amendments presented by other European institutions, as well as the results of *ex ante* impact assessments, *ex post* evaluations and input by stakeholders (in particular, through the REFIT Platform).

Once the heat map and the reduction potential have been finalised, the next phase would entail the **setting of *ad hoc* burden reduction plans for each DG**. A reduction plan would consist in a document prepared by the competent DG, in which possible measures to be adopted for reducing unnecessary costs would be classified in the three mentioned buckets (simplification, consolidation and digitalisation), leading to an estimate of the reduction potential for each DG. Reduction plans could also contain an estimate of the potential cost reduction that could be achieved by repealing or revising the selected provisions. The potential reduction of unnecessary costs could be expressed in absolute terms, rather than as a percentage: the main reason for preferring this approach is that it avoids the specification of the total amount of costs per area (the 100%), which would require a very costly baseline measurement. In addition, the main purpose of the proposed OIOO rule is not to achieve a cost reduction *per se*, but rather an improvement in the quality of the EU

¹³⁰ More specifically, simplification refers to a process in which individual pieces of legislation are reformed to achieve the same benefits at lower costs (for example, by moving towards a risk-based approach to inspections); consolidation requires action to eliminate overlaps and redundancies between different pieces of legislation belonging to the same policy areas (e.g. moving to the “ask only once” principle; or streamlining information requirements contained in legislation, substantially aiming at collecting the same information); digitalisation implies achieving (often significant) cost reductions by allowing implementation or compliance through the use of digital solutions (e.g. e-invoicing; digital record-keeping; RegTech and SupTech solutions).

acquis, obtained through the introduction of necessary costs (“ins” are always necessary by definition); and the elimination of unnecessary costs.

The measures proposed in the burden reduction plans could then flow into the yearly Commission Work Programme, as well as in the multiannual programming instituted by the 2016 Interinstitutional Agreement on Better Law-Making. More specifically, based on the Interinstitutional Agreement on Better Law-Making (paragraph 8), **the Commission Work Programme should include “major legislative and non-legislative proposals for the following year, including repeals, recasts, simplifications and withdrawals”**; and for each of these measures, the Work Programme should indicate “the intended legal basis; the type of legal act; an indicative timetable for adoption by the Commission; and any other relevant procedural information, including information concerning impact assessment and evaluation work”.

In the new system, the Work Programme should also indicate whether newly proposed measures are likely to increase costs (corresponding to an “in”), as well as a preliminary identification of the “out”, e.g. the provisions that will be repealed, recast, simplified or withdrawn in a way that offsets the proposed new costs. This could follow the procedure already foreseen in the Interinstitutional Agreement (paragraph 9), based on which “when the Commission intends to withdraw a legislative proposal, whether or not such withdrawal is to be followed by a revised proposal, it will provide the reasons for such withdrawal, and, if applicable, an indication of the intended subsequent steps along with a precise timetable, and will conduct proper interinstitutional consultations on that basis”. This way, the proposed measures will be subject to agreement by all three institutions: this will in turn strengthen the likelihood that all institutions follow the new system within the ordinary legislative procedure. In addition, the Commission could also be allowed to notify the Parliament and the Council whenever amendments that they propose are likely to increase direct compliance costs.

The estimates provided in the Work Programme will then have to be translated into concrete measurements in the impact assessment phase. The impact assessment would also need to ensure, with a greater level of depth, that the measures adopted do not affect regulatory objectives. Here, three scenarios may emerge:

Scenario 1. A new policy proposal does not significantly affect regulatory costs. Then the current better regulation system remains unchanged.

Scenario 2. A new policy proposal achieves simplification, consolidation or digitalisation solutions, thereby directly realising a reduction of unnecessary costs (“outs”). In this case, the *ex ante* impact assessment will have to ensure that the new proposal generates benefits that justify the costs, and that as a consequence, the overall cost reductions achieved do not generate other direct or indirect costs for society: these are to be intended as opportunity costs (see Renda *et al.* 2013c), and as such include the foregone benefits that accrue from the enactment of the new proposal. This reduction

of unnecessary costs (“outs”) can be banked in the OIOO system and be used to offset new regulatory costs (“ins”) – from the following scenario 3.

Scenario 3. A new proposal creates new regulatory costs (“ins”). In this case, the OIOO rule would apply. This does not mean that the regulatory offset would need to occur contextually: the *ex ante* impact assessment of the proposal would need to include a section, in which a mention of the estimated offset and an indication of the measures that will be repealed or revised to achieve the offset would be included. Such measures would need to be adopted by the end of the year.

At this stage, one change with respect to the existing system would be that the overall assessment of the new proposal may take into account also the fact that the costs introduced will be offset: this may even lead the Commission to adopt more ambitious regulatory proposals, despite the fact that regulatory costs are equal or superior to the benefits: this would be possible since the Commission would be able to argue that the regulatory costs introduced will be offset through the repeal or revision of other measures, containing unnecessary costs.

At the end of the year, **the Commission should keep track of all the new “ins”, as well as the changes in unnecessary costs achieved through “outs”, and compare them with the burden reduction plans adopted.** This would be a key component of the so-called “Annual Burden Survey”, which the Commission has committed to producing every year as part of the stocktaking exercise that leads to the presentation of the new yearly Work Programme. The Annual Burden Survey should be fully transparent regarding all “ins” and “outs” and would thus indicate: the reductions of unnecessary costs achieved by the Commission over the year; the measures that were adopted, which directly reduced unnecessary costs; the measures that were introduced, which increased regulatory costs; and the measures that were repealed or revised to offset cost increases. For each of these indications, the Commission would then need to distinguish between achieved cost variations; and proposed ones, which are subject to the completion of the ordinary legislative procedure, as well as implementation in Member States¹³¹.

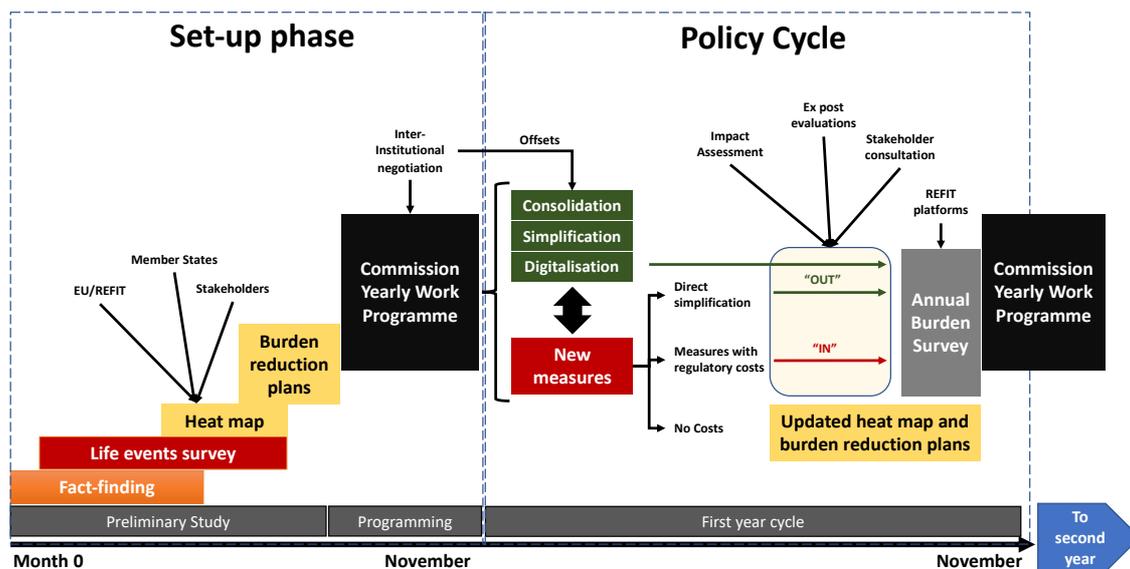
3.3.4 A step-by-step approach to implementing the system

Figure 10 below shows our understanding of the possible step-by-step working of an OIOO system at the EU level. Two distinct phases are distinguished: a setup phase, and a yearly cycle.

¹³¹ Note that the Commission could also update its Impact Assessment at the end of the ordinary legislative procedure, to account for amendments proposed by Parliament and Council in the final text. Paragraph 16 of the Interinstitutional Agreement on Better Law-Making also specifies that “the Commission may, on its own initiative or upon invitation by the European Parliament or the Council, complement its own impact assessment or undertake other analytical work it considers necessary. When doing so, the Commission will take into account all available information, the stage reached in the legislative process and the need to avoid undue delays in that process. The co-legislators will take full account of any additional elements provided by the Commission in that context”.

- In the setup phase, the Commission launches the preliminary study and a “life events” survey. Results are processed and presented ideally in September, with the presentation of the first heat map. The heat map is subject to consultation of both REFIT Platform groups, and then converted into burden reduction plans for each DG. This will be a relatively “loose” OIOO system, meaning that, as explained in the previous section, it would not require that for every Euro of regulatory costs introduced, a Euro of regulatory costs is contextually removed; and would not require the repeal of legislation, but contemplates also the revision of legislation. The system, together with the description of the OIOO rule, would be officially launched in November, when the Commission’s yearly Legislative and Work Programme is presented.
- In the yearly cycle, new measures are proposed, with *ad hoc* changes in the stakeholder consultation and in the *ex ante* impact assessment¹³². Impact assessments feature an indication of the “ins” and a specification of where the “outs” will be achieved, and by when. The impact assessments are, as normally occurs, reviewed by the Regulatory Scrutiny Board, which also ensures that the OIOO rule has been correctly implemented. The stakeholder consultations already foreseen during the policy cycle (on the Inception Impact Assessment, and after the proposal has been adopted by the Commission) carry a specific mention of costs, and the REFIT Platform is involved in the finalization of the Annual Burden Survey. The Survey also takes stock on what has been achieved for each sector, through which measures (simplification, consolidation, digitalisation), and what could be banked (or adds to the expected target) for the following year.

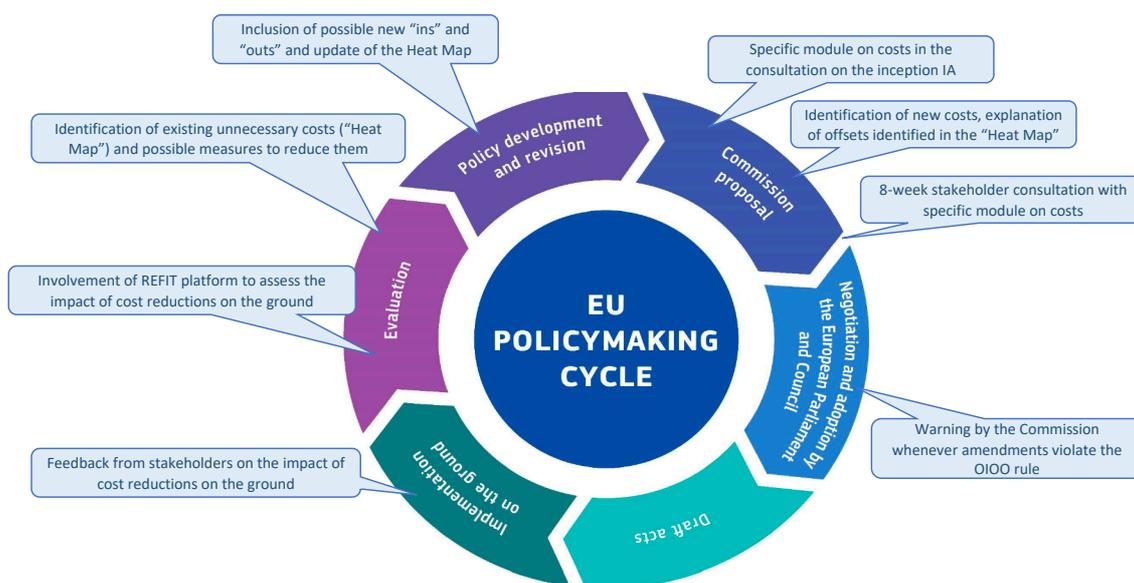
Figure 10 – Step-by-step implementation of the new system



¹³² Ex post evaluations of existing legislation may also be required to highlight the existence of unnecessarily high or redundant regulatory costs.

Figure 11 shows how the yearly cycle can be integrated with the EU policy cycle. The figure is based on the representation of the policy cycle offered by the European Commission in its latest stocktaking communication on better regulation.¹³³ Based on the figure, the Commission proposals are followed by negotiation with co-legislators and adoption of draft acts.¹³⁴ These acts are then finalised and implemented on the ground once they enter into force. The implementation phase is accompanied by monitoring and, within a specified timeframe, ex post evaluation.¹³⁵

Figure 11 – Additions to the existing policy cycle



As shown in the figure, compared to the existing policy cycle, the new OIOO rule could entail the following additions (starting from the Commission proposal stage, clockwise in the figure):

- A specific module on costs (administrative burdens and substantive compliance costs) included in the 12-week consultation on the Inception Impact Assessment. This is aimed at ensuring that stakeholders can provide information on whether the prospective measure is likely to lead to new “ins”; or (in the case of reduction measures) confirmation that “outs” correspond to the reduction of unnecessary costs.

¹³³ See https://ec.europa.eu/info/sites/info/files/better-regulation-taking-stock_en_0.pdf.

¹³⁴ More in detail, the Commission’s major proposals are included in the Commission’s yearly Work Programme, accompanied by an inception impact assessment, which is subject to a 12-week stakeholder consultation; once the impact assessment has been finalised and the proposal adopted, an additional 8-week consultation is carried out.

¹³⁵ The Commission follows an “evaluate first” principle, which means that ex post evaluation is required before the existing act can be revised, which will require a new ex ante impact assessment.

- During the following ex ante impact assessment, a new section dedicated to the OIOO rule, in which new “necessary” costs (“ins”) are estimated, and unnecessary costs to be eliminated (“outs”) are identified.
- A specific module on costs (administrative burdens and substantive compliance costs) included in the 8-week consultation on the finalised Commission proposal. This is aimed at ensuring that stakeholders can provide feedback on whether the proposal will lead to new “ins”; or (in the case of reduction measures) confirmation that “outs” correspond to the reduction of unnecessary costs, without compromising on regulatory objectives.
- During the ordinary legislative procedure, the possibility for the Commission to warn co-legislators whenever proposed amendments risk violating the OIOO rule, since they introduce new costs not accounted for in the original proposal, or fail to achieve the planned reduction of unnecessary costs.
- During the implementation phase, as the Commission monitors the impact of its proposals, feedback could be collected from stakeholders (through “Lighten the Load- Have your Say”)¹³⁶ and from the REFIT platform on the effective reduction of unnecessary costs.
- When proposals are evaluated ex post, this can lead to an identification of the need for new regulatory measures (and possible new “ins”); or the existence of unnecessary costs, which could be reduced through measures such as simplification, consolidation or simplification (“outs”). This will lead to an update of the heat map, as well as the inclusion of new possible measures in the following Commission yearly Work Programme.

4 Concluding remarks

The adoption of OIXO rules and burden reduction plans has proven to be beneficial in a number of countries around the world, not only (and not prevalently) due to the cost reductions achieved, but rather for the impact it has had in terms of triggering greater awareness in the administration of the costs generated by regulation; as well as a greater incentive to manage the existing stock of regulation, and perform regular retrospective reviews. The setting of burden reduction targets, originally rooted in the implementation of the Standard Cost Model, has now become a way to reorder and better manage the regulatory stock in many EU Member States and non-EU OECD countries. These are widely considered as useful tools to improve the relationship between government and regulated entities, as well as to improve the overall quality of regulation and policy cycle. However, these tools should not be conceived as the only tools to be deployed to improve the quality of legislation: as this report already explained, the global debate on better

¹³⁶ Lighten the Load- Have Your Say is a platform that enables stakeholders to propose reforms that improve laws and reduce regulatory burdens. See https://ec.europa.eu/info/law/better-regulation/lighten-load_en.

regulation is increasingly welcoming the adoption of a variety of techniques to manage and improve the regulatory stock and flow.

This report analyses OIXO rules and burden reduction plans as useful tools to be implemented at the EU level alongside with an ambitious regulatory agenda, focused on the benefits of intervening at the EU level to advance on Europe’s strategic priorities and liberate resources to be reallocated to more productive uses. This is why we have set key preconditions that a future OIOO rule should satisfy. They include a firm political commitment, strong multi-level governance, greater re-use and sharing of data and information on existing and upcoming regulations, and emphasis on communication, rather than a mechanistic approach to “ins” and “outs”. We have then addressed all concerns expressed by the Commission in the past years, to build a system that is rooted in the Interinstitutional Agreement on Better Law-Making, and respects the peculiarities of the EU better regulation agenda, to ensure that in line with what is happening in many European countries, the implementation of these tools does not jeopardise the achievement of the EU’s policy agenda. Table 8 shows how the proposed system addresses the Juncker Commission’s main concerns as outlined in Section 3.1 above.

Table 8 – How the proposed system addresses the concerns expressed by the Juncker Commission

Concern of the Juncker Commission	Features of the proposed system
Baseline measurements are not cost-effective ways to achieve meaningful cost reductions	<i>The proposed system does not require a baseline measurement, but rather evidence-based burden reduction plans.</i>
Politically set burden reduction objectives create a significant risk of deregulatory pressure and complicate the ability to adopt new legislation that is objectively needed.	<i>The proposed system focuses on unnecessary costs, and does not create an immediate pressure to identify, contextually, offsetting measures. By promoting the offsetting of new costs and incentivising more retrospective reviews on the regulatory stock, the system can even make ambitious regulation easier to justify.</i>
Burden reduction objectives set without a significant involvement of stakeholders, are likely to lead to a lack of legitimacy and acceptance by the stakeholders.	<i>In the proposed system, stakeholders are constantly involved: in the definition of the Work Programme (through Lighten the Load-Have Your Say and the REFIT Platform), through special modules in the 12-week consultation on Inception Impact Assessments and in the 8-week consultation on completed Commission proposals; and in the definition of the Annual Burden Survey.</i>
Burden reduction targets face a methodological challenge: the need to ensure that all Commission proposals are accompanied with reliable quantitative estimates of new costs and/or savings. This is particularly complex at EU level.	<i>The system requires quantification of costs from EU legislation, something that the Commission and the Regulatory Scrutiny Board have advocated for more than a decade. Quantification of costs and savings is normally possible.</i>

<p>It is difficult to calibrate the ambition of any ex ante objective.</p>	<p><i>Our system does not allow for arbitrarily set burden reduction targets: evidence is collected to back the adoption of burden reduction plans through a preliminary and on-going fact-finding study, coupled with a life events survey. The exercise is repeated annually to account for the operation of the OIOO rule.</i></p>
<p>Burden reduction targets critically fail to consider “necessary costs”, and the benefits of legislation.</p>	<p><i>The proposed system clearly differentiates between necessary costs that are those intrinsically linked to the achievement of a policy goal and unnecessary costs (“unnecessary burdens”) that can be reduced without preventing the accomplishment of the objectives of legislation. The proposed OIOO rule is focused on unnecessary costs, and the reduction measures are classified in three different baskets: simplification, consolidation, digitalisation.</i></p>
<p>There can be undesirable behavioural impacts from the adoption of burden reduction targets: necessary and beneficial regulation will be set aside simply to meet the burden target</p>	<p><i>The proposed system does not compromise on the achievement of regulatory objectives. Complying with the OIOO rule would remain a component of a broader strategy to improve the quality of regulation. In some cases, greater incentives to perform retrospective reviews may create even more space for ambitious regulations.</i></p>
<p>Politically set burden reduction targets would “impair the ability of the Commission to assume its political responsibility.</p>	<p><i>The proposed system operates well within the Commission’s ambitious regulatory agenda. This is possible and is confirmed by the majority of national experiences.</i></p>
<p>An OIOO rule would create delays, due to the need to find cost savings to finance any increase in costs</p>	<p><i>The delays would be unlikely in the proposed system. The regulatory offset does not need to be contextual or simultaneous to the new proposals, but needs to be identified in the Work Programme, and then assessed in practice by the end of the year. The “heat map” developed continuously as part of the system should offer sufficient information to enable the identification of “candidates” for repeal or revision, without significant delays in the process.</i></p>
<p>An OIOO rule would cause even bigger delays at the EU level, since “finding consensus among EU institutions over which legislation should be withdrawn or modified” would “delay even further the process”.</p>	<p><i>The proposed system builds on a shared commitment to reduce unnecessary costs, in line with the procedures included in the Interinstitutional Agreement on Better Law-Making. It chiefly requires strong political commitment in all three institutions (like all regulatory reform processes).</i></p>
<p>Repealing or withdrawing a piece of legislation at the EU level would not guarantee cost reduction</p>	<p><i>Agreement between all EU institutions within the joint programming introduced by the Interinstitutional Agreement, as well as the heavy involvement of the REFIT Platform in the process, would mitigate this risk by ensuring constant follow-up of simplification initiatives. Stakeholder consultation on the Annual Burden Survey would lead to feedback of the impact of simplification measures on the ground.</i></p>

<p><i>An OIOO rule would not be effective since unnecessary regulatory costs often do not stem from EU regulation but from inadequate implementation at Member State level.</i></p>	<p><i>The proposed system starts with the building of a “heat map”, which then attributes the origin of unnecessary costs to different levels of government. The unnecessary costs that cannot be reduced at the EU level and require action at the national level could be addressed within the European Semester and through the many existing national burden reduction programmes.</i></p>
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Annex 1: Questionnaire

FEASIBILITY STUDY: INTRODUCING A “ONE-IN-ONE-OUT” RULE IN THE EUROPEAN COMMISSION

Dear Respondent,

This questionnaire is aimed at collecting detailed information on the regulatory offsetting rules and the regulatory cost reduction targets in place in EU Member States. It is part of a broader Study commissioned to CEPS by the German Ministry of Economy and Energy: the Study will look at the feasibility of establishing a regulatory offsetting rule at the EU level.

We would be very grateful if you would find the time to provide answers to the following questions. The Questionnaire is divided in three parts: the first part is aimed at collecting basic information on your institutions and your position in the institution. The second part is dedicated to regulatory offsetting mechanisms in your country. Finally, the third part focuses on cost reduction targets. If your country uses both a regulatory offsetting rule and a reduction target, we kindly ask you to fill in both parts.

As the lead research for the Study, I remain available in case you would need help in filling the questionnaire. I would be happy to walk you through the questions by phone if needed. My contact details are reported below.

Finally, in case you would be available for a short follow-up interview on some details, as well as on your views on a possible EU future regulatory offsetting rule, please check the box at the end of the questionnaire.

Kind regards,

Andrea Renda

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QUESTIONNAIRE

General information

Name of the institution

What institution are you working for?

Role of the respondent in the institution

Please briefly clarify what is your position in the institution

Regulatory Offsetting (one-in-X-out) rules

Q1. Does or did your government apply a one in one out rule or similar (OIXO)?

If no:

Q2. Are you considering the introduction of an OIXO rule? If yes, why? If no, why not?

If yes:

Description

Q3. Please explain which rule you have in place ($x = 1$, $x = 2$, etc.)

Q4. When was the OIXO rule introduced? Was it modified since then?

Q5. Does the OIXO rule apply to primary legislation, secondary legislation, or both?

Q6. Does the OIXO rule apply to independent agencies?

Q7. Does the x in the OIXO rule refer to the number of legal rules? In other words, does the rule require that for every new regulation introduced, x existing regulations are removed?

Q8. Or does the x in the OIXO rule refer to the volume of costs? In other words, does the rule require that for every new cost introduced, the same amount of cost to be removed elsewhere?

Q9. Does the OIXO rule apply to:

Q9.1. *Administrative burdens for businesses*

Q9.2. *Administrative burdens (all)*

Q9.3. *Compliance costs for businesses*

Q9.4. *Compliance costs (all)*

Q9.5. *Enforcement costs for administrations*

Q9.6. *Indirect costs, or opportunity costs*

Q10. Does the OIXO rule take into account the benefits introduced by new regulation?

Q11. Does the OIXO rule take into account the benefits of the regulations that are repealed?

Q12. Does the OIXO rule allow for offsetting to take place only by repealing existing regulations, or also by modifying/simplifying parts of existing regulations?

Q13. Does the OIXO rule allow for banking of regulatory costs? In other words, can for instance regulatory cost reductions in the past be used for off-setting new costs in the future?

Q14. Who chooses the regulations to be repealed, and on what basis?

Q15. Should the repealed rules fall in the same policy area as the ones that are introduced? Or, does the OIXO rule allow for trading of regulatory costs?

Q16. Where is the offsetting announced?

- Q16.1. In the Impact Assessment of the new regulation that adds costs?
- Q16.2. In the explanatory memorandum to the new regulation that adds costs?
- Q16.3. At a later stage, for instance at the end of the year or of the legislative cycle?
- Q16.4. Other (please explain)

Q17. Do offsetting measures have to undergo a full impact assessment?

Q18. How much time does the administration have to identify and repeal the rules?

Q19. What are the consequences if an administration fails to adopt the offsetting measure?

Q20. Are there exemptions to the OIXO rule? Please explain

Lessons learnt

Q21. Overall, how would you judge your government's experience with OIXO rules?

- Q21.1. Very Negative
- Q21.2. Negative
- Q21.3. Positive
- Q21.4. Very positive

Q22. What were the most important positive impacts?

- Q22.1. *The administration became more attentive to costs*
- Q22.2. *The administration increased the quality of the ex ante impact assessments, for instance the level of quantification, to capture the amount of costs to be offset.*
- Q22.3. *The administration performed ex post evaluation more regularly to find offsetting measures*
- Q22.4. *Businesses reported relief from regulatory burdens*
- Q22.5. *The quality of regulation reportedly increased*
- Q22.6. *Other (please specify)*

Q23. Where there any negative effects? If yes, which?

Q24. What were the biggest obstacles?

- Q24.1. Resistance in the administration
- Q24.2. Difficulty in finding offsetting measures
- Q24.3. Difficulties in quantifying and monetising costs
- Q24.4. Difficulties in communicating the added value of the OIXO rule
- Q24.5. Other (please specify)

Views on a possible EU model

Q25. Do you think the European Commission should adopt an OIXO rule?

- Q25.1. If yes, please describe the type of rule that you think could be adopted and implemented at the EU level
- Q25.2. If yes, please explain which positive impacts you expect
- Q25.3. If yes, please explain which obstacles you think would be most likely to emerge
- Q25.4. If no, please explain why not?

Cost reduction targets

Q1. Does or did your government have a reduction target for regulatory costs?

If no:

Q2. Are you considering the introduction of a reduction target for regulatory costs? If yes, could you provide some information? If no, why not?

If yes:

Description

Q3. Please explain which cost reduction target you have or had in place

Q4. When was the target introduced? Were past targets (if any) achieved?

Q5. Does the cost reduction target apply to all legislation, business-relevant legislation, or specific sectors/policy areas?

Q6. Does the target apply to administrative burdens, or also compliance costs?

Q7. Is the cost reduction target expressed in percentage, or in nominal value?

Lessons learnt

Q8. Overall, how do you judge your government's experience with reduction targets?

Q25.5. *Very Negative*

Q25.6. *Negative*

Q25.7. *Positive*

Q25.8. *Very positive*

Q9. What were the most important positive impacts?

Q25.9. *The administration became more attentive to costs*

Q25.10. *The administration increased the quality of the ex ante impact assessments, for instance the level of quantification, to capture the amount of costs to be reduced.*

Q25.11. *The administration performed ex post evaluation more regularly*

Q25.12. *Businesses reported relief from regulatory costs*

Q25.13. *The quality of regulation reportedly increased*

Q25.14. *Other (please specify)*

Q10. Where there any negative effects? If yes, which?

Q11. What were the biggest obstacles?

Q25.15. *Resistance in the administration*

Q25.16. *Difficulties in quantifying and monetising costs*

Q25.17. *Difficulties in communicating the added value of the target*

Q25.18. *Other (please specify)*

Views on a possible EU model

Q12. Do you think the European Commission should adopt a cost reduction target?

Q25.19. *If yes, please describe the type of target that you think could be adopted and implemented at the EU level*

Q25.20. *If yes, please explain which positive impacts you expect*

Q25.21. *If yes, please explain which obstacles you think would be most likely to emerge*

Q25.22. *If no, please explain why not?*

Follow-up interview

I am available for a follow-up interview by phone or in person Yes No