



## **The Statement of the National Regulatory Control Council on the Federal Government Annual Report pursuant to Section 4 (3) of the Act on the Establishment of the National Regulatory Control Council**

### **1. Introduction**

Pursuant to Section 7 of the Act on the Establishment of the National Regulatory Control Council the Federal Government is required to submit an annual report to the German Bundestag on the lessons learned with the methodology applied to conduct standardised measurements of administrative costs, the progress made to date in reducing bureaucracy at the federal ministries and the latest forecast on whether the targets set by the Federal Government will be achieved within the time stated.

The National Regulatory Control Council hereby issues the statement on the Federal Government annual report required under Section 4 (3) of the Act on the Establishment of the National Regulatory Control Council, commenting on the question of "the extent to which the target set by the Federal Government has been achieved".

### **2. Statement on the Measures to Date Addressed in the Federal Government Report**

The Federal Government has created key conditions for the achievement of the reduction target adopted in February since the beginning of the "Bureaucracy Reduction and Better Legislation" programme. The federal ministries identified the information obligations contained in national law in the second half-year of 2006 and forwarded them to the Federal Statistical Office for the administration burden they entail to be measured.

A high-quality baseline measurement is a basic requirement for attaining the reduction target. It constitutes the starting point for further action. Without assured data, it is not possible to achieve the target set and check the extent to which it is achieved. This is why the baseline measurement results must meet high quality standards. The Council therefore considers that it was right for the Federal Government to accept work lagging slightly behind the original schedule in some cases in order to assure the quality of the results.

In the view of the Council, the intermediate results of the baseline measurements that have now been presented are generally high in quality and form an apt foundation for identifying reduction potentials. It must be noted, however, that the intermediate result of 27 billion euros does not yet reflect the full burden on business. For example, the measurement of direct EU law will not be finished until mid-2008 – even if account is taken of the ongoing process at EU level. Above and beyond that, considerable administrative burdens are also expected to be contained in the 5,500 information obligations that have to be measured by the end of this year. What is more, some elements of national law – e.g., concerning social insurance institutes – have not been covered by the baseline measurement.

In addition, a settlement must still be reached on method issues regarding the consideration of information obligations arising within enterprises due to law and obligations associated with bookkeeping and stocktaking. The latter are notably of relevance for the overall process owing to the burdens they entail.

Finally, there is the task of successively identifying those regulations that had not been in force for two years when the baseline measurement began and so were not initially a subject of the baseline measurement.

In its report, the Federal Government rightly emphasises that conclusions cannot yet be drawn about the total costs. The baseline measurement should therefore be finished quickly. There is a particular need for the measurement of national law, including the nationally implemented European law, to be concluded before the end of 2007.

It is not possible to simply compare Germany's results with those of other SCM user states as there are some considerable differences in the way information ob-

ligations are quantified. For instance, a number of states – unlike Germany – add overhead costs to the tune of up to 50 %. There too, there are frequent cases of failure in identifying so-called business-as-usual costs, i.e., costs that would arise for enterprises out of self-interest, even without their having to comply with any legal obligation.

### **3. Statement on the Firm Establishment of the Reduction Target and the Plans for the Further Implementation of the "Bureaucracy Reduction and Better Legislation" Programme**

The Federal Government has addressed a number of issues in its report that the Council considers to be of essential importance for the successful implementation of the programme. The main ones are these:

#### Observance of the Reduction Target in New Proposals

The Council expressly welcomes the Federal Government's intent to also support the aim of cutting administrative costs substantially when it considers new regulatory proposals. To this end, the Federal Government will prepare an annual record indicating the administrative burdens and alleviations deduced from the ex-ante assessments conducted by the federal ministries and the subsequent SCM measurements. The Council believes that consideration of new proposals is imperative for achieving a sustainable and significant cut in costs for citizens, business and public administrations.

The Council therefore presumes that the Federal Government will take account of the impact of new proposals on the attainment of the target (so-called net target). This is the only way a sustainable cut in administrative costs can be achieved. The Council would like to see express confirmation of this concept of the 25 % reduction target being the "net target".

#### Intermediate Targets

There is agreement with the Federal Government that the envisaged target of reducing unnecessary administrative costs by 25 percent by 2011 calls for interme-

mediate targets to be set. The Council therefore welcomes the Federal Government's commitment to want to get "around halfway" to the target "by the end of 2009" – in other words, by the end of this electoral period. This intermediate target can only be reached, however, if work starts soon on identifying and implementing concrete reduction measures.

#### Specific Targets and Reduction Plans for Federal Ministries

The report addresses a number of reduction measures that have already been implemented since the beginning of the electoral period. Some federal ministries have furthermore listed the reduction measures they have planned. Altogether, the Federal Government estimates that these measures – at least the ones already quantified – will reduce the cost burden on industry by around 2.6 billion euros (cf. Appendix 2 of the Federal Government report).

The report unfortunately does not contain a clear "road map" indicating when which measures are planned to be adopted and applied. The Council believes that a good opportunity for presenting such a road map would be the submission of the report by the Committee of State Secretaries on Bureaucracy Reduction scheduled for the spring of 2008. The aim should be to have as many of the intended reduction measures as possible quantified by then. Another aim in this connection should be for specific reduction targets to be set by the federal ministries.

#### Adoption of Significant Bureaucracy Reduction Measures

To achieve a significant reduction in the administrative burden on business, it is necessary to look not only at the major macroeconomic cost items, but also at the information obligations that constitute a particular burden for specific enterprises. The Council therefore welcomes the Federal Government's intent to also examine the simplification potential of those information obligations that are primarily burdensome for certain branches, types of enterprises or situations. A systematic approach must be adopted that allows further bureaucracy reduction measures to be identified, though above all macroeconomic effects of Federal Government reduction measures to be sensed by each enterprise. This ensures that each enterprise feels an impact from the government programme.

The Council supports the Federal Government in its proposal to work with all the public authorities on developing a strategy for initially reducing the administrative burden on citizens and, in a further step, on public administrations. The Council presumes that a concept will have been elaborated by the time the report is presented at Easter 2008, under which the outstanding method issues have been settled and a schedule has been established for future action.

#### Bureaucracy Reduction Campaign

The achievement of substantial reductions in bureaucracy requires all the parties concerned to actively contribute to the campaign by developing measures of their own. The Council therefore welcomes the fact that the Federal Government has taken the first step and entered into dialogue with federal states, municipalities, enterprises and other interested parties. The Federal Government is recommended to step up its effort to ensure that all the parties with executive powers – federal states, municipalities, social insurance institutes, self-administration bodies and other public corporations – work together on a "bureaucracy reduction campaign" in order to jointly complement the Federal Government programme by implementing measures in their own areas of responsibility soon after the Federal Government has introduced its.

#### **4. Conclusion**

The Federal Government measures addressed in the report constitute a sound foundation – as regards the baseline measurement and, in particular, the ex-ante method – for achieving substantial reductions in administrative costs and burdens for citizens, industry and public administrations. The Council would like to encourage the Federal Government to step up its work on implementing the Bureaucracy Reduction and Better Legislation programme in the coming year, notably by specifying and implementing concrete reduction measures.