

Review of the Dutch Administrative Simplification Programme

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Introduction

This note is a progress assessment of the Dutch government's recent regulatory reform initiatives. The assessment is carried out in light of the World Bank Group's 2007 examination of The Netherlands' 2003–2007 Administrative Burdens Reduction Programme. It is based on documentation provided by the Dutch Government's Regulatory Reform Group as well as interviews with Dutch officials in July and September 2008.

Major findings of the 2007 review

The World Bank Group's 2007 review concluded that the Dutch regulatory reform programme was the world's leader. Based on an innovative design—a 25% target reduction in regulatory costs, a link between regulatory reforms and the budget cycle, and the establishment of ACTAL (the Dutch Advisory Board on Administrative Burden) as an independent watchdog of the reforms—the program was well under way to reduce administrative burdens on businesses by the targeted 4 billion Euro. The review also identified a number of important challenges and critical steps necessary for the Dutch government to take to remain a world leader in regulatory reform.¹ Recommendations focused on the following areas of improvement:

1. **Institutional consolidation and strengthening** by bringing together miscellaneous regulatory simplification units under a single entity, and by strengthening the voice of businesses in ACTAL and IPAL;

2. **Broadening the regulatory reform focus** from a focus on administrative burdens towards the broader impacts of regulation, and building on a strengthened system for Regulatory Impact Assessment (RIA) to integrate assessments of newly-proposed regulations;
3. **Setting a new 25% target** for reduction in regulatory costs by 2011. The new target would cover both information and direct compliance costs, in the latter addressing the major regulatory constraints faced by businesses. A new baseline measurement of regulatory costs going beyond administrative burden reductions would benefit from the advanced lessons of other countries;
4. **Using business surveys** as a measurement tool in addition to the Standard Cost Model. Such surveys could identify the biggest annoyance costs perceived by businesses, as well as be used to benchmark changes in perceptions as a result of reforms;

¹ For the full report and recommendations, see <http://www.doingbusiness.org/features/BurdenReductionProgramme.aspx>.

5. **Significantly expanding and reorienting communication efforts.** Dedicated communications staff within IPAL are needed to present messages to the public and ensure that businesses know how to take advantage of the reforms; as well as to learn from businesses on what else can be done or needs to be done differently;
6. **Improving data quality, transparency and accessibility to compliance cost measurements.** New measures could include: a central database, clear links from aggregated burdens to specific regulatory obligations, and public access to cost data and measurements.

Recent Regulatory Reform Initiatives

The release of the 2007 report coincided with the political election cycle and with associated preparations of a new coalition agreement. Announced on 17 February 2007, the Coalition Agreement of the Balkenende IV Government set out a number of high-level priorities for the continued efforts to reduce regulatory burdens for businesses.² A subsequent White Paper (July 2007) expanded and elaborated on these commitments.³ Major new initiatives to-date include:

- **Creation of the Regulatory Reform Group and strengthening of Actal.** The group integrates the former project unit, IPAL (Ministry of Finance), with three separate units previously dealing with different aspects of regulatory impacts on businesses in the Ministry of Economic Affairs. Located in Ministry of Finance, the group reports to the Secretaries of State for Finance and for Economic Affairs. The group reports biannually to Parliament and on an ad-hoc basis to a Ministerial Steering Committee on Regulatory Pressure headed by the Prime Minister. Actal has been re-established as a statutory body with both regulatory review and advisory functions; the newly-appointed Wientjes Business Advisory Committee of private sector representatives offers feedback on the Government's regulatory reform initiatives. (This action gets an A+ in terms of addressing the first issue identified by our 2007 report)
- **A shift towards other regulatory impacts** including through a systematic attention to regulatory "annoyance costs" and separate monitoring of enterprise perceptions; through the review of compliance costs of the 30 most problematic laws as seen from the businesses' perspective; and through the new focus on the quality of regulatory services and transactions provided by public agencies. (This action gets an A- in addressing the second recommendation of our 2007 report)
- **New administrative burden reduction targets, to be achieved by 2011.** The Government has announced a number of new 25% burden reduction targets to be achieved for i) administrative burdens (net); and ii) burdens associated with government inspections. Furthermore burdens associated with applying for government grants will be reduced "substantially". In addition, the government has reached an agreement with the association of local governments on a 25% reduction for local governments.⁴ (This action gets an A in terms of addressing the third recommendation of our 2007 report. One caveat is that the multiplicity of targets may create confusion—see below how the Regulatory Reform group has come up with a dashboard measure to fix this.)

² See http://www.government.nl/Government/Coalition_agreement#internelink5

³ "Action Plan Reduction Red Tape for Businesses The Netherlands 2007-2011" published by the Regulatory Reform Group, see <http://www.ez.nl/dsresource?objectid=159422&type=PDF>

⁴ As part of the overall 25% target on administrative burdens the Dutch Government also identifies measures to be included in the EU Commission target to reduce administrative burdens at the EU level with 25%.

- **Implementation of business surveys**, to gauge annoyance costs and identify greatest perceived obstacles for business. (This action gets an A+ in terms of addressing the fourth issue identified by our 2007 report. This is a difficult exercise and the speed with which it has been implemented in the Netherlands is impressive. There will likely be some need to adjust the surveys once they have been tried once.)
- **New communication strategy in place**. This is a welcome and much needed addition to the reform programme. Until recently, the communication efforts were unimaginative and with little chance to reach the intended audience. New channels of communication have been opened, through mass media, and the creation of business spokespeople will undoubtedly be very valuable. A word of caution: experience in other countries suggests that the results of the new communication strategy are only likely to be seen in six months to a year after implementation starts. Hence, management may exercise patience in seeing benefits from this significant investment. (This action gets an A in terms of addressing the fifth recommendation of our 2007 report.)
- **Improvements in data quality and methodologies**, including through a new baseline measurement of all administrative compliance costs (numbers publicly available); through the gradual development of a new methodology to measure “substantive” compliance costs, and through business surveys enabling a better mapping of businesses’ regulatory reform concerns and priorities. (Still too early to judge the success of this initiative, which addresses the sixth recommendation in the 2007 report, as the benchmark measurements have only recently become available.)

In addition, a number of other reform initiatives have been launched, such as a more systematic use of the silence-is-consent rule, common commencement

dates for new business regulation (twice yearly), and on-line compliance support to businesses.

By the end of 2007, according to official data presented by the Dutch Government to Parliament, administrative burdens had been reduced by 23.9% from 2003 to 2007 as measured against the 2003 baseline.

Further Assessment of Initiatives

Despite the new government’s apparent commitment to the regulatory simplification agenda, the first several months of the new program were characterized by some degree of uncertainty about the program’s viability. This had in part to do with transitions at the political level, with a growing feeling of reform fatigue among some of the directly involved officials, and with the practical difficulties associated with the reorientation of the reform agenda.

In the following months, however, the program gained momentum and a number of critical milestones were reached (see Recent Regulatory Reform Initiatives), which put the program on track for achieving the set targets, and for continuing to be the leading and (now) most innovative regulatory reform program in the world. Overall, the Dutch Government has carried through a remarkable restructuring and strengthening of the Regulatory Reform Program with a series of bold moves to upgrade the Government’s regulatory reform agenda.

The most critical factors now in place include the institutional consolidation and strengthening of the program through the Regulatory Reform Group, Actal, the Wientjes Committee, and continued high level political oversight under the Prime Minister’s auspices. The Program remains focused on results with a number of clear targets and strong monitoring mechanism linked to the budget cycle. The first round of ministries’ identification of simplification measures bode well for an achievement of the new reduction target.

The gradual shift of the regulatory reform agenda away from burden reduction and cost cutting towards annoyance factors, impacts as perceived by the private sector, and a more broad-based regulatory impact perspective also marks a critical turning point. This shift is essential for the continued development of regulatory reforms in the Netherlands, and should be continuously broadened towards a regulatory quality agenda with a balanced and comprehensive appreciation of regulation as tool to achieve policy objectives. A new feature of the program is its communication strategy. The business community, both companies and individual entrepreneurs, forms the primary target group. The communication objectives are:

- **Knowledge:** Businesses should know that regulatory burden and service levels are being addressed, that the government is aware of the effect they have, and that companies are able to complain about regulations which are seen as inappropriate, irrelevant or having a disproportionately high regulatory burden. Sector organizations should be aware of the ongoing process to reduce regulatory burden.
- **Attitude:** Businesses can acquire a positive view of the government's efforts to reduce regulatory burden and to improve service.
- **Behavior:** Businesses can cooperate with the government to support the efforts to reduce regulatory burden and to improve service.

The overall objective of this communication is to increase the 'visibility' of the reduced regulatory burden. In order to achieve the desired degree of visibility, there must also be a tangible message. The communication strategy therefore provides for information activities

to be commenced as soon as actual results have been achieved.⁵ Most of the communication will be channeled through the 'antwoordvoorbedrijven.nl' Web site. This digital front office will become the hub of all communications addressing the business community.

5. Further Evolution of the Reform Program

As in other broad-based Regulatory Reform Programs, there will be further need to adapt and develop. Some of the issues that may come up for consideration include:

- **Multiplicity of targets.** Both from a monitoring and communication perspective, it can be difficult to follow 6-8 quantitative regulatory reform targets. Merging and consolidating targets may not be possible due to their incompatibility (different sources of data). Efforts under way to develop an easy-to-communicate scoreboard comprising developments on all targets are a priority.
- **Development of RIA.** One important building bloc of an advanced regulatory management system, currently not fully in place in the Netherlands, is the establishment of an integrated RIA system. There is little evidence that the development/evolution of a RIA system is at a level comparable with many of the other high-quality institutional and procedural measures in place to improve regulatory quality in the Netherlands.
- **Acknowledge performers.** Apart from duty and political priorities, there are currently no measures in place to incentivize agencies and individual gov-

⁵ The communication campaign was tested in October 2008, and in November the radio commercials and advertisements in newspapers have commenced.

ernment officials to deliver on the reform agenda. Internalization of reform incentives through (or part of) performance contracts for officials and agencies could be considered.

The Dutch tradition of a detailed and thoroughly negotiated coalition agreement guiding the entire policy cycle puts limitations on the extent to which ongoing programs can be adapted mid way through the government's tenure. With this in mind, it is important at an early stage to consider new components and ideas to guide considerations about the next Regulatory Reform Program.

Going forward, the following aspect may be considered in the continued evolution of the Netherlands' Regulatory Reform Program:

- Begin to gradually shift the political rhetoric and policy focus from "cost cutting" to "benefits". This would not only mark a useful change in "phraseol-

ogy" of the reforms. A progressive reform agenda might be easier to keep alive over the long term if the message and impacts are more "positive". Substantially, there are clear limits to how far the Netherlands, a highly developed and well-governed economy, can push regulatory cost cutting as a comparative advantage. Instead there should be stronger and more convincing benefits in promoting the Dutch Regulatory System as providing predictability, transparency, low risks, as well as low costs for entrepreneurs and investors.

- When the communication initiative yields first results, likely in the spring of 2009, there needs to be an evaluation on what segments of the target group are reached and with what effect. This may necessitate further innovations. The communication programme is likely to be mature by 2010, in time for considering what role it can play in the next reform cycle. ■