

Reduction of administrative burden for enterprises:
The one stop shop experience in Italy
Peer review: Sweden

Paper presented at the peer review
in Rome 2000-11-16--17
by Arne Svensson

Introduction

The statements and comments in this paper are based on the presentation and assessment of the one stop shop experience in Italy by the Independent Expert Andrea Forti. The note follows the structure outlined by ÖSB for peer country comments.

Part 1: Brief assessment of the relevance of the policy/measure to the peer country

There is a lot to be done in Sweden in order to achieve as efficient markets and competition as the other countries in the EU, according to the report of the Ministry of Industry, Employment and Communications, "Benchmarking of industrial policy" (Ds 2000:12).

A basic requirement for a good entrepreneurial climate is a comprehensible, sensible and stable legislative framework. At present the Swedish legislation is adapted to large, established corporations. The administrative costs for the companies caused by the regulations are estimated to 3-4 % of GDP. The relative costs for SMEs are in this respect estimated to be 7-20 times as high compared with the large companies. To encourage smaller companies with ambition to grow, with new forms of employment and new forms of collaboration, changes will have to be made. Some examples of measures being suggested are¹

- Eliminate the special legislation for small companies.
- Reduce the employers' fees in such a way as to benefit primarily smaller companies.
- The present system of tax rebates and deductions is extremely complicated even for experts, and does not meet the requirements that should apply to legislation for small companies. A revision of the rules and an adaptation to the rules of other European countries is a necessity.

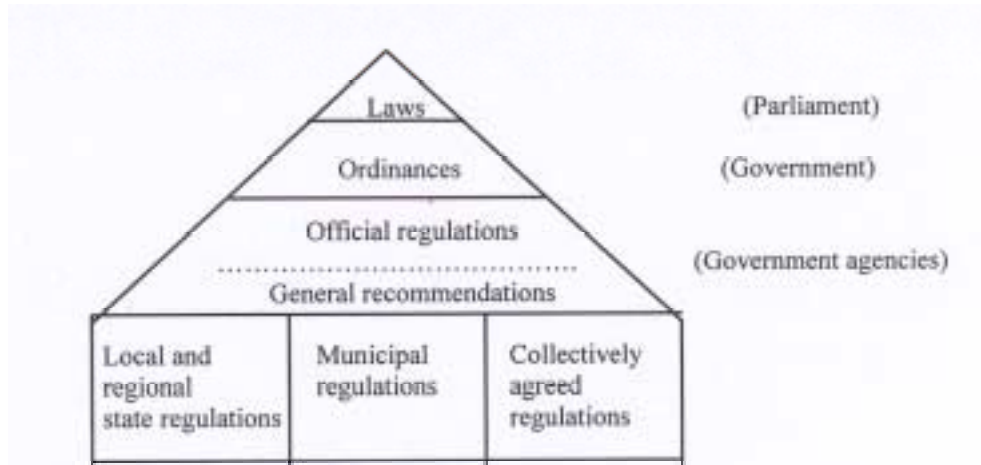
Over the longer term, it is important to change the prevailing attitude toward entrepreneurship. Society needs a positive and open attitude toward ambition in general, and toward innovations and entrepreneurs in particular. As a step in the work to simplify the rules and regulations, the government has submitted a number of proposals, which should particularly benefit small companies. For example the vast majority of the 'stop rules' for close companies have been abolished.

Studies made by the National Board for Industrial & Technical Development (NUTEK) indicate that stable regulations – especially stable tax regulations – are one of the most important prerequisites for business expansion. The volume of agencies' regulatory instruments is growing by 2-3% a year, and that of regulations relating to business is expanding roughly twice as fast as the rest. The agencies' annual production of regulations amounts to at least 5,000 pages.

¹ The National Board for Industrial & Technical Development (NUTEK): Growth 2000 - an industrial policy for the new millennium

Characteristic of Sweden is the plethora of official regulations, which is an expression of the Swedish principle that the agencies are independent of the Government and ministries. They are ‘accountable to the Government’ — not to individual ministers — but enjoy a greater measure of independence than in most countries. Official statutes are, as a rule, much more wide-ranging than laws and (Government) ordinances. They are of two kinds: *regulations*, which are binding, and *general recommendations*, which are not formally binding (but, in practice, very important). A fundamental distinction is drawn in Swedish law between *general norms* and *decisions in individual cases*. A regulatory instrument must always have general wording, and may not relate to a particular case only.

The Swedish regulatory framework is often schematically represented as a three-tier pyramid:



The ‘regulation pyramid’ consists, in round figures, of 1,000 laws, 2,000 ordinances and 7,000 official regulatory instruments (issued by the agencies). The official regulatory instruments comprise around 40,000 pages, of which roughly half relate to business².

There are also numerous local, regional, municipal and other regulations of limited scope.

Fewer than 10 per cent of Swedish laws, ordinances and official regulatory instruments (statutes, regulations and general recommendations issued by agencies) are linked to the EU, and the EU connection usually relates only to details. EU membership therefore constitutes no obstacle to Swedish deregulation work (outside the agricultural sector)³.

The above information prompts reflection. True, there is extensive bureaucracy in Sweden. It has not been demonstrated that any increase at all in the number of regulations in Sweden has taken place as a result of EU membership.

² These figures have been referred to in the work of the Commission on Administrative Policy (see SOU 1997:186) and the Small Business Delegation (see SOU 1998:78). In part, they have been confirmed by the National Audit Office (RRV).

³ The question of how the EU hinders Swedish deregulation has been raised in the past two years by the Swedish Government in two contexts. First, it has been investigated by a special Small Business Delegation. Secondly a government commission was entrusted to the Swedish Agency for Administrative Development (SAFAD), which presented a situation report on European Community regulations and the quality of Swedish regulations in November 1998 (ref. 1998:27) and a final report, *Simplification of Rules in the EU and Sweden* (1999:7, in Swedish only), in February 1999.

There sure are similarities between the situation for enterprises in Sweden and in Italy. But there are also a number of important differences. Among these the following are of significant importance:

SMEs' role in generating growth and jobs is receiving more and more attention both internationally and in Sweden. The effects of regulations on these companies have been a particular focus of attention. Inputs to support SMEs need to be strengthened in further work to simplify regulations. In the scenarios up to 2015 the economic development in Sweden is held back by a too slow increase in the workforce. The ageing workers stand for almost the entire rise in workforce in these scenarios (98 %). The Parliamentary Auditors in Sweden have identified four main problems in the labour market for ageing workers:

- The influence of the mass-unemployment during the early 90s
- The complex regulations
- The way the regulations are practised (including attitudes, conflicting national-local goals and the fact that the central government as employer has not always followed the activation principle)
- Agreements between employers and unions making ageing workers receive cash benefits as unemployed to add to the pension instead of working.⁴

In its Bill "Competition policy for renewal and diversity" the Government submits proposals for the directions and priorities. Deregulation has been embarked on in the Ministry of Industry Employment and Communications, with the Small Business Delegation's proposals as a starting point. On 22 December 1998 the Government presented a wide-ranging package to facilitate new business start-ups and entrepreneurship. In its resolution, the Government stated that inputs to support SMEs should now also be reinforced in further work to simplify regulations. A system of more effective impact assessments should therefore be created, according to the resolution. These impact assessments must contribute to improving conditions for increasing growth, through a set of regulations that applies to the business sector generally but which is better adapted to the conditions of SMEs. Every proposed new regulation with a bearing on economic activity must be examined from the viewpoint of a SME. Accordingly, official inquiries and public agencies are now required to carry out impact assessments of all the proposed regulations.

The decision also specifies that the Ministry of Industry, Employment and Communications must co-ordinate, support and monitor the work of regulatory simplification with the assistance of a group set up in the ministry to simplify regulations — the SimpLex Division. The purpose of the SimpLex Division is to improve the conditions of small and medium-sized enterprises' (SMEs) work, thereby bringing about increased employment and growth.

A group of under-secretaries of state representing the Ministry of Industry, Employment and Communications, the Ministry of Finance and the Ministry of Justice was also set up. This under-secretaries' group is to be particularly responsible for the work of regulatory simplification, thus supporting the SimpLex Divisions' work. In accordance with the Government resolution of 22 December 1998, II 5 (N98/3110), the group of under-secretaries of state in the Ministries of Justice, Finance and Industry, Employment and Communications

⁴ The Parliamentary Auditors: Arbetslinjens tillämpning på de äldre (1999/2000:7, March 2000). The assessment is based on a study on the activation principle for ageing workers in practise (Wadensjö/Sjögren: Arbetslinjen för äldre i praktiken).

on 30 March 1999 issued guidelines for the Government Offices on special impact assessment of the effects of regulations on conditions for SMEs.

When the Government Offices consider new or amended regulations that may have significant effects on the preconditions of SMEs' work, their competitiveness or their situation in other respects, a special impact assessment of these matters is to be carried out at the earliest possible opportunity. This assessment should be on the scale required in each individual case. Each ministry is to

- create the organisational conditions and routines necessary for impact assessments of the aforesaid nature to be carried out in the legislative matters that it deals with,
- ensure that drafting also takes place in co-operation with the SimpLex Division in the Ministry of Industry, Employment and Communications when forthcoming resolutions on new or amended regulations may have significant effects on conditions for SMEs,
- attentively monitor its own activities to ensure that corresponding regulations in commissions of inquiry and public agencies are effectively implemented within the ministerial sphere concerned.

In an Ordinance issued on 22 December 1998 the Government prescribes that when an agency or institute under the Government is considering new or amended regulations that may have significant effects on SMEs preconditions, competitiveness or situation in other respects, the agency or institute shall carry out a special impact assessment of these matters, and document the same, at the earliest possible opportunity. The assessment shall be on the scale that is called for in each individual case. The impact assessment shall be based on the following questions:

1. What is the problem and what will happen if no regulation takes place?
2. Are there any alternative solutions?
3. What administrative, practical or other measures must SMEs undertake in consequence of the regulations?
4. How much extra time may compliance with the regulations involve for SMEs?
5. What payroll expense, other costs or resource burden in other respects for SMEs may be entailed by the regulations?
6. Can the regulations distort future competition to the disadvantage of SMEs, or otherwise impair their competitive capacity?
7. Will the regulations affect SMEs in other respects?
8. Is it possible to monitor compliance with the regulations, and how will the effects of the regulations on SMEs be detected and examined?
9. Should the regulations apply only for a certain limited period, to prevent any adverse effects on SMEs?
10. Does particular consideration need to be given to SMEs' conditions regarding the date on which the regulations come into force?
11. Is there a need for special information inputs?
12. How has the requisite consultation taken place with business and industry, and with agencies and institutes that are particularly affected, and what viewpoints of importance have emerged?

In analysis under the first paragraph above, the agency or institute shall consult with representatives of business and industry, and with agencies that are particularly affected, to the extent required.

The agency or institute shall, every year before 1 February, report to the Government on its work of carrying out impact assessments conforming to this Ordinance over the past financial

year and, in so doing, specify the practical experience and findings it has gained from this work. According to the first report the new Ordinance is slow to take root. Most of the agencies did not report an impact assessment.⁵

Part 2: Brief assessment of the potential transferability of the policy/measure

In accordance with Pillar II – Developing Entrepreneurship - also Sweden has to give particular attention to reducing significantly the overhead costs and administrative burdens for businesses, and especially SMEs, in particular when an enterprise is being set up and when hiring additional workers. So far the results are limited. However, there will be a continuation of the extensive investigation and analysis work that was commenced in 1999 to form the basis for formulating government measures to promote new entrepreneurship and business development. After years of crisis management Sweden has attained a position of strength. It is important not to waste this new economic strength by falling back into the habits before the years of crises. The Government has to focus on entrepreneurship and sustainable growth.

A strong policy for long-term economic growth demands a holistic approach and close co-ordination of different policy areas. A holistic approach means that policy must be focused simultaneously on developing several different factors that are important to innovation initiative. Co-ordination of policy areas means that measures, which promote economic development, are given precedence, and planned in a context that stretches across the boundaries of separate policy areas.

Examples of measures to make it easier for entrepreneurs and companies are

- Deregulation
- Better co-operation between authorities
- Quality guarantees
- Easier access to regulations by IT
- Interactive IT-applications
- One stop shops

These measures have to be implemented on central, regional and local level. The central authorities issue more than 70% of all regulations. For most companies therefor the regulations on central level are the ones they have to fight with in the daily life. On the other hand in some areas of business the most difficult problems arise on the local level when the entrepreneur wants to establish the company. If you for example want to open a restaurant the average time to get the permissions is 375 days in one municipality, but the average for all municipalities is 80 days.

In its report the Small Business Delegation proposed 81 concrete changes on **deregulation**. Despite the fact that there seems to be broad political support for a majority of the proposals not much has happened. Two years after the Delegation finalised the work only 28 proposals

⁵ The Government 2000-05-25 (1999/2000:148): "Regeringens redogörelse för regelförenklingsarbetet med särskild inriktning på småföretag" (only available in Swedish)

have to some extent been implemented. Two third of the proposals have not been implemented at all.

A newly published report shows that from the entrepreneurs' point of view neither the work of the SimpLex Division or the Ordinance on impact assessment has had any effect at all. More than 50% of the employers points out that there are more regulations than before. Only one percent experiences a decrease in regulations. The regulations have been more complex and have lower quality according to 43 % of the employers.⁶

The City of Stockholm has decided to issue **Quality Guarantees** for all activities. This includes specific limits for administrative procedures, legal rights, attitudes, availability, customer satisfaction and other aspects on quality from the citizens or entrepreneurs point of view. These quality guarantees are unique for every unit and based on the CQM-concept (Commitment Quality Management). This kind of quality guarantees would be highly appreciated also for the activities at the central level.

The transferability of the **one stop shop** experience in Italy to the Swedish context is good. One stop shops have been discussed in Sweden a couple of years. The concept has not fully been tested in Sweden but some efforts have taken place. There are lots of actors on the scene of helping the SME's, both private and official. In some parts of Sweden there has been cooperation between a few of them, locating in the same office and solving the tasks together, thus striving to establish a 'one stop shop' in order to simplify for the SME's. There are also concrete models proposed. However, one stop shops of the Italian model have not yet been implemented in Sweden. In the Swedish debate there is some confusion of ideas. Some municipalities have introduced information centres for the citizens (in Swedish Medborgarkontor) and these are sometimes called one stop shops. As an effect of the extremely complex regulations for companies there have been established a wide range of different kind of players providing advice to the entrepreneurs. One example is the 24 local cooperative development centres. This year the National Labour Market Board, AMS, has been given the task of supervising increased collaboration between AMS and players providing company advice, with the aim of improving the level of advice given in conjunction with grants for starting businesses. Start-up grants are available to unemployed persons who are assessed as having favourable prerequisites for running a business, and are intended to support the entrepreneur during the initial stages of the business

The establishment of the SimpLex Division is an example of measures taken to make things easier for Swedish companies. Continued work in this area should receive high priority. The group's aims are to

- identify areas where regulatory simplification is needed
- serve in the Government Offices, examining proposals and inquiries from an SME perspective
- act as a back-up resource, and in an advisory capacity, for government departments and agencies in their work to simplify regulations
- develop working methods for analysing the consequences of regulations
- act as the liaison body for small businessmen on matters relating to regulations
- follow up the Government's decision on impact assessments to see whether it is being effectively applied in ministries, agencies and commissions of inquiry.

⁶ Report from the Swedish Employers Federation 2000-11-08

The group will intensify its work, including the training and further support of ministries and authorities in particular problem and consequence analyses, in the common effort to achieve fewer, fairer and more intelligible rules.

NUTEK is Sweden's central public authority for industrial policy issues. The main task is to stimulate industrial development by taking initiatives, co-ordinate, and build networks in order to help Swedish enterprises. The government has submitted a bill regarding certain organisational issues within industrial policy, in which measures are proposed to achieve a clearer and more effective central authority structure to promote business development and growth. One feature of the bill is the proposed reinforcement of the evaluation of measures in respect of business activity, innovation, and regional policy by the formation of an analysis institute. A new authority will be created for business development with a strong foundation in the business sector and a focus on companies and the needs of entrepreneurs. Tasks currently handled by the National Board for Industrial & Technical Development and ALMI Företagspartner AB will be transferred to the new authority.

A strategy is being drawn up to rationalise and facilitate the supply of public information and the development of electronic information services. Among other agencies, NUTEK have been working with information and services on the Internet to SME's concerning EU related issues, environmental aspects of running a business, financial supports, starting a business, permits and so on⁷.

There is also a project where the two main agencies involved in starting a business are having a common place on the Internet⁸. When the entrepreneur is registering their business, the administration process will start at the same time at both agencies instead of first starting at one agency and then when finished on the first agency continuing on the other, thus reducing the time for starting up a new business.

Quite a few of the agencies in Sweden are using the Internet as a way of reaching the SME's with information and services. Projects are also undertaken in order to establish cooperation between the agencies on the Internet, building an Internet portal with SME relevant information and services, thus creating a 'virtual one stop shop'. This is a project between 23 agencies today and will grow in the future. Similar approaches are also establishing on both regional and local levels, sometimes as a project between industry and authorities.

In the long term, more Internet-based services will be developed, and the national system will be linked with public information systems at regional level. This thought of the establishment of information and services on the Internet is amongst other, based on the proposal 1998 from the Small Business Delegation.

It is however important to notice that not all businesses are connected to the Internet and that it is still important to be able to reach the people behind the Internet solutions on the agencies to get personalised service. Another important way of getting help and gathering information

⁷ [Http://www.nutek.se/](http://www.nutek.se/)

⁸ [Http://www.kontakt-n.nu](http://www.kontakt-n.nu)

for the SME's are thus the telephone services that are virtually free of charge and run by the agencies.

Part 3: Note on some questions being raised and debated

Some remarks on our debate in Sweden and questions to our hosts:

1. What do Italy consider most important, the simplification of the rules and regulations for SME's or helping the SME's with services and information concerning the rules and regulations in order to simplify for them? Is the one stop shop service and information connected to the work in simplification of the rules and regulations?
2. In Sweden - as in the other Nordic countries - the municipalities are responsible for the most comprehensive range of services. But many of the 289 municipalities are rather small (the average is 17 000 inhabitants). One argument against one stop shops on the local level in Sweden has been the size of the municipalities. How big is the average municipality in Italy? How big are the municipalities where the one-stop-shop concept has been most successful?
3. Obviously the creation of consortia between small municipalities in Italy is voluntary. What can we learn from the Italian experience?
4. Another argument against establishing one stop shop shops on the local level is the complexity of the regulations. It is argued that it is impossible for one civil servant or even a group of civil servants to build up the competence that is necessary. You mention the lack of human and financial resources in small municipalities. How have you handled the capacity building problems in Italy?
5. A third argument against one stop shops as a responsibility for the municipalities is that 70% of the regulations are on the central level. The municipality has no influence on how an individual matter for an entrepreneur is carried out in an authority on the central level. What is the Italian experience?
6. A fourth argument is the costs. It is believed that one stop shops - at least in the short run - will mean additional costs for the municipality. Have you done any cost - benefit analyses in Italy at the central and/or local level? Have user fees been discussed? Is it necessary to give the municipalities some kind of financial incentives?
7. How is the one stop shops experience on specific details of the previous regulations used in the deregulation process?
8. It would also be of great interest to learn about the monitoring process, identification of best practises and dissemination of the experience.
9. If you compare the Italian model with the French CFE (Centre de formalités des entreprises) - which are the pros and cons?
10. IT and its use for strategic development of companies is a central issue. This applies particularly to small companies and their ability to work and develop in networks. The use of computers and the Internet varies according to age, ethnic affiliation, gender, education, income and housing conditions. To what extent has the Internet been used to support the efforts of one stop shop and the SME's? Is the distribution of skills in this area of competence a problem in Italy?

11. According to the Swedish Parliamentary Auditors labour market policy regulations have to be simplified. This is an issue that has been discussed in Sweden for a decade or even more. To what extent do you have a similar debate in Italy?
12. The self-certification procedure is of great interest in the Swedish context. It would be interesting to elaborate on your experience so far. Please also give us more information on the monitoring and evaluation process of this experiment.