



THE PATH TO GROWTH

CONFERENCE
HIGHLIGHTS

**FOR A BUSINESS-FRIENDLY
PUBLIC ADMINISTRATION**

Brussels, 29 October 2013



*Enterprise
and Industry*

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Foreword by Vice-President Antonio Tajani



A. Tajani, European Commission

Modernising public administration is identified as one of the five priorities in the European Semester of economic governance. A modern and efficient public administration is the key to unlock growth potential in Europe, both by reducing administrative costs and by being able to implement efficient policies. The conference “The Path to Growth: For a Business Friendly Public Administration” held on 29 October 2013 brought together key interlocutors to discuss the challenges to European businesses and to the EU’s growth and competitiveness agenda due to inefficient and bureaucratic public administrations.

The conference, addressed by President Barroso, Vice President Šefčovič European Ministers and European industry leaders, policy advisors and renowned academics was a success. Over 400 participants discussed some of the main problems inefficient public administration is causing to European business and it showcased good

practices to address them. It served to keep the focus on public administration and to highlight the crucial role governments, at all levels, have in dealing with this issue.

A collective effort, across Member States and by the Commission, is needed to reduce such burdens for European business and to ensure that EU reaches its growth and competitiveness targets.

I also had the pleasure to launch two new initiatives, the Public Procurement of Innovation Award and the Procurement of Innovation Platform. They aim at recognising successful practices and encourage procurement officials to consider innovative products and services.

I wish to thank all those who participated in making the conference a success. The Commission will continue to work in the area of public administration to ensure that European businesses and European competitiveness is not unnecessarily burdened.

Antonio Tajani



INTRODUCTION

This high-level conference hosted by Vice-President Tajani brought together European and international policy-makers, including President Barroso and Vice-President Šefčovič from the European Commission, ministers from various Member States, industry leaders, stakeholders, renowned academics and policy advisers.

The event addressed the challenges and opportunities facing European public administrations today. In particular, speakers highlighted the difficulties experienced by industry in dealing with public administration, and exchanged ideas and experiences on how such difficulties could be overcome. Speakers provided concrete examples of good strategies and policy practices.

The conclusions from the event will assist the Commission and Member States in developing the policy guidance for modernising public administration in the framework of the European Semester.

Key messages

- Creating a truly business-friendly environment is essential for competitiveness and attracting investment. The importance of reducing administrative burden has been recognised by the Commission and Member States as requiring a collective effort, with a lot still to be done.
- Technology can help to make public administrations more efficient and cost-effective.
- Public purchasing can facilitate the entry of innovative products and services to the market by becoming lead customers. Currently too little of the €2 400 bn for public procurement per year is used for innovative products and services.
- Public sector innovation is a driver of competitiveness but a more strategic and sustained effort across the EU is needed to get the most out of it.
- Enterprises considered administrative complexity as an obstacle that needs to be addressed. They called for a simpler legislative, regulatory and administrative environment; more use of ICT to streamline administrative procedures and lower the transaction costs; all levels of government to systematically assess the impact on competitiveness of all measures and decisions taken; a focus on public procurement, contract management, taxation, and VAT rules.
- More streamlined and simpler procedures, especially when starting a company or obtaining licenses, would allow businesses to spend more time on their core activities, including investment and innovation. This would improve productivity and competitiveness.
- Cutting red tape is a complex exercise that requires weighting pros and cons of legislation often enacted for conflicting goals. It is work in progress because as some red tape is cut, new red tape is being introduced.
- Exploiting the potential of ICT to the full in the public sector needs leadership; a common vision; the right legal framework; investment in modernisation; and developing the necessary skills.
- With respect to strategic management, one size does not fit all: strategic management is not a ready blueprint, it has to fit the situation of the organisation. Consequently, reforms and policy recommendations have to be adapted to the particular situation.

PUBLIC ADMINISTRATION SHOULD LET ENTREPRENEURS DO WHAT THEY KNOW BEST – DOING BUSINESS

A panel entitled “What do enterprises expect of a modern public administration today?” discussed the challenges of building a business-friendly public administration as well as experiences in benefiting from changes in the public sector.

In his opening address, Mr Barakauskas, Lithuanian Minister of the Interior, highlighted the fact that modern society and business have high expectations of the public administration and expect public services of a high quality, which is easy to access, simple to use and cost effective.

However, the relationship between public administration and enterprises is complex. It can be perceived as a ‘supplier – customer’ relationship, where the suppliers are the civil servants, and the clients/customers are the businesses and citizens. At the same time, this relationship can be understood as an alliance, where the public sector and enterprises work together in order to put Europe back on the growth path. In both cases, enterprises expect that administrations support, facilitate, and encourage the work that entrepreneurs know best: doing business.

Less and better administration

Fully releasing the productive capabilities of businesses should be the main concern of public administrations across Europe. Here, complexity is major obstacle. Unnecessarily complex procedures lead to high transaction costs and create an environment with opportunities for corruption. Enterprises call for a simpler legislative, regulatory and administrative environment. This requires less and better administration:

- Less legislation and fewer rules: the legal and regulatory landscape should be clear

and easy for businesses to comprehend;

- Fewer requirements for businesses: disproportionate amounts of time or money should not be spent to comply with rules when these are not relevant or could be made less costly;
- Fewer layers of administration: business concerns should be addressed by public administrations in the most direct and cost efficient manner;
- Better quality legislation: the aim is for clarity, predictability, and balance;
- Better functioning public administrations: they should be professional, reliable and result oriented;
- Better adapted services: they should match reality which is challenging in a fast-changing environment.

The use of ICT: from document-centric to data-centric

The use of ICT provides a way to streamline administrative procedures and to lower the transaction costs. To achieve a significant change, the following elements seem to be necessary:

- The use of e-identity and e-signature to eliminate the need for physical transactions;
- Easy communication with government through one-time data provision, the one-stop-shop principle, and consistency. The ‘interaction experience’ and the ‘user interface’ of the whole government should be similar;
- Transparency, including free access to the annual accounts of companies, and the possibility to check the background and assess the risk levels of potential business partners. This should also include the transparency of public spending.

The enhanced use of ICT by both administrations and businesses should entail replacing the concept of ‘document’ by the concept of ‘data’ and moving from document-centric to data-centric practices.

Towards competitiveness-driven administrations: changing the administrative culture

Moving towards a business-friendly administration requires going beyond improvements such as reducing time or cost of procedures. What is really needed is a radical change of the administrative culture. To this end, administrations – at national, regional and local levels – should be competitiveness and innovation-driven and systematically assess the impact of any measure on them. Administrations should also be encouraged from top down to purchase innovative goods and services. Further, sometimes the presence of the state could be questioned in order to streamline the administrative processes and reduce administrative layers.

Focusing on what really matters: enterprise-friendly design in key areas

In his opening speech Vice-President Tajani highlighted the need for a truly business-friendly environment to attract investment and speed up the reindustrialisation of Europe. In particular, he paid attention to the administrative burden; the cost and time needed to set up a business; tax and compliance burden; the slowness of civil justice; the need to make better use of information technology; the need for more innovative procurement; and the need for less burdensome and better legislation.

Vice-President Tajani announced that he intended to propose European legislation to oblige Member States to meet certain timeframes and costs for business start-ups. Moreover, in an effort to encourage more innovative procurement, Mr Tajani announced

that the Commission is co-financing a European online platform to offer companies, in particular SMEs, a guide to innovative public procurement. Furthermore, a European award for innovative procurement was also launched with the first such award to be presented in May 2014.

Simplification and impact assessments have reduced administrative burden and improved the quality of regulations at European level, notably through competitiveness proofing and the SME test. The general feeling was that this work should be pursued, with clear targets for further simplification. Also, there is a need to focus actions to improve public procurement, contract management, taxation, and VAT rules. An enterprise-friendly design includes clear and stable legal frameworks, extensive use of ICT, and harmonised rules in the internal market.

Main conclusions:

- Businesses face an array of problems when dealing with public administration, such as excessive bureaucracy; tax and compliance burden; slow pace of civil justice etc. Attracting the more investment into Europe means creating a truly business-friendly environment;
- Unnecessarily complex procedures lead to high transaction costs and contribute to creating an environment conducive to corruption. Enterprises called for a simpler legislative, regulatory and administrative environment for businesses;
- Administrations, at all levels of government, should be competitiveness and innovation-driven and should assess the impact of any measure they introduce on them.

Mr P. Alamäe, Nortal





S. Attefall, Swedish Minister for Public Administration and Housing; D. Barakauskas, Lithuanian Minister of the Interior; A. Tajani, European Commission; K. Mitsotakis, Greek Minister for Administrative Reform and e-Government; A. Cerretelli, il Sole24ore; A. Beteta Barrera, Spanish State Secretary for Public Administration



G. Maccaferri, Confindustria; L. Armand, MEDEF



M. Capaul, World Bank;
C. Pettinelli, European Commission



DEFY REGULATION AND BUREAUCRACY THAT HAVE PILED UP OVER THE YEARS

In his keynote address, President Barroso referred to the fact that the European Commission was working with Member States to create a more efficient and innovative public administration. This was done in a number of ways, such as giving priority to the modernisation of public administration in the country-specific recommendations of the European Semester; the Stoiber group on reducing administrative burdens; and the REFIT programme reviewing the burden of legislation. Further, innovative procurement was supported by the public procurement directives, the Horizon 2020 programme, and the European Structural and Investment Funds. While the proper functioning of the single market requires regulations, President Barroso's message was that 'useless laws weaken the necessary ones'. Regulations whose added cost and burden outweigh their added value should be removed.

A workshop entitled **"Reducing administrative burdens and improving regulatory quality"** discussed ways to reduce the administrative burden and improve regulatory quality. The workshop exchanged ideas and experiences of how to streamline and simplify procedures.

The workshop also discussed the World Bank Doing Business Report that measures the costs to firms of business regulations,

provides rankings and spotlights countries that are reforming. Eleven EU Member States are in the top 30 in the rankings. It was noted that simpler business registration promotes increased entrepreneurship and that a strong institutional environment for trade including increased customs efficiency can boost trade. Economies with rapid contract enforcement tend to produce and export more customised products than those with poor contract enforcement record.

The EU's policy on better regulation policy aims at simplifying and improving existing regulations, to better design new regulations and to reinforce the effectiveness of rules. 'Smart regulation' means delivering EU policies and laws that bring the greatest possible benefits to people and businesses in the most effective way. The Commission aims at evaluating more systematically benefits and costs of existing legislation ('fitness checks'); improving the consultation of stakeholders; improving the quality of impact assessment; and improving the stock of EU legislation (simplifying and reducing administrative burdens).

The Commission has had, since 2007, a high-level advisory group on reducing administrative burdens (the Stoiber Group). Its action programme covers 72 legal acts in 13 areas and is estimated to cover over 80% of the administrative burden of EU origin. The goal of reducing the administrative burden by 25% has been achieved through measures saving about €31 billion annually for businesses.

It was furthermore stressed that impact assessments, fitness checks and competitiveness proofing are important tools to improve the quality and relevance of regulations. In addition, regulations affecting businesses must be fit for purpose and all regulatory tools should be used to look at the benefits and costs of legislation.

The workshop highlighted an initiative in the UK called the 'Red Tape Challenge' which allows stakeholders to submit their views online on different regulations. The purpose is to challenge regulation and bureaucracy that have piled up over the years with a view to reduce the overall burden.



J. M. Barroso, European Commission

With strong political backing, a lot can be done in a relatively short period of time. In the Czech Republic, the administrative burden was reduced by over 23% as part of the first phase of the country's simplification programme.

Reducing the administrative burden for business is a top priority for the EU, as this allows businesses to spend more time on their core business activities, allowing for additional investment and innovation activities. In turn, this would improve productivity and competitiveness.

Several examples were presented. The Spanish State Secretary for Public Administration, Mr Beteta, referred to a law that reduces the start-up time to three days. Mr Mitsotakis, the Greek Minister for Public Administration and e-Government, told about an exercise being undertaken with the OECD where more than 4 000 administrative practices in various sectors had been identified for recommendations to reduce the burden.

Cutting red tape is a complex exercise that requires weighting pros and cons of legislation often enacted for conflicting goals. It is work in progress because as some red tape is cut, new red tape is being introduced.

Main conclusions:

- Simpler business registration procedures help entrepreneurship and improve the ability to trade by increasing customs efficiency;
- Countries with good contract enforcement tend to produce and export more customised products than those with poor contract enforcement;
- The goal of a reduction of the administrative burden on business stemming from EU regulations by 25% has been achieved through measures saving €30.8 billion annually for savings for businesses;
- Impact assessments, fitness checks and competitiveness proofing are important tools to improve the quality and relevance of regulations. Regulations affecting businesses must be fit for purpose;
- By streamlining and simplifying procedures, especially when it comes to starting up a company and to obtaining licenses, businesses can spend more time on their core business activities, allowing for additional investment and innovation activities.



“ Interoperability is the underlying element for the successful collaboration of public services ”

M. Šefčovič, European Commission

MODERN TECHNOLOGY CAN MAKE PUBLIC ADMINISTRATION MORE EFFICIENT AND COST EFFECTIVE

In his speech, Vice-President Šefčovič noted how technology can make public administrations more efficient and cost-effective. As an example he took the e-Prior invoicing system used by 48 EU directorates-general and agencies, and which will soon be adopted by the Belgian national authorities. He stressed that efficiency gains could not be achieved by technology alone and that it was necessary to rethink staffing priorities. The importance of public sector innovation as a driver of competitiveness was also highlighted by President Barroso. For example, the adoption of e-invoicing would allow for savings of up to €2.3 billion across the EU while adoption of e-procurement by government authorities and entities would create savings of up to 5-20%. A strategic and sustained effort is needed to achieve these.

The workshop entitled “Fully exploiting the potential of ICT in building smart and innovative Government” explored how technology can support the modernisation of public administrations and contribute to an efficient, smart and innovative government. Speakers identified trends and challenges and highlighted good examples of e-government, as well as success factors for its implementation.

Efficient public administrations adapt to the needs of businesses and citizens. Technology can support modernisation but it needs new processes, new organisation and new skills. Most importantly, it will also require new mind-sets within the administrations. Some of the success factors for technology in administrations are below.

Develop a common vision - E-government initiatives should be based on a shared vision of a modern administration with the following components. First, openness, transparency and collaboration that lead to ‘open data’ (an insight-driven, proactive approach towards using data), ‘open services’ (to enable better delivery of services) and ‘open processes’ (to facilitate interoperability). Second, everything should be ‘digital by default’ so that interaction with administrations can be done through electronic channels saving time and money. Third, public services should be ‘borderless’ by default. This refers for example to barriers among departments, different authorities, regional and national administrations etc. In addition, since it has a clear impact on the functioning of the Single Market, European cooperation in e-government is a must.

Provide the right legal framework - Any e-government initiative should be founded on a clear framework of rules and standards in order to ensure high quality of services and systems security. However, more still needs to be done at national and EU levels in order to harmonise these framework conditions and to

facilitate the interoperability of systems. At EU level, initiatives are currently being developed for example to improve the standards for information network security and electronic identification.

Invest more in modernisation - Europe does not yet fully reap the benefits of ICT and does not sufficiently invest in the modernisation of its public services. In most cases, a positive return on ICT investments can be achieved relatively quickly, in addition to the immediate improvements in quality and efficiency. In this context, the EU structural funds are an important source of funding for many Member States and many projects have been successfully implemented. The programming period for 2014-2020 includes significant further opportunities. In addition, some Member States could also explore more actively possible alternative funding sources, such as public-private partnerships.

Develop the necessary skills - Digital competencies are important prerequisites for the successful implementation of any e-government project. This does not only relate to the IT professionals, but also to the management and administrative staff who will have to adapt to a new system. This challenge can easily be underestimated. Strategic human resources development and training therefore requires planning and sufficient resources. Member States should also make use of results and knowledge gained from studies and pilot projects done at EU level as well as seek the cooperation with other Member States and the EU to identify and share good practice examples and cost effective solutions.

Leadership is necessary - Any e-government initiative needs to be embedded in an overall modernisation strategy, owned and supported by top management and political leaders. The more complex the project and the associated change process, the more important strong leadership becomes. Examples show that with the right planning and project management, the full cooperation of all partners involved and strong leadership support, large and complex e-government projects can also be successfully implemented, such as health care. In order to strengthen the political leadership, the European Council has launched an initiative to establish a strong network of national ICT correspondents.

Main conclusions:

- Modern public administrations should be open, transparent and collaborative. They should also be digital by default and borderless;
- More needs to be done at national and EU-level on e-government in order to harmonise framework conditions and to facilitate the interoperability of systems;
- The EU structural funds have been an important source of funding for many Member States with many projects on ICT being successfully implemented with EU support. The 2014-2020 programming period will provide further opportunities;
- Strategic human resources development and training is extremely important.



B. Le Masson, Accenture; J. Malczewska, Polish Ministry of Administration and Digitisation; R. Madelin, European Commission



M. Pröhl, European Institute of Public Administration

DEVELOPING POLICIES AND PROGRAMMES THAT DELIVER RESULTS

The third workshop “**Promoting strategic management in Government**” touched upon issues like administrative leadership, ownership of reforms, spreading innovation, focusing on outcomes in the public sector, performance budgeting practices, strategic human resources management and developing local government. The focus was on concrete policy recommendations and measures that could be considered good practices.

Among the lessons learnt was the fact that a strategic approach is necessary for strengthening the growth potential of Member States, provided that it is translated into policies and programmes that deliver results. In this context, institutions and work practices matter: strategic management means optimising the use of human and financial resources, assessing performance, and enhancing transparency and accountability. Ultimately, strategic management is about changing the government culture and reorienting it towards outputs and a customer-focused service delivery. Indeed, according to the logic of appropriateness, public service should be built on values.

A theme underlined by several speakers was the fact that one size does not fit all: strategic management is not a blueprint, but has to fit the situation of the organisation, and reforms and policy recommendations have to be adapted to a given Member State. Moreover,

ownership and political will are required to making reforms happen as reforms are complex exercises that require vision and commitment from all parties involved. In this context, administrative leadership is crucial. Hence the need to organize appropriate programs that train new types of leaders with new skills and competencies.

When it comes to improving business friendliness of administrations, most speakers maintained that policies supporting innovation are needed, while keeping in mind that innovation requires cooperation between public organisations, citizens and businesses. This can be achieved by spreading innovation – continuing initiatives that have proven to be working – and developing mechanisms for organised learning, including meta-learning. In addition, the Common Assessment Framework is an innovative tool focusing on performance results that could be used to increase the efficiency and effectiveness of public organisations.

In terms of developing local government, some speakers underlined that most businesses are embedded in local communities, which are driven by local governments. Consequently, attention should be paid to building the capacities of these governments, fostering more business friendly communities.

Illustrative examples from Member States showed how to overcome strategic management challenges, such as linking strategy and budget in Slovenia, steering from the centre in France, overcoming ministerial silos in Estonia, and

building a flexible public workforce in Ireland. Slovakia provided an example of reinventing public administration in countries that do not have a long tradition of efficient, client-oriented public services. Its reform efforts focus on building a new culture of governance with user-friendly public services that involve stakeholders, social partners and the industry. On a different note, Finland's foresight work stood out as an example of advanced strategic management that is used to find sources of sustainable growth, while experimenting and thinking out of the box.

The Swedish Minister for Public Administration and Housing, Mr Attefall, highlighted the long history of public administration reform in Sweden. In particular, the use of government agencies to deal with issues pertaining to public administration has been successful in Sweden. On the other hand, the Greek Minister of Administrative Reform and e-government, Mr Mitsotakis, referred to the current process of administrative reform in Greece which is aimed at reducing significantly the size of the public administration given the current economic scenario.

Because institutions are sticky and strategies are path-dependent, the biggest challenge is how to overcome the resistance to change within organisations. No matter if the approach is top-down or bottom-up, reforms are successful when they take into account

the features of a given country. In particular, any strategic management experiment has to have all parties on board in order to succeed.

Main conclusions

- A strategic approach is necessary for strengthening the reform of administrations and achieving growth. This must then be translated into policies and programmes that deliver results;
- Institutions and work practices play a big role – strategic management means optimising the use of human and financial resources, assessing performance, and enhancing transparency and accountability;
- One size does not fit all: strategic management is not a blueprint. It has to fit the situation of the individual organisation;
- The biggest challenge remains is how to overcome resistance to change within systems;
- Strategic management goals have to have all the parties on board in order to succeed.



P. Stub Jorgensen, European Commission

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