



HUMAN CAPITAL
NATIONAL COHESION STRATEGY



**MINISTRY
OF ECONOMY**

EUROPEAN UNION
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Better Regulation



**MINISTRY OF ECONOMY
THE SECRETARIAT OF THE MINISTER
REGULATORY REFORM UNIT**

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Dear Readers,

It is my pleasure to present to you another annual report which sums up the actions undertaken by the Ministry of Economy related to implementation of the Regulatory Reform. Development of improved legal regulations is the Ministry's priority mission, expressing our aim to provide the best conditions to conduct business activity in Europe. Last year, our consequent support for Regulatory Reform activities resulted in measurable effects achieved in the four main areas of the Better Regulation agenda, i.e. the areas of amendments to the law enactment system, improvement of the consulting system, simplification of law and reduction of administrative burden.

Activities undertaken by the Ministry of Economy in the area of improvement of the law enactment system in 2010 were mostly focused on soft activities, featuring the popularization of the idea of laws being enacted on the basis of reliable cost and benefit analyses. One of the actions within this area was the initiation of a new series of training on Regulatory Impact Assessment, targeted at a very wide range of professional staff of governmental administration involved in the law-making process. Importantly, the project also included the top management of governmental offices, whose good practices are supposed to motivate their inferiors who provide support for those actions on the decision-making level.

In the area of improvement of the social consulting system, the Ministry of Economy began works on the development of a comprehensive IT system of "on-line consultations." Implementation of the electronic consultation system, planned as a pilot project in 2012, along with amendments to the legislative procedures which are being developed simultaneously, will significantly increase the transparency of the law enactment system in Poland, thus providing private entities and natural persons with an increased ability to influence and shape legal solutions from the earliest stages of their development.

Reduction of administrative burden was exercised in a two-fold manner last year: the process of decreasing administrative burden in priority areas was continued, and a full baseline measurement of administrative burden in other regulations of economic law was conducted. The completion of the baseline measurement, i.e. the measure-



ment of costs of performing informative duties incurred by entrepreneurs, taking into account a subjective assessment of inconvenience of regulations under the measurement, made it possible to continue performing other actions within this area and to set new reductive objectives for the future.

In the area of simplification of law, amendments introduced under the Entrepreneurship Support Package were being continued. The greatest achievement in this area was the enactment of the long-awaited horizontal act on the reduction of administrative burden for citizens and entrepreneurs, which greatly decreases the level of administrative control over business activity and introduces the so-called declaration culture, replacing the troublesome certification culture.

In this report you will find detailed descriptions of aforementioned projects, as well as other projects which resulted in the strengthening of Poland's position as one of the fastest developing economies within the EU. Our activities on creating a better law will continue to be treated as priority also at the international level, during the Polish Presidency of the European Union Council in the second half of 2011.

Waldemar Pawlak

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Regulatory Reform – improvement of regulatory situation in Poland

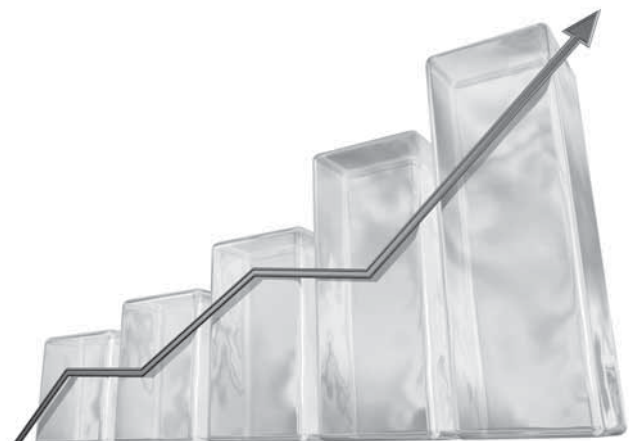
Regulatory Reform is the Polish equivalent of the Better/Smart Regulation initiative, started by the European Commission in 2002. Better legal regulation is one of the strategic priorities of the Ministry of Economy. High quality, effective, coherent, stable and transparent law is a means by which the Ministry of Economy can follow its mission, which is creation of the best conditions for conducting business activity in Europe.

The quality of regulatory situation is particularly important for entrepreneurs and economy as such in times of quick and profound changes, affecting long-term social and economic conditions. It becomes even more significant in the era of global crisis and breaking economy. The limi-

ted zone of economic freedom and high costs of bureaucracy and regulation handicap innovative processes, create unnecessary barriers for trade and investments, and limit economic efficiency of enterprises – the entities which constitute the economic well-being of any state.

Bureaucracy is often indicated as one of the factors which hinder the development of entrepreneurship in Poland. In public polls, the overly complicated and incomprehensible law is referred to as a factor which holds potential entrepreneurs back from starting their business activities. In order to change this situation, the Ministry of Economy is implementing a legal reform programme which features two main objectives:

- ★ creation of an evidence-based, stable process of legislative management, and
- ★ decrease of bureaucracy by simplifying the law and reducing barriers which hinder entrepreneurship.



Improvement of the law enactment system – Regulatory Impact Assessment

Legislative and non-legislative solutions adopted by the State should aim at a maximum implementation of economic, environmental and social objectives combined with minimum burden for business entities and the society. Regulatory actions are justifiable when an adoption of a given legal act allows for the prevention of market imperfections, includes the least costly form of regulation and its net benefits surpass its costs. In this context, it is of the highest importance to construct the regulatory policy correctly and to use efficiently, within its framework, various programme and analytical instruments, including the Regulatory Impact Assessment.

The Regulatory Impact Assessment (or RIA), more broadly referred to as Impact Assessment, means analytical representation of the foreseeable effects of actions which are being undertaken. The Regulatory Impact Assessment is a tool which combines other elements of the Regulatory Reform and constitutes the basis for an evidence-based policy.

A correctly functioning RIA system allows for the identification of the most important opportunities and threats of every new regulation. Carried out at an adequately early stage, RIA supports the legislative decision-making process and prevents the introduction of costly regulations. Assumptions for draft normative acts prepared on the basis of a correctly conducted RIA support the process of efficient implementation and functioning of any law.

The main assumption for the changes in the law enactment system is that the RIA will be carried out before any draft normative act is developed. It is also worth mentioning that RIA is a helpful instrument for the process of political decision-making; however, it cannot replace such decisions. RIA may not be used as an ex-post justification of such decisions. The Regulatory Impact Assessment cannot be used as a substitute grounds for a given normative act either.

In Poland, the RIA system has functioned since 2001. RIA-s are carried out for all draft normative acts developed by the Government. Experience from the RIA training courses conducted in 2007

for central administration staff shows that the awareness of the formal requirement to carry out RIA is high; at the same time, knowledge about what RIA-s actually are is rather low. RIA is recognized as a formally required part of legal act justification, but it is not identified with the necessity to perform an adequate analytical analysis.

Under the Regulatory Reform, the Ministry of Economy undertakes specific actions aiming at an increased efficiency of the law enactment system and popularization of the use of Regulatory Impact Assessment. The Ministry of Economy was the first to introduce the requirements of RIA acceptance by an upper-lever manager in the Ministry and of adoption of both RIA and drafts by the Ministry management within the internal procedure of normative acts development. Furthermore, the Ministry introduced internal ex-post RIA-s, used by the Ministry of Economy to perform a periodical, systematic and comprehensive overview of applicable regulations within the Ministry.

In 2010, the Ministry of Economy began trainings in Regulatory Impact Assessment, targeted at the managerial staff and employees of governmental administration offices under the system project titled "Reform of the law enactment process and simplification of binding regulations" (Action 5.3. Support for implementation of the Lisbon Strategy, Priority V. Good Governance of the Human Capital Operational Programme).

Ultimately, 2880 people are to be trained by the end of 2011.



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The trainings had been divided in two stages. The first training cycle, under which 461 people had been trained, was finished in May 2010. In the second cycle, until the end of 2010 there have been trained 353. Participants of the trainings included professionals, department directors and managerial staff from all Ministries which prepare economic regulations and from the Polish Agency for Enterprise Development, the Central Statistical

Office and the Governmental Legislative Center. The educative path for employees featured an elementary and an advanced courses to suit needs as declared by particular employees.

The main objective of the training was to change the mentality of administrative workers who prepare legal acts and direct them towards creating evidence-based laws (this evidence being reliable analytical data). This change is a long-term process and its effects – improved quality of RIA analyses and, consequently, improved law – will only be visible over time. However, in a short-term perspective, effects of the trainings are highly positive. Anonymous polls carried out after each training cycle indicated that 88.3% of participants found the newly-gained knowledge useful or very useful in their everyday work. 87.2% participants believe the training has increased their knowledge of Regulatory Impact Assessment significantly, and 92.0% of participants would recommend the training to other administrative employees. On a scale from 1 to 5, the training was generally rated at 4.40 points. Interest in the subject of the training was so large that 23.4% of participants claimed that the duration of training (14 hours in two days) was too short. 91.5% of participants believe that carrying out of the Regulatory Impact Assessment has a positive influence on the quality of new laws.

In 2010, the Ministry of Economy created a portal (electronic platform) which includes analytical tools and a selection of RIA-s, prepared in accordance with the RIA Guidelines. Those tools were rendered available to all employees of governmental administration during the RIA trainings. The portal, featuring tools and useful information for the development of RIA-s is available at <http://www.mg.gov.pl/Reforma+Regulacji/Ocena+Skutkow+Regulacji/Platforma+elektroniczna+OSR>

In September 2010, following Regulation no. 70 by the Prime Minister, the Governmental Documents Development Procedure Team (Zespół do spraw Procedury Tworzenia Dokumentów Rządowych) was founded as an auxiliary organ of the Council of Ministers. The Team comprises representatives from the Ministry of Economy, The Chancellery of the Prime Minister and the Governmental Legislative Center. The Team's tasks include preparation and assessment of:

- ★ assumptions for the draft procedure of development, review, proposal and decision issuing related to draft governmental documents;

- ★ proposals of amendments to the procedure of planning of the work of the Council of Ministers;
- ★ proposals of amendments to legal acts which regulate lobbying activity and social consulting with the aim of their conforming to the assumptions.

For the 2011, continuation of RIA trainings for employees and managerial staff of governmental administration is planned, as well as enlargement of those trainings' target group to include other institutions such as the Office of Competition and Consumer Protection, Energy Regulatory Office, the Polish Financial Supervision Authority, the National Bank of Poland and the Supreme Audit Office.

Moreover, an audit of the RIA system is planned, with the view to assess the formal and content-related accuracy of RIA compilation within governmental administration and to evaluate the conformity of draft assumptions for draft acts and draft normative acts with previously compiled RIA-s. The results of the audit will constitute an important source of information and allow for a comprehensive and empirical identification of barriers for the RIA system development, consequently leading to system changes proposals.

In relation to the Polish Presidency of the EU Council in the second half of 2011, it is planned, under the Smart Regulation initiative, to work out the Council's standpoint on the assessments of effects which accompany EU legal acts. The Presidency will be preceded by a traditional meeting of Directors and Experts on Better Regulation (DEBR), which will be organized in Łódź in mid-June.



On-line consultations

Under the reform of law enforcement system in Poland, the Ministry of Economy is also working on an increased transparency of the legislative process by means of effective support for the draft legal acts assessment procedure. Introduction of clear rules of opinion gathering and ordering of the legal situation in this respect will contribute to the improvement of quality of the social consulting process. Therefore, the Ministry of Economy has developed a handbook (guidelines) of rules for the consulting of legal acts in two stages: development of assumptions and consulting of completed drafts. The handbook, titled *Principles of Consultations Carried out upon Preparation of Government Documents*, was adopted by the Committee of the Council of Ministers of July 30th, 2009, as a complement to the *Guidelines for the Regulatory Impact Assessment*.

In order to further increase the influence of social partners on the final shape of regulatory solutions, the Ministry of Economy is now developing an Internet consulting system: **on-line consultations** under the system project titled “Support for the development and implementation of a monitoring system for legislative works of the Ministry of Economy (on-line consultations system)” (Action 5.3. Support for implementation of the Lisbon Strategy, Priority V. Good Governance of the Human Capital Operational Programme).



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This solution reflects the needs of entrepreneurs. The project's main objective is to achieve complete transparency of the process of consulting and presenting newly-developed regulations. An intermediate aim of this tool is the creation of a platform for the exchange of thought, experience, analyses, proposals and recommendations for each regulation, as well as for adequate storage and filing of the regulations. In the long-term perspective, the system will allow its users to view historical versions of any legal acts together with remarks and postulates by entrepreneurs, making the process of any regulation's evolution visible. This use of the tool will allow it to become

a complete knowledge database about any given legal act and to simplify the process of discovering any potential barriers and economic burdens within already existing legal acts for legislators.

In 2010, the Ministry of Economy held a series of meetings with social organizations and administrative representatives, devoted to discussion about functionality and assumptions of the on-line consultations system. The involvement of the Stocznia Foundation in the process of discussing the consulting system was particularly significant. On the basis of received comments, the Ministry of Economy developed a document titled “Vision of the On-line consultations System,” which constitutes the basis for further analysis and functional specification.

The consulting system will allow for the co-creation of documents under the legislative process. Under the consulting system, the legislator can use a multi-platform application for the edition of documents during the legislative process. This application features functions of project management under the legislative process, online cooperation on document-making, and sending documents for consultation via the website.

The online portal's aim is to improve the process of communication with society under the legislative process by means of a variety of forms and, if possible, of a series of standardized questions. Moreover, the portal will aim at broadening the informal part of debates on newly-formed laws by means of dedicated online message boards.

The e-learning system created for the consulting portal will cover all stages of interaction with the system and instruct its users how to use the elements which improve the quality of governmental document creation. All e-learning presentations will be available in Polish.

The data base will include a repository of files of completed cases, thus preserving the institutional knowledge about the manner and quality of all legislative processes.

Other activities which are planned to be implemented include the use of the on-line consultations system software and adequate implementation of procedures of use of this system in the Ministry of Economy. Following its detailed tests in the Ministry of Economy, the system may be further developed and implemented in other central institutions.



Simplification of law

The elementary assumption of the Regulatory Reform in the area of law simplification is the accomplishment of the Ministry of Economy's mission, which is the creation of best conditions to conduct business activity in Europe. Under the Regulatory Reform, the economic law is being simplified in a two-fold manner. Firstly, activities under the name "simplification of binding regulations" are being conducted; secondly, reduction of administrative burden for entrepreneurs is being carried out. Both actions aim at making it easier to start business activities in Poland, particularly for small and medium businesses, thus contributing to the creation of a citizen and entrepreneur friendly regulatory situation. Simplifying actions for SMEs feature areas such as access to capital, commercialization of technologies, conducting research and development activities and founding of technological companies.

Simplification of binding regulations means reviewing applicable acts with a view to:

- ★ eliminate obsolete, redundant or doubled regulations;
- ★ improve the coherence of regulations;
- ★ improve the standards of business control and harmonize control plans;
- ★ order and file legal acts in the area of economic law;

- ★ eliminate those regulations which are more restrictive than it is required by the EU – the so-called "gold plating;"
- ★ decrease the level of administrative control of business activity (number of licenses, concessions and approvals, simplification of such documents at the national level, proposals of simplification at the EU level); and
- ★ eliminate the so-called "legal duds" by means of introducing fast-track solutions.

Changes and amendments regarding the simplification of binding regulations are being introduced under the Entrepreneurship Growth Package. First laws which constitute the Package were introduced in 2008, and works on amendments to other acts are continuously being conducted. So far, amendments to 18 acts (most important ones from the entrepreneurs' point of view) have been introduced.

The list of acts adopted under the Entrepreneurship Growth Package

No.	Name of the Act
1	1st stage of the amendment of the Act on freedom of economic activity
2	Act amending the Accounting Act
3	Act amending the Tax Ordinance
4	Act amending the Act on chambers of commerce
5	Act amending the Act – Foreign Exchange Law and the Civil Code
6	Act amending the Code of Commercial Companies
7	Act amending the Code of Criminal Procedure
8	Act amending the Bankruptcy and Rehabilitation Law (consumer bankruptcy)
9	Act on Public-Private Partnership (PPP)
10	2nd stage of the amendment of the Act on freedom of economic activity
11	Act amending the Act on the Polish Agency for Enterprise Development
12	Act amending the Act on special economic zones
13	Act on certain forms of supporting innovative activity
14	Act on packed products
15	Act amending the Labour Code

16	Act on graduate traineeship
17	Act on the access to commercial information
18	Act on service activity

Table 1: List of acts adopted under the Entrepreneurship Growth Package

The first deregulation act

An important legislative project by the Ministry of Economy under the Entrepreneurship Support Package is the draft act on reduction of administrative barriers for citizens and entrepreneurs, adopted by the Council of Ministers' Standing Committee in November 2010. The draft was prepared following a comprehensive review of Polish economic law. A total of 209 acts had been revised, and the draft proposes amendments to 96 of them in response to numerous postulates submitted by citizen associations and economic organizations regarding facilitation of contacts with public administration and conducting business activity. The main objective of the act is introduction of declarations, instead of certifications, to be submitted while starting and conducting business activity. In this way, a culture of declarations will be created in Poland to replace the troublesome, unreasonable and costly culture of certifications. Another aim of the draft is the limitation of the number of licenses, concessions and approvals issued by administrative organs, thus making the draft also an anti-crisis document. This means that the act on reduction of administrative barriers for citizens and entrepreneurs, together with other acts under the Entrepreneurship Growth Package, will be the first true and coherent reform of economic law since the early 1990s.

According to the Regulatory Impact Assessment data, newly introduced solutions will bring about calculable benefits for entrepreneurs and citizens.

- ★ For example, the transition to declaration culture will bring over PLN 250 million savings for ZUS (Social Insurance Company) alone.
- ★ For certifications issued in relation to social needs (beneficiaries including mainly citizens), the savings may amount to PLN 1 billion per year.
- ★ Savings related to issuing of documents (certifications) by communes will amount to as much as PLN 5 billion per year.

The draft act on reduction of administrative barriers for citizens and entrepreneurs implements the following objectives:

- ★ Reduction of administrative duties, and thus reduction of bureaucracy and decrease in costs by introducing the requirement of submitting declarations instead of certifications.
- ★ Implementation of the 1st stage of changes, featuring the complementation of regulations with legal solutions necessary for efficient functioning of entrepreneurs.
- ★ Implementation of the 1st stage of changes aimed at limiting state control over business, featuring resignation from certain approvals and registers of regulated business activities.

Exemplary amendments proposed in the draft act:

- ★ Introduction of declaration law instead of currently binding certification law. Introduction of declarations is supposed to change the current practice which requires citizens to prove their actual legal status. However, entrepreneurs and citizens will retain the right to obtain certifications should they be uncertain of their legal status.

The amendments were being introduced according to the rule which states that an administrative organ should be able to obtain as much information as possible either online or from other administrative organs.

After analysis of 280 certifications featured in 120 acts, amendments to 77 acts were introduced and 217 certification requirements were cancelled.

The most significant amendments in this area include:

- ★ cancellation of regulations requiring entrepreneurs to submit their certificates of entry in the business activity register or certifications (extracts, copies) of entry in the register of entrepreneurs of the National Court Register (KRS), if their number from an applicable register has been successfully transferred onto the submitted application.
- ★ cancellation of regulations requiring applicants to submit their certifications of having received NIP (Tax Identification Number) and REGON (National Business Registry Number) numbers, if such numbers have been included

in the submitted application; in other cases, declaration is required instead of certification.

- ★ introduction of criminal record declaration instead of certification wherever such certification is not reasonably required due to supreme public interest.
- ★ replacement of the obligation to submit original documents, officially certified copies of certifications, diplomas, vital records, birth certificates, death certificates etc. with the obligation to submit copies of documents confirming education or short copies of vital records.
- ★ regulations which require citizens to submit income certifications, clearance certifications for the Tax Office and the Social Insurance Company have been amended and now allow for submitting declarations.

The draft act complements provisions of law with legal solutions necessary for the efficient functioning of entrepreneurs. Major changes in this area include:

- ★ possibility to transform cooperatives into commercial law companies,
- ★ introduction of consumer leasing, which will facilitate entry into leasing contracts to consumers,
- ★ possibility for entrepreneurs which are natural persons conducting business activities on their own behalf to transform into one-person companies and lowering of court fees for the entry to the register of entrepreneurs from PLN 1000 to PLN 500 and of fees for amendments to such entry from PLN 400 to PLN 250.
- ★ Introduction of changes which limit state control by means of resignation from certain approvals and registers of regulated business activities.
- ★ Amendments in the state control limiting part pertain to the cancellation of state control or transformation of its form to a less troublesome one; e.g. cancellation of approvals or introduction of registers of regulated business activities instead of approvals. The amendments which are introduced also aim at decreasing the discretionary nature of public administration organs and lowering of costs by means of cancelling fees for selected approvals or entry into registers of regulated

business activity; e.g. the approvals for activity related to forest development planning and for founding and conducting business activity related to producing license plates were cancelled. Instead, to undertake such activities it will be enough to obtain an entry to a register of regulated business activity

Actions undertaken by the Government for the benefit of entrepreneurs and entrepreneurship are oriented towards the creation of favorable conditions for their development, by means of e.g. strengthening competitive advantages and, consequently, obtaining sustainable economic development in a long-term perspective. Such actions aim at improving the access of enterprises to capital, strengthening of entrepreneurial attitudes, institutional, organization and financial strengthening of situation of enterprises and filling the information gap by facilitating access to competitiveness analyses for industrial sectors.

The second deregulation act

Following the National Reform Programme for 2008-2011, one of the government's priorities is the provision of friendly legal and institutional environment for entrepreneurship, innovation and investment. This aim is to be achieved by means of reduction of administrative burden imposed on entrepreneurs by law and elimination of legal barriers for the development of entrepreneurship.

The Ministry of Economy has prepared draft legislation guidelines for the act on reduction of information obligations and limitation of legal barriers for citizens and entrepreneurs, also known as "deregulation two". The new provisions will broaden the sphere of economic and civil freedom.

The draft is comprised of two parts: the first one is devoted to the reduction of information obligations imposed on entrepreneurs, the second – to the limitation of legal barriers for citizens and entrepreneurs.

The Ministry of Economy has proposed a reduction of 50 information obligations (IOs), which can provide entrepreneurs with savings up to PLN 3.14 billion per year. Each year, the costs of meeting such requirements are estimated to be approx. PLN 6.35 billion. The total annual administrative burden for economy (the so-called pure bureaucracy) amounts to PLN 3.88 billion.

The most desirable amendment in this area as indicated by entrepreneurs (37 percent of indications in a report by Deloitte) is the introduction of the electronic form of meeting information obligations as an alternative to traditional paperwork.

The part of the draft regarding the limitation of administrative barriers includes proposals of actions regarding changes to the national legal system, particularly precise specification, amendment or cancellation of norms which constitute barriers for the development of entrepreneurship. Following an analysis of provisions which affect the conditions for conducting business activity and of entrepreneurs' postulates, the Ministry of Economy plans to introduce 28 solutions cancelling existing barriers in the economic law system to the draft act. The draft also adapts legal provisions to the continuous

development of technologies and methods of communication in business.

According to experts from the Ministry of Economy, cancellation of administrative barriers, decreased number of IOs and decreased troublesomeness of those constitute the best, often costless way of setting developmental powers and mechanisms of enterprises free.

The assumptions of the second act on limiting state control are also an effect of cooperation between experts from the Ministry of Economy and representatives from employer organizations. Entities particularly involved in the works on the act included Business Centre Club, Polish Confederation of Private Employers Lewiatan, Employers of Poland and the Polish Craft Association.





Reduction of administrative burden

Apart from the simplification of applicable regulations, another task implemented under simplifying actions is the reduction of administrative burden. Administrative burden is a part of administrative costs, i.e. costs resulting from information obligations imposed on entrepreneurs by provisions of law. Administrative burden includes costs related to information obligations which entrepreneurs would not meet if they weren't obligatory according to legal provisions. For example, the drafting of a loss and profit account constitutes an administrative cost, but it is not an administrative burden, since most entrepreneurs believe this duty to be useful and would still perform it if it weren't required by law.

Under the process of reduction of administrative burden, in March 2008 the Government decided to reduce this burden by 25%. Initially, the process was supposed to cover seven priority areas of law: environment, land development plan, economic activity law, hallmarking law, social security, tourist services and employment law. During the meeting on August 26th, 2010, the Committee of the Council of Ministers voted in favor of the Minister of Labor and Social Policy's proposal to exclude the area of social security from the seven priority areas where reduction of administrative burden was to take place. The

Minister's proposal was justified by the fact that the area of social security affects both entrepreneurs (contribution payers) and insured persons. Any amendments in this area should be introduced with utmost care, taking into account the protection of rights of all entities covered by the Act on Social Insurance System.

The task of reduction of administrative burden is a reply to the recommendations from the European Commission, which is implementing a similar action within EU regulations. Currently, participants to this initiative include almost all European Union states. Reduction of administrative burden in the six aforementioned areas is being implemented by five Ministries under their respective scope of competence. Those Ministries include the Ministry of Economy, the Ministry of Labor and Social Policy, the Ministry of Environment, the Ministry of Infrastructure and the Ministry of Sport and Tourism.

Over 700 information obligations in 50 acts were identified for the aforementioned priority areas. Those requirements include, among others, the requirement to fill in questionnaires, submit applications for the recognition of ability to conduct specific business activity, meeting reporting requirements, registration of measurements, applying for permissions, drafting of periodic reports, participation in audits. For the reduction of administrative burden, the costs of bureaucracy are measured in compliance with the Dutch Standard Cost Model. This Model measures costs of administrative burden imposed on entrepreneurs by provisions of law. Currently, nearly all EU Member States, as well as other countries (such as Australia or Turkey) use this model; in some of those states, such measurements have already been performed two or three times.

In the first quarter of 2010, the Ministry of Economy developed a report on achieving the goal of reducing administrative burdens in the seven priority areas of law. This document presents both already completed and planned activities undertaken by particular ministries in order to reduce administrative burden. The report was adopted by the Council of Ministers' Standing Committee on August 26th, 2010, and by the Council of Ministers on October 26th, 2010. The works which had been completed by now (adopted legal acts already in force) have resulted in the reduction of burden by 6.54%. The results of decreased administrative burden in six priority areas are presented in Table 1.

Table 1. Results of decreased administrative burden in six priority areas in total

No.	Priority Area	Ministry	Decrease of burden – finished works	Decrease of burden – planned works	Decrease of burden
1	Environment	Ministry of Environment	0,55%	0,0%	0,55%
2	Land development plan	Ministry of Infrastructure	0,00%	35,12%	35,12%
3	Tourist services ¹	Ministry of Sport and Tourism	0,00%	0,00%	0,00%
4	Employment law	Ministry of Labor and Social Policy	0,00%	0,00%	0,00%
5	Hallmarking law	Ministry of Economy	0,00%	25,00%	25,00%
6	Economic activity law	Ministry of Economy	91,23%	0,00%	91,23%
	Total		6,54%	20,28%	26,83%

Source: Ministry of Economy

The Table above indicates that the objective of reduction of administrative burden, which has been prolonged until the end of 2011 by the Committee of the Council of Ministers (initially, the objective of reduction was set by the Council of Ministers to 25% by the end of 2010) will be achieved by means of enacting laws aiming at the reduction of administrative burden in the areas of hallmarking law and land development plan.

Apart from the reduction of administrative burden in the selected areas of law, the Ministry of Economy is preparing reduction plans for other areas of economic law under the Regulatory Reform. This will be the so-called second stage of reduction. An analysis to be conducted will facilitate the establishment of reduction objectives within this area and carrying out of adequate legislative changes. Under the second stage of reduction, which covers remaining provisions of economic law, the Ministry of Economy introduced – in 2010 – the measurement of administrative burden imposed on entrepreneurs by the provisions of economic law.

The measurement covered 6187 information obligations identified in 482 legal acts. The baseline measurement was comprised of two stages:

- ★ Stage 1 – Selection of 3712 information obligations, constituting 60% of identified IOs, which comply with all 5 defined selective criteria (the source of IO's origin, population, frequency of occurrence, level of complication, level of obligatoriness) and listing them from potentially the most to the least troublesome for those obliged to meet them;
- ★ Stage 2 – Baseline measurement with the use of direct interviews on the phone and of expert methods with the view to assessing the administrative costs incurred by the persons obliged to meet particular IOs, and listing the IOs from potentially the most to the least troublesome for those obliged to meet them, taking into account the inevitability of performing such obligations.

As the study shows, the total amount of annual administrative costs incurred by entrepreneurs in Poland amounts to PLN 77.6 billion and con-

¹ For the tourist services area, there has been a partial reduction of administrative burden by means of adopting the Act of April 29th, 2010 amending the Act on Tourist Services and amending the Code of Infractions Act, which became valid on September 17th, 2010. Due to lack of sufficient data it is difficult to estimate the cost of reduced burden.

stitutes approx. 6.1% of Poland's GDP. The amount of annual costs of administrative burden is PLN 37.3 billion, which is approx. 2.9% of Poland's GDP. From among 3712 IOs which were being tested, 3402 generate administrative costs different than zero. An average administrative cost per one IO amounts to nearly PLN 23 million.

The conducted baseline measurement indicates

that the most costly information obligations disclosure requirement is the obligation of accounting, which costs all entrepreneurs covered by this requirement a total of nearly PLN 14 billion per year. Further in line are the requirements under the tax law and annual financial reports. Table 2 presents the first ten items of the ranking according to their total administrative costs per year. The top 10 IOs in the ranking gener-

Table 2. The first ten items in the IO ranking according to total annual administrative costs

No.	Shortened description of the information obligationo	Total annual administrative costs for economy (in PLN)
1	Accounting	13 739 891 173
2	Keeping accounting evidence stating profit (loss), tax base and the amount of tax due for a given tax year	12 675 884 775
3	Submission of tax declarations	10 210 501 372
4	Documentation of entrepreneur's payments related to his/her business activity	3 714 284 692
5	Keeping the evidence of turnover and amounts of tax due using cash register	2 625 245 035
6	Application of classification standards by entrepreneurs for their business documentation	2 022 656 447
7	Keeping accounting evidence in order to calculate depreciation write-offs for tangible assets and intangible and legal assets in compliance with the Income Tax Act	1 760 915 279
8	Keeping medical documentation by nurses and midwives	1 483 447 617
9	Submitting reports by expert auditors	1 292 518 644
10	Inclusion of number and date of invoice confirming the purchase of agricultural products in a document confirming the settlement of payment for such products	1 251 819 753

Source: Baseline measurement results.

ate as much as 65% of all administrative costs for economy. This implies that information obligations, supervised by the Ministry of Finance, generate approx. 2/3 of all administrative costs per year.

During direct interviews, entrepreneurs were also asked about the usefulness of regulations from the point of view of the company's well-being or of good management/business practices. Entrepreneurs indicated regulations set by the Ministry of Sport and Tourism as most useful, and IOs covered by the Ministry of Culture and National Heritage – as the least irritating. The least useful and most irritating were the regulations under

the Public Statistics Act, covered by the Central Statistical Office.

According to the interviewees, the average usefulness of IOs amounts to 69%, which means that entrepreneurs generally believe information obligations to be rather useful. An example of IO which all interviewed entrepreneurs indicated as very useful is the issuing of transaction-confirming bill upon the contracting party's request (this IO comes from the Tax Ordinance Act).

The conducted measurement indicates that the most troublesome aspect of meeting requirements for entrepreneurs is the fact that they are

very time-consuming, which results from many factors (e.g. the impossibility of sending an application via the Internet). Entrepreneurs also point to the wide range of required information they are obliged to provide. They often find provisions of law useless, since they are forced to multiply data by submitting the same information to several organs, or several times to the same organ. Over 13% of interviewees indicated the lack of tangible purpose/effect of meeting IOs as the most irritating aspect of complying with the regulations. This implies that the regulations, their meaning and purpose in particular, are often incomprehensible and illogical to entrepreneurs.

During the conducted measurement, some interesting remarks regarding postulated directions and manners of amendments to obligatory tasks were also collected in the form of commentaries from the entrepreneurs about the troublesomeness and reasonability of meeting certain disclosure requirements in selected legal acts. An

amendment which was postulated by all entrepreneurs was the replacement of paperwork with electronic mode of meeting IOs. In many cases, entrepreneurs straightforwardly recommend cancellation of selected information obligations, which will be taken into account by the Ministry of Economy while developing legislative amendments. Moreover, many entrepreneurs proposed their own ideas regarding particular information obligations.

In the first quarter of 2011, the Ministry of Economy will submit to all other Ministries responsible for amending laws and reducing administrative burden a listing of information obligations according to the criterion of costs; i.e. the listing will feature the requirements which generate the highest administrative costs for the economy. The results of the baseline measurement will also be submitted to the Chancellery of the Prime Minister, the Office of Competition and Consumer Protection and the Central Statistical Office.





International cooperation

In the actions it undertakes, the Ministry of Economy is guided not only by the knowledge and experience of its own specialists; it also uses knowledge of external experts, social partners and scientific environments, as well as best international practices. By cooperating with other states and international organizations, in particular with the OECD, the World Bank and the Government of the Netherlands, the Ministry of Economy makes sure that the actions it undertakes are correctly targeted and will bring about the expected results.

Cooperation with the World Bank – Doing Business reports

In order to exchange experiences and best practices regarding the Regulatory Reform programme, the Ministry of Economy closely cooperates with the World Bank. A result of this cooperation is the report drawn in June 2010, which is the World Bank's memorandum on the improvement of legal regulations in the areas covered by the annual Doing Business reports drawn by the World Bank.

This report, whose drawing was initiated by the Ministry of Economy, is a part of works conducted under the Regulatory Reform in order to increase the freedom of business activity in our country. Actions within this area also mean the necessity

of introducing amendments to economic regulations already in use in order to make them meet the best international standards. The following five areas of Doing Business were found to be unsatisfactory in Poland and analyzed by experts from the World Bank:

- ★ starting a business,
- ★ dealing with construction permits,
- ★ registering property,
- ★ paying taxes,
- ★ protecting investors.

Properly developed legal regulations are of extreme importance for the increase of economy and creation of new jobs. According to specialists from the World Bank, legal regulations analyzed with the use of Doing Business indicators have a dominating impact on the easiness of conducting business activities and, consequently, on the development of entrepreneurship (particularly for small and medium businesses). The memorandum, including the analysis and recommendations for improvement of legal regulations in the aforementioned areas, will allow the Ministry of Economy to undertake properly directed legislative and regulatory actions in cooperation with the Ministries of Justice, Finance and Infrastructure. An additional expected effect of such actions, significant from the image-building point of view, will be the promotion of Poland in the prestigious Doing Business ranking and, consequently, an increase in the attractiveness of our country to foreign investors.

The memorandum is available online, at the Ministry of Economy's website under the "Tworzenie lepszej prawa" – English version tab.

Cooperation with the OECD

In late December 2010, the OECD presented the final version of a report titled "Administrative Simplification in Poland – Making Policies Perform." While creating this report, the OECD had conducted a thorough analysis of reductive potential for the provisions of Polish law and presented specific proposals for simplification amendments on the basis of knowledge and experience of their exports and best practices of leading European states. The guidelines for the area under this report are of particular significance for the Ministry of Economy at present, with the view to complete the national and European programme

of reduction of administrative burden by 25% in the nearest future.

The “Administrative Simplification in Poland” report is available online, at the Ministry of Economy’s website under the “Tworzenie lepszego prawa” – English version tab.

In 2010, representatives from the Ministry of Economy were active participants in the works of the following groups:

- Working Party on Competitiveness and Growth;
- The High Level Group on Better Regulation;
- Single Point of Contact on Better Regulation;
- Standard Cost Model Network;
- Directors and Experts of Better Regulation;
- Learning Team on Administrative Burdens for Citizens.

European Union Council – Competitiveness and Development Workgroup

Working Party on Competitiveness and Growth is an organ operating at the Council of the European Union. The Council meets in various configurations depending on the type of cases they review. The so-called General Council is composed of Ministers of Foreign Affairs of the Member States; in other configurations, the Council is composed of Ministers representing respective Ministries. The Polish member of the Competitiveness Council, whose competences cover the Better Regulation strategy, is the Minister of Economy.

The High Level Group (HLG)

HLG is a group founded by the European Commission. The High Level Group comprises experts from the Member States of the European Union, who provide advice regarding the improvement of the quality of European legislation. An important task of the Group is acting towards the development of the Better Regulation strategy, particularly within the scope of administrative burden measurement.

The Group operates between the Commission and Member States, efficiently working towards the improvement of regulatory situation for entrepreneurs and industries. The members of HLG are appointed by the European Commission. The Group, taking into account propositions submit-

ted by Member States, does not issue opinions on specific legislative initiatives – its main task is the creation of legislative policy regarding entrepreneurs, industries and consumers.

Single Point of Contact on Better Regulation (SPOC)

The main task of Single Points of Contact is to provide cooperation between the European Commission and its experts and administrations of particular Member States. The provision of such coordination is necessary to safeguard a unified methodological approach and comparable results of measurements of administrative burden which are carried out in particular States. The Points of Contact in particular Member States are regularly provided with information about the progress of the programme organized by the Commission under the Better Regulation strategy.

Standard Cost Model Network (SCM)

This organization was created in 2003 by EU Member States which apply the same methodological approach to the measurement of administrative burden. While selecting the shared methodology for such measurements, the founders of the SCM Network decided upon the Standard Cost Model, believing it to be an approach which is dominant in practice and which brings about transparent and comparable results. Membership in this organization is open to all States which apply or plan to apply the Standard Cost Model for their measurements.

This organization provides an arena for the exchange of experiences and good practices among Member States. The following countries are its members at present: Australia, Austria, Belgium, the Czech Republic, Denmark, Estonia, France, Germany, Italy, Latvia, the Netherlands, Norway, Poland, Slovenia, Spain, Sweden, Great Britain, Romania, Ireland, Portugal, Turkey, Cyprus, Greece, Lithuania and Finland. The main cell of the SCM Network is the Steering Group, which meets several times per year to discuss current issues related to the methodology applied and administrative burden measurements which are being conducted.

On September 17th, 2010, representatives from the Ministry of Economy participated in a meeting of the SCM Network Steering Group which took place in Berlin, in the office of the Chancellor of Germany Angela Merkel in Bundeskan-

zleramt. During the meeting, results of the pilot adjustment cost measurement which had been carried out from January to March 2010 by the Better Regulation Unit in Bundeskanzleramt were presented. State representatives participating in the meeting reported on the progress on administrative burden measurement in their countries. Representatives from Poland informed other participants about the implementation of the administrative burden reduction programme in seven priority areas of law, as well as about the completed baseline measurement of the provisions of economic law, which had covered over 6000 information obligations in 482 legal acts.

Directors and Experts of Better Regulation (DEBR)

DEBR is an informal, intergovernmental group of experts from various Member States. This Group usually meets twice a year and is chaired by the

hosting state (the host) – usually it is the same state which will take over the Presidency of the European Union in the next half-year. Following DEBR's statement, the group's objective is to promote and supervise progress of Better Regulation activities in particular Member States, candidate states and on the level of the European Union in general.

Learning Team on Administrative Burdens for Citizens

The Learning Team is a work group founded under the EUPAN (European Public Administration Network), whose aim is the development of methodology for the measurement and reduction of administrative burden for citizens. The Group's discussions feature cyclical presentations of actions undertaken by particular Member States in order to make the lives of natural persons easier.





Events related to the Regulatory Reform in Poland

Meeting of the SCM Steering Group

On March 5th, 2010, the Ministry of Economy held a meeting of the SCM Network Steering Group devoted to the application of the Standard Cost Model (SCM) methodology for the measurement of administrative burden. During the meeting, representatives from Member States – including representatives from the Ministry of Economy – presented their countries' achievements in administrative burden measurement applying the Standard Cost Model. The meeting was also an occasion for the exchange of experiences and good practices regarding the Dutch model among the Member States.

One of the major achievements was the inclusion of Poland to the works of the Secretariat, which is an advisory body of the Steering Group. The Secretariat's tasks include organization of the Steering Group's meetings, preparation of schedules for such meetings and ongoing maintenance of the Group's website.

Regulatory Reform Conference 2010

On July 16th, 2010, the Regulatory Reform Department of the Ministry of Economy organized a conference on better law-making. The meeting was chaired by Marcin Korolec, the Deputy Minister of

Economy, and featured a presentation of the most significant achievements of the Ministry within the scope of law simplification, improvements of the Regulatory Impact Assessment (RIA) system and reduction of administrative burden. Also during the conference, the results of the baseline measurement of the economic law provisions conducted by the Deloitte company were presented.

Economic Forum in Krynica

At the 20th Economic Forum in Krynica, which took place on 8-10 September 2010, the Ministry of Economy co-organized a discussion panel titled Reducing administrative burdens imposed on businesses. The subject of the panel was related to activities undertaken by the Ministry of Economy within the scope of law simplification and reduction of administrative burden, as well as meeting entrepreneur expectations in this respect. The main subjects discussed during the meeting included the following:

- ★ implementation of the reduction of administrative burden objective in the provisions of economic law on the basis of the baseline measurement carried out by Deloitte for the Ministry of Economy;
- ★ continued implementation of acts under the Entrepreneurship Growth Package, including the implementation of the most important draft under the Package – the draft act on the reduction of administrative burden for citizens and entrepreneurs;
- ★ identification and elimination of key barriers for economic development;
- ★ purposefulness of applying the best practices on creating best conditions for business activity, borrowed from leading international economies and leaders of the Doing Business ranking composed by the World Bank.

A heated discussion and active participation from the audience resulted in the panel being very well assessed by all participants of the meeting, who unequivocally highlighted the significance of legislative changes and their proper targeting.

Moreover, the Ministry of Economy actively promoted issues related to the Regulatory Reform at the 20th Economic Forum in Krynica. The Regulatory Reform Department, together with the Support Instruments Department, organized an exhibition stand which presented information materials on activities carried out by the Ministry

with a view to improve the law enactment process, simplification of binding provisions of law and promotion of Polish entrepreneurs in international markets. The stand was popular among visitors from both Poland and abroad, and it became the venue for the discussion about the directions of change in the Polish economic legislation.

International Regulatory Reform Conference (IRRC)

The aim of the International Regulatory Reform Conference (IRRC) is to present the question of Regulatory Reform as perceived by different environments: academic, administrative and entrepreneurs. It allows for the presentation of best practices applied in Member States of the European Union, as well as for the exchange of new ideas and methodologies. On 17-18 January 2011, the Ministry of Economy, in cooperation with the Bertelsman Foundation and the Dutch Ministry of Finance, organized a seminar preceding the IRRC conference in the Netherlands, during which issues related to the subject of better law-making in the context of the world of politics were discussed. The conference was organized in English and titled "The Dynamic and Politics of Better Regulation: dealing with Better Regulation and its role in a dynamic and multilateral context." The conference in Warsaw was one of the four preparatory seminars, the remaining three taking place in Paris, Seoul and Washington.

Less than two months later, on 10-11 March 2011, representatives from the Ministry of Economy participated in the main IRRC conference in Amsterdam, during which they chaired one of the discussion panels. The theme of the conference titled "Looking at the whole thing" was a comprehensive approach to activities related to better law-making, symbolically represented by the image of an elephant. During the recent years, there was much talk of particular elements of this "elephant," whereas the general perception of the whole image seemed to have gotten lost. This general, holistic approach towards the policy of improved legal regulations means, first of all, integration of all tools by means of an efficient process of internal and external communication. It also assumes adjustment of actions to political strategies and inclusion of new areas, such as environmental protection and climatic change, to the agenda.

Cooperation under National Thematic Networks (NTN)

The Ministry of Economy was an active participant of the cyclical meetings of the National Thematic Network in the area of Good Governance of the Human Capital Operational Programme. This NTN (Polish: KST) had been founded on the basis of "Guidelines by the Minister of Regional Development related to the implementation of innovative projects and supranational cooperation under the Human Capital Operational Programme" of April 1st, 2009, for the period of implementation of the Human Capital Operational Programme. Thematic Networks constitute both an arena for experience exchange and assessment of results of innovative actions, and a key tool in the process of dissemination and inclusion of results of innovative projects into mainstream politics. This is achieved e.g. by means of the opinionating system for implementation strategies and validation of results of innovative projects. Thematic Networks (TNs) create an arena for dialogue and communication between the beneficiaries implementing innovative projects and experts and professionals from those projects' area of expertise, as well as representatives from Intermediate Institutions and decision makers on various levels of government. This formula facilitates inclusion of various points of view and finding solutions to problems which occur in the process of implementation of innovative projects (pertaining to all stages of project implementation, test results, verification of initial assumptions). Members of the Network have the possibility of exchanging their experiences with experts, professionals and project-makers, as well as of drawing inspiration from good practices in the area of both innovative solutions and methodologies of project management. An important aspect of the Networks' educational dimension is the possibility of drawing conclusions from mistakes and failures of other projects and mutual support which allows for new, more efficient solutions to be worked out. Participation in the works of Thematic Networks also facilitates real influence on the shape of policies in a given area. In 2010, the Good Government NTN supervised two innovative projects: the Innovative Support System for the Assessment of Investment Regulations and Decisions (iSWORD) and the Learning Ministries (MUS) – a set of diagnostic and supportive tools for mechanisms of organizational learning, which

is of key importance for evidence-based public policies. The iSWORD project comprises a set of tools for quality costs and benefits analysis for investment projects and regulatory amendments, featuring a handbook in both printed and multimedia versions. The aim of this project is to provide support to persons which prepare RIAs by means of providing them with adequate tools which facilitate the process of evidence-based (evidence being the results of quality analyses) drawing of such documents, as well as with necessary trainings in the use of such tools. Other aims of the project include the creation of analyses which would take gender perspective in evidence-based policy into account by means of applying adequate methodology, and facilitation of steady Regulatory Impact Assessment

compliant with the EU strategy of sustainable development which features the three areas of (i) economy, (ii) effects for the social sphere, (iii) effects for climatic change.

The other opinionated project – Learning Ministries – is a set of tools which support the mechanisms of learning within public institutions in the context of evidence-based policies, comprised of two integrated packages, i.e. diagnostic tools and tools which directly support learning processes (i.e. learning process management tools for organizations and tools for recommendation of changes in legal regulations and procedures). For the first project, the final effect is expected to be achieved in the latter half of 2012; for the second project – in 2014.



