e-Government WG

Surveys of the E.U Greek Presidency

e-Economics

11 April 2003

Ministry of Interior Affairs, Public Administration & Decentralization
Three studies commissioned on the occasion of the 2003 E.U. Greek Presidency:

- Financing Strategy for e-Gov: The Case of One-Stop Shops Citizen Service Centers (KEPs)
- Survey of E.U. Public Sector Performance Measurement Systems
- Survey of E.U. Public Sector Performance Measurement Indicators

* Three company Consortium: DIADIKASIA, KPMG, HYPODOMI
Still chasing documents?

Citizen Service Centers

The Citizen at the Forefront
“Methodological framework for the financial sustainability of e-Government projects: tools, issues and techniques – The case of One-Stop Shop Citizen Service Centers (KEPs)”

Undertaken by the Consultant* of the “Politeia” Operational Program on behalf of the Greek Ministry of Interior & Decentralization

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PART A.

Case Study: One-Stop Shop Citizen Service Centers (KEPs)

1. The Issue at Hand
What KEPs are

- **One Stop Shops** where citizens may:
  - Ask for information regarding any public sector organization, procedure or requirement
  - Request for a certificate, license etc to be issued
  - File an application
  - File a complaint

- Started in 2001
- Most services provided through outsourced IT systems
The Benefits of KEPs:

- Improved service to the citizen (less time wasted in queues, fewer trips to and from public sector units, simpler documents & procedures, staff responsive to citizen needs)
- Lower transaction costs (benefit to the entire economy)
- Reduced application processing costs for citizen-facing public sector units

In the medium term, KEPS also guide the transformation of the public sector by:

- Increasing citizen expectations
- Forcing Quality of Service standardization to all public sector units
- Introducing e-Gov the right way round: from citizen requirements to systems
How KEPs Work

Citizens & Businesses

Entire Public Sector

Case Manager
The KEP Business Model

**Strategic Management**

**Core Business Processes**
- Attract citizens and businesses to serve
- Accept & process citizen requests
- Accept & process citizen complaints
- Assimilate new certified procedures

**Resource Management Processes**
- Information Management
- Financial Reporting
- Human Resources
- Facilities
- Materials
- Fundraising

**External Forces**
- Citizens
- Business
- Ministries
- Private Facilitators
- Direct-Service Gov Units

**Funders (Government etc)**
- Information provision
- Applications Management
- Complaints Management

**Markets**

**Business Processes**

**Alliances**

**Services**

**Customers**
- Businesses
- Ministries & Government Departments
- Community
- Advertisers
- Sponsors
- Outsourcers

**Employers**
- Unions
- Suppliers
- Legislators
- Technology
- Community
- International Bodies

**Information Management**

**Financial Reporting**

**Human Resources**

**Facilities**

**Materials**

**Fundraising**

**Complaints Management**

**Postal Service Providers**

**Ministries**

**Local Authorities**

**Other KEPs**
1.132 units throughout the country (500 already in place)

1,000 public administration procedures (564 already certified)

5,500 employees (2,500 already working, many of whom are recent University graduates or previously unemployed)

Data: Feb 2003
KEP Transactions

Data: Feb 2003

- Applications: 13%
- Exact copy validation: 27%
- Information by phone: 7%
- Information in person: 33%
- Complaints: 5%
- Signature validation: 13%
- Tax clearance form: 2%
KEP Development Costs

- **Architectural & construction**: 45%
- **ITC**: 14%
- **Electro-mechanical**: 21%
- **Furniture & offices**: 12%
- **Promotional etc (allocated)**: 8%

Data: Feb 2003
KEP Operating Costs

- Staff (72%)
- Rent (19%)
- Maintenance (3%)
- Postal services (3%)
- Consumables & other (2%)
- Utilities (1%)
KEP Sources of Funding

- Central Government Budget
- Independent Local Authority Revenues
- Regional Development Funds
- Hellenic Manpower & Employment Organization (OAED)
- OP Information Society (E.U)
- OP Politeia (National)
But...

- The costs cannot be readily met from Ministry budgets …
- … and present funding is running out

Therefore, we need to:
- Justify the expenditure
- Identify reliable sources of funds
- Plan for the future (attract remunerative revenues & find ways to extend the co-operation with the private sector)
PART B.

Issues in e-Government & e-Economics:

Guiding Principles for Development
The Purpose of Public Management

- To suit today’s needs, by providing a stable environment for investments, economic & social growth and development

- To deal with tomorrow’s problems, by providing policies & tools to manage quality of life, environment, health, education, employment, the long-term outlook of economy etc.
**e-Government:**
Refers to the full use of ICT * in order to enable the provision of quick, effective and efficient services to citizens (and other stakeholders) in their transactions with state institutions.

It is a continuous change process within the boundaries of public management, without and end-date, that incorporates technological solutions, the transformation of Public Administration and is driven by the needs of the Citizen.

* Information & Communications Technologies
The Need for e-Government

- Socioeconomic factors (service economy, women joining the workforce etc)
- High cost of public sector, finite resources, limits to public sector growth
- Pressure for decentralization
- Citizens’ demands for better services
- Interdependence & unpredictable dynamics
- Values changes, inside & outside
e-Government is made possible by:
- Technological advances
- Heavy funding from each country’s National Budgets
- European Union Support Packages: Info.Society O.P. etc

and it is guided by:
- OECD & other international body guidelines
- National e-Gov policies
- The results of national pilot projects
e-Gov Guiding Principles

- **Vision & Political will** (leadership, commitment, integration with policy, public management and delivery)
- **Customer-orientation** (on-line access, choice of channel, citizen engagement, high quality, privacy & security of information)
- **Efficient and effective services delivery**
- **Effective governance & cost-effective economic development**
- **Common frameworks / co-operation** (inter-agency collaboration, financing - ICT expenditure needs to be treated as investment)
- **Responsibility, accountability, transparency, fair treatment, monitoring, evaluation**
e-Gov Pertinent Issues

- The “Measurement Gap” of e-Government
- Why a cost-benefit analysis of the e-Government is difficult?
- How can we quantify the hidden cost of e-Government?
- What is the value created by e-Government projects?
- Assessment Methods
- Funding e-Government
Measurement Gap

**Measurement is not:**

- An evaluation
- Benchmarking

**To Measure we Must:**

- Quantify inputs and outputs
- Relate inputs to outputs

But we still lack an integrated framework for measuring e-Government!
Cost-Benefit Analysis

- It is difficult, because we must:
  - Find costs and benefits uniquely associated with e-Gov projects & measure them, taking into account all of their facets
  - Compare unlike quantities

- Moreover:
  - Lack of a common E.U mechanism to identify secondary policy effects (interaction with other bodies tends to reveal dynamics not captured by traditional methods)
  - Other Methods/Tools (Cost-Effectiveness, Cost-Utility, Cost-Feasibility and System Dynamic-oriented approaches) are necessary
**Hidden Costs:**

- We must make hidden costs visible (e.g., account for the overheads associated with initial capital expenditures, maintenance, amortization, personnel salaries and remuneration schemes, hardware and software integration and maintenance, data conversion and integration, training, etc.)

**Business Performance Improvement:**

- We must account for the simultaneous re-engineering of a public agency!

**Costing Models:**

- We must introduce approaches such as *Activity-Based Costing*, *Beyond Budgeting* etc.
Value creation is due to:

- **Cost Reduction:** same output at less cost
- **Efficiency:** more output at same cost
- **Speed:** same output at less time
- **Quality:** better output
- **Innovation:** new output
- **ICT use:** delivering value through technology

**End Result:**

- Better value for the citizen

... and the **Citizen is at the forefront**
Integrate Budget with Performance:
- Cost assessment, cost-performance analysis, etc.

Integrate Budget with Strategy:
- Use of strategic tools, such as Business Balanced Scorecard

Other methods:
- e.g. Beyond Budgeting approach
The challenge:

- Secure continuous sources of funding, beyond the usual “feast and famine” cycles of public funding
- Demonstrate value to citizens and stakeholders

Some of the possibilities:

- Fee-based e-Services, sponsorship, advertising
- Establishment of Private Public Partnerships (PPP)
PART C.

Financing e-Gov Projects:

An Overview of International Trends
Key Issues

- **Costing:**
  Identifying the costs involved

- **Benefits & Investment Appraisal:**
  Establishing the necessity of the investment by quantifying costs and benefits

- **Financing the Investment:**
  Identifying suitable and reliable sources of revenue
Government needs to know the true cost of e-Services, so that it can:

- Ensure that sufficient funds can be committed for the project to be completed
- Consider outsourcing as a way of providing the service and compare it with more traditional options
- Compare between various outsourcing models
- Secure the best financing terms possible

Therefore:

- The accurate measurement of cost is critical for the success of e-Gov initiatives
The problems with measuring e-Gov costs:

- Several ways to measure cost
- Cost of service provision often hard to measure
- ICT cost dominated by hard to allocate overhead

So:

- Activity-Based Costing (ABC) is frequently encountered
e-Gov benefits are also hard to measure:

- Different kinds of benefits accrue to different parties
- Secondary policy effects also need to be considered
- Several methods to measure benefits, but lack of consensus and satisfactory solution:
  - Traditional financial investment appraisal methods (e.g., Return on Investment) can only measure financial benefits – Multicriteria analysis methods needed for other benefits
  - Investments in e-Gov can be considered as infrastructure investments (like building a bridge). There are quantitative and non-quantitative methods specifically designed to measure the benefits from such investment

So:

- Frequently, performance is measured as opposed to benefits
e-Gov projects can be funded:

€ By the **Central & Local Government** (Budget)
€ By the **End Users** (fees, charges / reciprocity)
€ By the **Private Sector**, within a specified framework (eg. Advertising, PPP/PFI, Share-in-Savings), or
€ By combinations of the above (**Product management/joined-up services**)
Financing e-Gov:
1. Central & Local Gov Budget

Characteristics:
- Still the predominant source of funds for e-Gov in the E.U
- Minimal private sector contribution

But:
- Always in short supply
Fees can be levied with respect to the provision of e-Services to the public.

Fees only apply to optional services.

Examples:
- Subscription fees, e.g. for regular access to a public database
- Convenience fees, for premium services (e.g. to deal with a particular application faster)
- Value-added services: (users are offered something over and above the basic service) …
- Electronic payment processing fees …
Electronic payment processing fees:

- Additional cost, payable when e-Payments are involved
- Recent studies have found that payment transactions involving cheque processing are US$ 0.23 – 1.25 more expensive than e-Payment transactions
- Often arranged in conjunction with the private sector (eg. within a PPP framework)

However:

- Special care should be taken as e-Payment, if forced upon citizens, can inhibit the entire project’s progress
Value-added services examples

- Private sector:
  - FedEx allows account clients to track their package real-time, on-line
  - Amazon sends out a newsletter on new editions

- Public sector:
  - Sending out a newsletter regarding Tenders Calls announced or changes in legislation (Illinois)
  - Web portals connecting many public services or public services with private companies (in the context of PPP format)
Financing e-Gov:

2. End User Contributions

Fees & Charges

- **Charges** are levied with respect to services, when offered

- Charges are mandatory

- Charges for services provided electronically can be different:
  - User charges
  - Convenience discounts (often used for relieving demand during peak-time periods)

- Examples:
  - User charges, apart from fees, regarding possibility for online transactions
Financing e-Gov:

2. End User Contributions

G2C Examples: Services & Payment Methods

- **Licenses** (driving, hunting), **certificates, passports** (a combination of user charges, e-payment fees, convenience fees, convenience discounts)
- **Tax payments** (a combination of user charges, e-payment fees, convenience fees, convenience discounts)
- **Social security** (a combination of user charges, e-payment fees, convenience fees, convenience discounts)
- **Employment search** (a combination of subscription fees, convenience discounts)
Financing e-Gov:

2. End User Contributions

G2B Examples: Services & Payment Methods

- Legislation and public records research (a combination of user charges, search payment, e-Payment fee)
- New business registration (a combination of user charges, e-Payment fees, convenience fees)
- Tax payment (a combination of user charges, e-Payment fees, convenience fees)
- Social security (a combination of user charges, e-Payment fees, convenience fees)
- Licenses and certificates (a combination of user charges, e-Payment fees)
- e-Procurement (a combination of user charges, e-Payment fees, convenience fees)
Several ways to involve the private sector:

From the very simple …

- Ads in public sector body web-pages
- Sponsorship of public sector body web sites
- etc.

… to the deeply involved:

- PPP/PFI (U.K) / Hybrid funding, innovative funding (U.S)
- Share-in-Savings
- BOT
- etc.
Several public sector web-sites have been organized along the basis of “Life Episodes”, such as:
  - Moving house
  - Getting married
  - Having a child

Public sector web-sites providing the necessary information also contain ads & links to private companies offering related services (real estate agents, movers, reception organizers)
3. Involving the Private Sector

B. PPP/PFI

- **PPP for the Provision of Joint (public/private) Services:**
  - A U.K. bank offers loans to new businesses and at the same time carries out the required official registration for the company.

- **PPP for the provision of intermediation services between the citizen and the state:**
  - Kiosks located in remote areas in Australia renew drivers licenses.

- **PPP for R&D:**
  - Private sector companies develop high-tech systems for a particular public sector organization at a preferential rate, retaining the option to sell the product/service to other organizations in the future (Taiwan).
Financing e-Gov:
3. Involving the Private Sector
C. Share-in-Savings

- “Share-in-Savings” Scheme Characteristics:
  - Investment with the purpose of achieving a cost reduction
  - Investment is paid by private sector company (typically 90-99% private participation)
  - Private sector company covers its costs from the revenues generated / savings achieved

- Commonly encountered fields of application in e-Gov:
  - Database consolidation and development
  - Electronic collection of citizen fees & charges
  - Spending audits, such as in the case of pensions & subsidies
Financing e-Gov:
3. Involving the Private Sector
C. Share-in-Savings

- “Share-in-Savings” Examples:
  - A US municipality pays for its electronic traffic light violation identification system from the fines set.
  - An Estonian paperless government project expects to cover its costs through savings in paper used within 14 months.
  - The UK e-Conveyancing project has lowered the unit cost from GBP 27.48 in 1995-96 to GBP 22.52 in 2000-01, has allowed a 50% reduction in user charges and is preventing some GBP 245,000 of fraud annually.
What Product Management is:

- It groups citizens-customers into segments, identifies the needs of those segments and develops e-Services to meet those needs that can be provided by the relevant public sector organization.
- The product manager is responsible for identifying and serving the needs of citizens.

Country Practices:

- Britain has appointed on a pilot basis four product managers to offer “joined-up services” by the public sector.
- Several US States (eg. Utah) have established similar positions.
4. Hybrid Solutions

An Example on Hybrid Funding

Arizona@your service

- US$ 1.25-5.00 transaction charge, US$ 1.00-7.00 facilitation fee, payable by the user (citizen, company)
- US$ 50-100 subscriber fee for access to information with commercial value, also payable by the user (citizen, company)
- All charges and fees are collected by the state and are partially passed on to the private sector partner (IBM)
Financing e-Gov – Findings: International Trends Observed

- Public policy is a key factor
- Constant search for funds and phased independence from state budget
- A number of pilot initiatives
- A few successful examples – Lack of common pattern due to the influence of a number of local society and culture-related factors
- Several ways to measure the benefits but emphasis is frequently placed on performance measurement
- Emphasis on accurately measuring cost (e.g. through Activity Based Costing) in order to help with the difficult task of raising new funding
- Charging for e-Services is introduced by simultaneously offering discounts and value added services
- Gradual involvement of the private sector – various co-operation schemes
- Development of joined-up services (product management)
Financing e-Gov – Findings: Critical Success Factors for e-Services

- Cost and benefits measurement
- e-Services offered on the basis of user needs
- Outward ICT orientation (customer, supplier), streamlined internal processes
- Motives in place for the use of e-Services
- Content accuracy & reliability
- Content customization & renewal
- Risk management, also built into relevant contracts (SLAs, value-based contracting, performance-based contracting)
- Security and privacy policies and practice
- e-Business readiness (customer, supplier, internal processes)
- Perceived e-Business readiness
PART D.

Case Study: One-Stop Shop Citizen Service Centers (KEPs)

II. Financing Strategy
**Beyond Funding**

**Funding**
- Identifying funds to be allocated for a particular purpose or project
- Securing the funds identified

**Financing Strategy**
- Objectives
- Risk management
- Resources management
- Investments & property management
- Revenue & expenses planning & management
- IT asset management
**Ultimate Goal:**

*Self-Financed Electronic One-Stop Shops for the Greek Citizen*

In order to achieve this, we need to consider:

- **International Experience:** How to use International Experience to ensure the sustainability of One-Stop Shops

- **Revenue creation:** How to create new revenues and develop a **Financing strategy**, and an **Action Plan** for the establishment of New Funding Mechanisms
<table>
<thead>
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<th>Expense</th>
<th>Percentage</th>
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<tr>
<td>Staff</td>
<td>78%</td>
</tr>
<tr>
<td>Rent</td>
<td>14%</td>
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<tr>
<td>Consumables &amp; other</td>
<td>3%</td>
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<tr>
<td>Utilities</td>
<td>3%</td>
</tr>
<tr>
<td>Postal services</td>
<td>1%</td>
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<tr>
<td>Maintenance</td>
<td>1%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
The social and economic objective of offering every citizen access to services of the same quality regardless of their status or location requires the development and maintenance of an extended network of KEPs.

This, in turn, requires the development of the ability to combine the various government departments information resources as well as investment in buildings, ICT and staff, all of which need to be paid for.
**KEP Financing Strategy**

- **New taxes ruled out**
- **Reliance on state budget to be kept to a minimum**

**Instead, four main axes for long-term funding:**

- **Multiple source funding** (Greek State Budget, Ministry Budgets, Local Authority Budgets, Content Selling Strategies, Web Advertising, Services Provision Payment Schemes, Supermarket Approach, Beyond Budget Schemes etc.)
- **Reciprocity** - Exploitation of ability to offer value added services
- **Pilot projects** - KEPs are ideal testbed
- **Development of broader co-operation with the private sector, perhaps including limited outsourcing**
KEP Financing Strategy:
1. Multiple Sources of Funds

- Central Government Budget
- Local Government Budget
- User Fees
- Private Sector

- Municipalities & Prefectures
- Citizen, e.g., fees for certificate delivery
- Public sector units that receive completed applications in electronic form (may offer staff as opposed to payment)
- Framework agreements
- Advertising, sponsorship
User (reciprocal) fees options for consideration:

- **Fees payable** for premium service (e.g. faster processing, delivery at home/work, electronic application progress tracking facility etc.)

- **Subscription fees** for access to subscriber area of web portal, offering additional information & value added services
3. Private Sector Contributions

- **Advertising** (advertiser logo appearing next to KEP logo, web site ad space)
- **Sponsorship** (gold & silver sponsors, promotional stands / literature)
- **Product management** (citizens requesting marriage certificates are provided with a list of wedding-related shops, shops pay a charge, farmers applying for subsidies are introduced to prospective buyers)
- **Also:**
  - Search for “Life-cycle”-related opportunities
  - Identification of areas where citizen demand may develop (eg. for businessmen, farmers) and specification of product categories
KEP Financing Strategy: Horizontal Issues

- **Service delivery:**
  - Maintenance of detailed statistics to identify, among others popular services
  - Achievement of uniform levels of service quality across all KEPs needed (goal setting and performance measurement system)
  - Organizational identity and promotion

- **Accurate and detailed cost information** (e.g., Through Activity-Based Costing), particularly where third parties are involved

- **Staffing options for consideration:**
  - Ministry of Defence personnel on six month group contracts
  - Broader co-operation with Manpower & Employment Organisation (OAED)

- **Possible co-operation with other citizen-state intermediaries, particularly for businesses**
A new Fund will be set up for the provision of Universal Public Services under the same terms and specifications throughout the country

(The fund will at first cover staffing costs alone, and only later part of the remaining operating costs as well)

Immediate actions:

- Examination of any emerging legal and statutory issues
- Specification of fund management policy, expenses allowable against the funds, operating procedures etc.
A KEP Network Development Unit will be set up, with the following responsibilities:

- Supervision of KEP development & operation
- Funds (revenues) management
- Performance measurement
- Search for possible new revenue sources (product management, co-operation with the public sector etc.)
- Negotiation of framework agreements with other organizations within the broader public sector, such as ELTA, OGA, ELGA, OPEKEPE (requires detailed costing)
PART E.

Conclusions
Conclusions

- **On costs:**
  The costs of all e-Gov projects must be measured according to a common methodology (Activity-Based or other similar) so that a base-line is formulated for decision-making purposes.

- **On benefits:**
  The benefits of e-Gov need to be measured, not only on economic terms but also on the basis of outputs, impacts, results and performance criteria. Various methodologies were identified to be in use by public administrations in various countries.

- **On financing:**
  The financing of e-Gov must be supplemented by self-supporting schemes in order to improve citizen service without further burdening public budgets.
PRI N C I P L E S for Successful e-Gov:
The OECD principles for successful e-Gov projects, as applied during the development of Greek One-Stop Shop Citizen Service Centers (KEPs) are very useful guiding principles indeed:

- **Vision and Political Will**
  (leadership, commitment, integration with policy)

- **Common Frameworks/ co-operation**
  (inter-agency collaboration and information content provision)

- **Customer Focus**
  (access to online systems, choice of interaction, citizen engagement)

- **Responsibility**
  (accountability, monitoring and evaluation)
Conclusions

Policy Measure I:

- Action Plan for the establishment of a common approach for e-Gov performance assessment across the E.U:
  - Commissioning of a study that will lead to the publication of a White Paper focusing on the cost benefit approach as well as on performance measurement for e-Gov projects
  - Launching Pilot Projects
  - Set up a special task-force / working group to submit (i) a detailed report on a common methodology for performance value assessment and (ii) an Action Plan for the introduction of the e-Gov performance measurement approach
Conclusions

Policy Measure II:

- **Action Plan for the strategic sustainability of e-Gov Initiatives:**
  - **Development** of a common methodology concerning the evaluation of public policy for e-Gov initiatives under the framework of Strategic Sustainability Analysis
  - **Cooperation** with the scientific and professional community (Universities, Consultants) for the development of methodologies and state-of-the-art management tools (e.g. based on a System Dynamic approach)
  - Launching **pilot projects** that will develop e-Gov electronic products/services
Epilogue

- **GOETHE**: “They say that figures rule the world. I do not know if this is true, but I do know that figures tell us if this is well or poorly ruled”

- **CHILON**: “Learn to put your house in order”

- **THALES**: “The strongest of all is need, as it rules over everything”

- **DI OGENES**: “The only correct state is that state which embraces (hugs) the whole world”
e-Government

e-Economics

Thank you