

ICT is everywhere in Public Administrations: Except in productivity statistics?

Edwin Lau, Project Leader
OECD E-Government Project

4QC: Agora 2.2

27 September 2006

What are the e-gov stakes?

- 2003 average of population online in 31 nations – 45 %
- 2003 usage of e-government by online population – 64%
- 3 year trend of increasing use of e-government
 - 2002 **EU** spending on government ICT :
 - **€30 billion** spent on ICT for public administration (excludes health, education, defence & 'etc'.)
 - **€5 billion** spent on e-government (excludes cost of reorganisation and training).
 - **15% p.a. increase** in e-government spending
 - **USA** federal spending:
 - 2002 **\$48 billion** on government ICT
 - 2003 **\$52 billion** (8% increase)
 - 24 e-government projects expected to **save \$1 billion p.a.**

Sources:

E-government usage data: TNS-Global - Government Online Survey, 2003

EU spending on e-government: Role of e-Government for Europe's Future (EC Communication, Brussels, 26.9.2003 COM (2003) 567 final)

USA spending: USA e-Government Strategy

Costs, benefits and beneficiaries: a proposed outline

Beneficiaries/ Type Of Benefit	Government	Non-Government (Citizens & Business)
Direct Financial Costs and Benefits	1) Reducing Costs	2) Reducing Burden
Direct Non- Financial Costs and Benefits	3) Capturing Total Benefits of Investment	4) Increasing User Satisfaction
Indirect Costs and Benefits: “Good Governance”	5) Supporting Legitimacy	6) Supporting Growth

Financial benefits: Direct benefits for government and users

- Increasing Government Efficiency
 - Freeing resources for public and private innovation
 - Reduce costs;
 - Avoid costs;
 - Generate revenues
- Reducing Burden to Citizens and Businesses
 - Administrative Simplification
 - Value proposition to citizens and business: saving time and money

Estimating Direct Benefits

- **Analysis of 38 Australian e-government projects:**

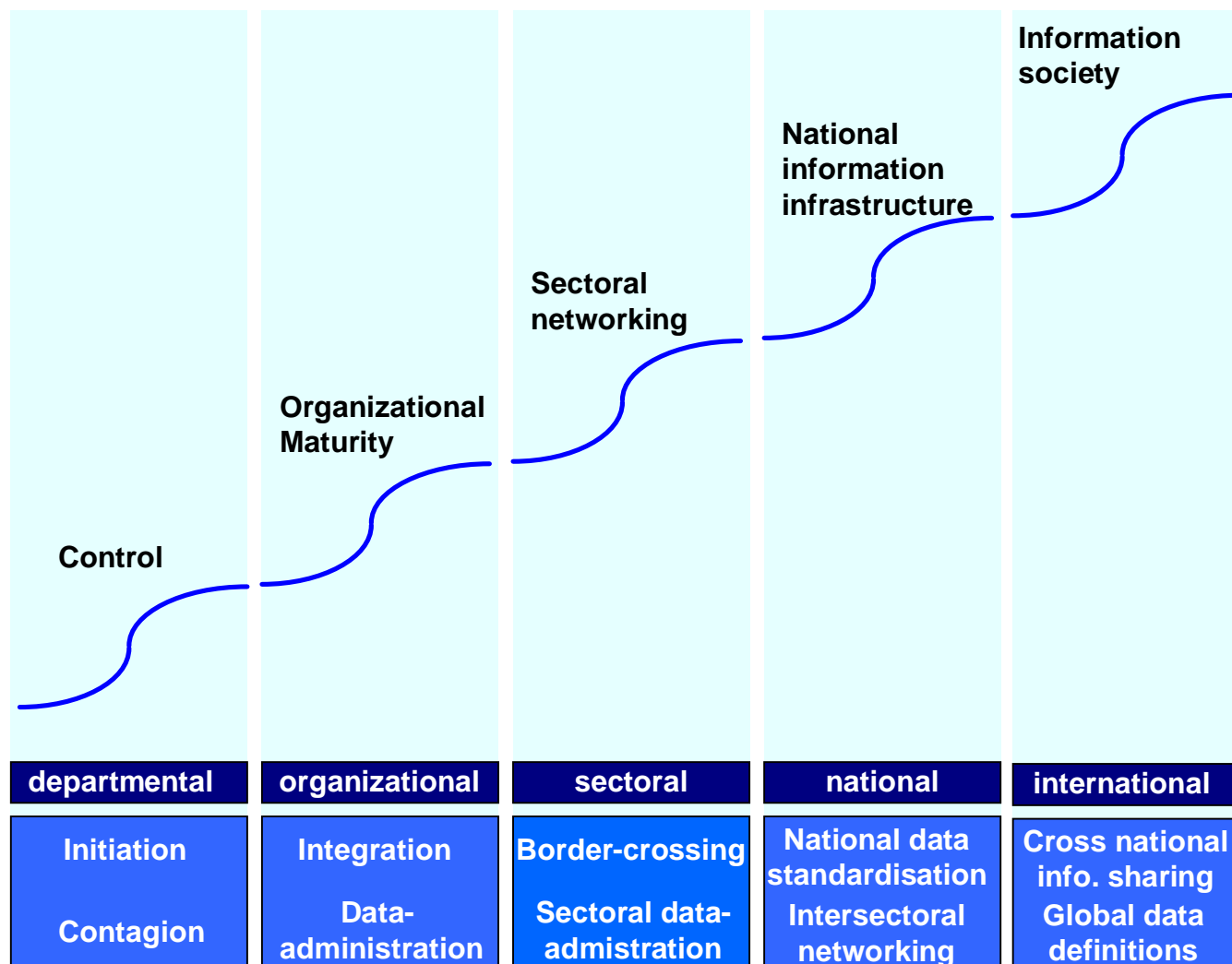
- 24 were expected to provide \$108 million in financial benefits on an investment of \$100 million (actual benefits/cost of 0.93)
- 16 projects expected to provide mainly “social benefits”
- All 38 projects had actual benefits/cost of 0.61 (social benefits not included)

Source: http://www.agimo.gov.au/__data/assets/file/16032/benefits.pdf

- **Dutch standard cost model for administrative simplification**

- Est. administrative costs for companies: 16.3 billion €/ year
- Est. administrative costs for citizens: 1.3 billion €/ year & 112 million hours / year
- Est. 10 million € annual savings already achieved, much of it due to the use of ICT
- Target of 25 percent net reduction in burden by the end of 2007

Transformation: Increasing complexity increases both potential benefits and risk



Direct Non-Financial Costs and Benefits

- **Government:** Capturing Total Benefits of Investment
 - Achieving synergies across service delivery channels
 - Enabling the sharing and reuse of data
 - Promoting access and use
 - Programme effectiveness
- **Users:** Improving Customer Satisfaction
 - Customer service
 - Information
 - Procedural fairness / equity
 - Choice
 - Service quality v. information

Non-monetary benefits: USA grants.gov

For Applicant/Grantees:

1. Increased [effectiveness and satisfaction](#) due to web-search capability.
2. Increased [effectiveness and satisfaction](#) due to electronic submission capability.
3. Increased [program effectiveness](#) due to a higher proportion of grant dollars being spent on the intended purpose, rather than grants administration and systems.
4. Increased [organization effectiveness](#) and satisfaction due to reduction of administrative burden associated with the diverse processes, systems and forms.
5. Increased awareness of grants opportunities by a broader, [more diverse applicant population](#).
6. Increased [satisfaction and ease-of-use](#) due to enhanced features common to a web-based system, including those that will simplify the grants process, such as fillable forms, auto-population of data and error checks, e-mail notifications, and authentication methods.

For Federal Government/Agencies:

1. Increased exposure of grants opportunities to a larger, [more diverse Applicant/Grantee pool](#).
2. Increased [opportunities for data and information sharing](#) among similar Federal programs.
3. Increased [accuracy and completeness of grant applications](#) and records.
4. Increased access to data and information that improve Agencies' ability to [measure program effectiveness](#).

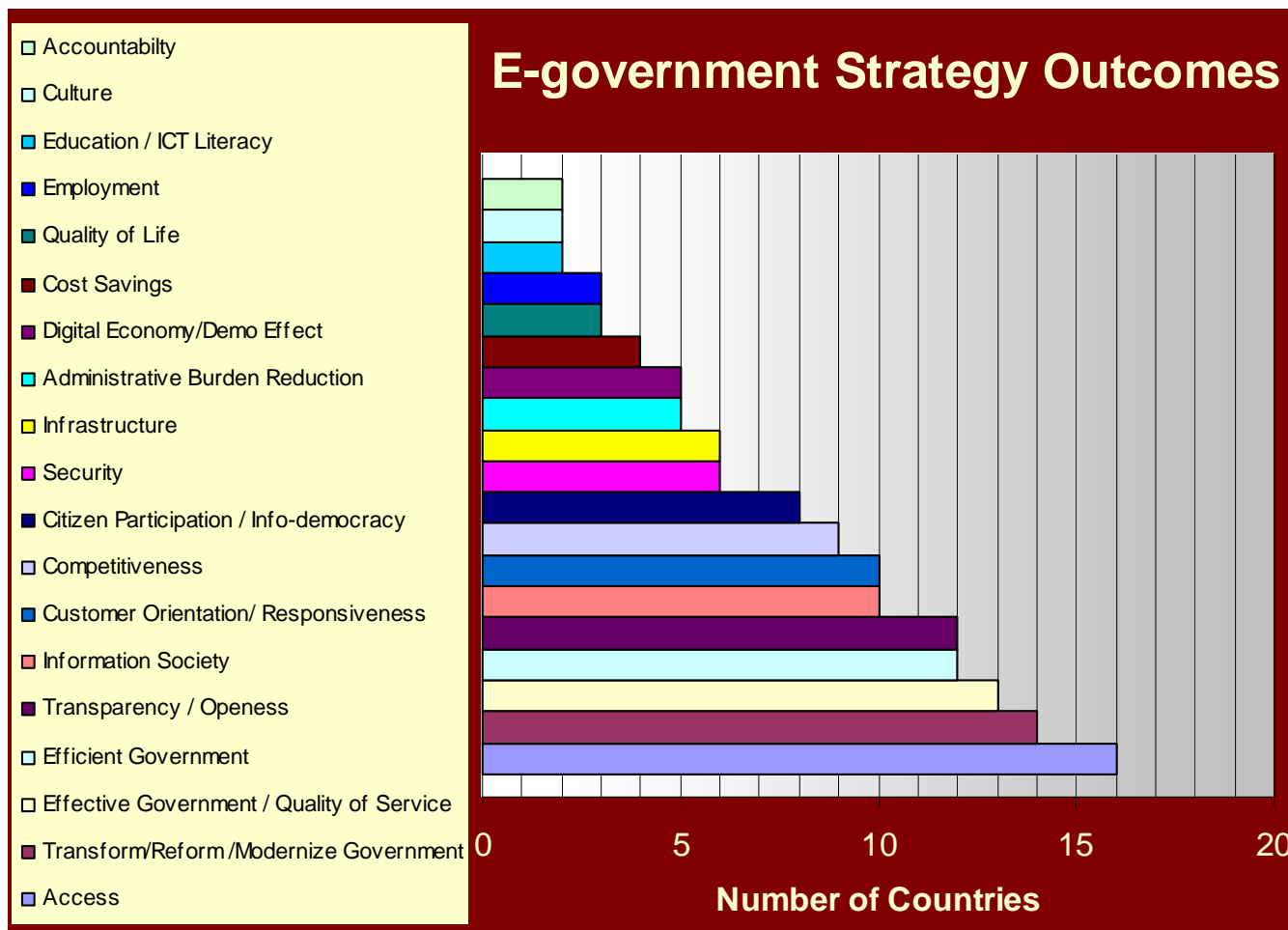
Indirect Benefits: “Good Governance”

Building aggregate levels of trust through greater responsiveness; transparency and accountability supports :

- **Government Legitimacy**
 - **Improved satisfaction and greater equity**
 - **Citizen participation and consultation**
 - **Virtuous circle:** support for modernisation and transformation of the public sector; Authorised and legitimate use of personal data

- **Private Sector Growth**
 - **Sound Business Environment:** Information and market efficiency; reducing market barriers through the elimination of regulatory burden
 - **Sustainable Growth:** Public safety; Improved environment
 - **Information Economy:** Overall electronic service takeup; Demonstration effects
 - **Business Opportunities:** Opportunities for intermediaries and brokers as interface with government; Value-added packaging of government information

E-Government Strategies in EU Countries: Frequency of Stated Outcome Objectives



Discussion Framework on Measurement

How to find the preferable assessment data?

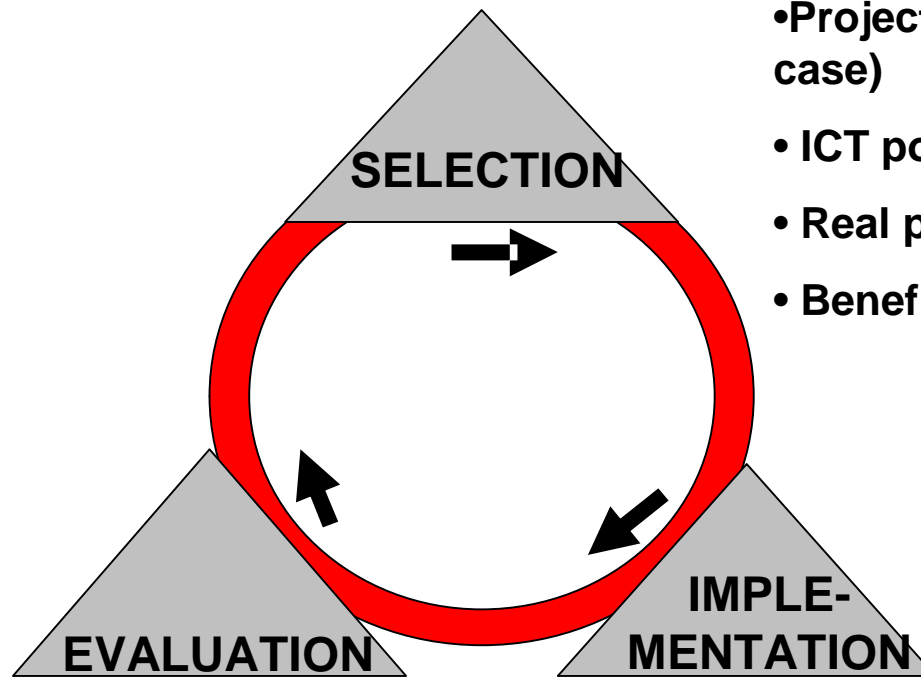
- **Streamline process data – actual efficiency gains**
 - Quantitative data
 - Pure quantitative data (process management (e.g. Actual time reduction by introducing e-procurement))
 - Quasi-quantitative and qualitative data
 - Internal survey of quality improvement
 - Interview (customers and staff)
- **Output data – benefit realised for users**
 - Quantitative data
 - Pure quantitative data (e.g. # of new procurements / Price reduction by e-procurement)
 - Quasi-quantitative and qualitative data
 - Internal survey of output improvement
 - External survey for customer satisfaction
 - Transparency improvement survey
 - Accountability improvement survey
 - Interview (customers and staff)
- **Outcome data – external benefits**
 - Quasi-quantitative data

Realising Benefits: Tools Used by OECD Countries

Question	Yes
Is cost/benefit analysis ex ante required?	12
Are there formal guidelines for cost/benefit analysis?	12
Are there toolkits for cost/benefit analysis?	11
Are there formal guidelines for monitoring?	6
Are there formal guidelines for benefits realisation studies?	7
Are toolkits available for benefits realisation studies?	8
Is a benefits realisation plan required?	5
Is ex post cost benefit analysis required?	5

Source: OECD survey (2006): Data from 14 countries

The Benefit Management Cycle



- Project appraisal (business case)
- ICT portfolio management
- Real project plan
- Benefits realisation plan

- Project management
- Benefits realisation
- Staged reviews
- IT incremental iterative development

- Ex post evaluation
- New benefits plan
- Lessons learned

Conclusions: Measuring Benefits

- Traditional supply-side indicators don't tell the whole story. Nor do financial benefits alone.
- But as methodologies develop, some 'non-monetary' benefits can be moved to the financial side of the ledger.
- Deciding which benefits to focus on will depend on a country's e-government objectives and strategy.
- Improving competitiveness and legitimacy is the result of aggregate benefits at the individual level (i.e. increased trust, transparency) and involves achieving both financial and non-financial benefits.
- Standard indicators and methodologies will help identify cross-cutting benefits from a whole-of-government perspective, including across levels of government.
- Indicators will help improve the robustness of business cases and require international co-operation to promote comparability and a common understanding of e-government impacts.

Conclusions: Realising Benefits

- **Treat ICT-enabled projects like any capital investment:** e-government success requires a strong business case framework and a benefits realisation plan
- **Prioritise ICT investments:** focus on projects with high cost/benefit ratio; keep in mind that transformational projects hold the greatest potential for benefits
- **Link ICT project and organisation's strategic priorities and business goals:** ensure buy-in at all levels, from senior leadership to project managers
- **Make business owner, NOT ICT department, responsible for project returns:** designate a Senior project sponsor with control of resources and accountability for outcomes
- As projects focus more on e-enabled transformation, **ensure change, risk, partnering, and project management skills** as well as technical skills : The more complicated the project, the greater the chance of project failure!
- **Releasing benefits requires a whole-of-government perspective:** tie benefits realisation into an explicit framework for reallocation and/or reinvestment

OECD E-Government Publications

- The e-Government Imperative (2003)
- E-Government for Better Government (2005)
- OECD E-Government country reviews:
 - Finland (2003) – Mexico (2005)
 - Norway (2005) – Denmark (2005)
 - Netherlands; Turkey; Hungary (forthcoming)

See <http://www.oecdbookshop.org>

The following OECD policy briefs can be downloaded for free from the OECD website:

- The e-Government Imperative: Main Findings
- E-Government in Finland: An Assessment
- The Hidden Threat to E-Government
- Checklist for E-Government Leaders
- Engaging Citizens Online for Better Policy-Making

For more information on the OECD's work on e-government, visit

<http://webdomino1.oecd.org/COMNET/PUM/egovproweb.nsf>

or contact edwin.lau@oecd.org