Economist.com

The good, the bad and the inevitable

Feb 14th 2008

The pros and cons of e-government

A PRODIGIOUS amount of money has been spent worldwide on putting government services online, but the results so far have been hard to measure and often disappointing (see chart 2). Accenture, a consultancy that pioneered the business of selling technology services to government, has been publishing reports on the subject since 2000. The titles give a flavour of the industry's struggle to balance promise and performance. In 2001 it was "Rhetoric vs. Reality: Closing the Gap", followed by "Realising the Vision" in 2002 and "Engaging the Customer" in 2003.

By 2004 the term "e-government" was becoming stale. Greg Parston of Accenture says the company now places "much greater emphasis on outcomes for citizens". The series of reports has been renamed the "Government Executive Series", but the titles remain as aspirational as before: "New Expectations, New Experience" (2005), "Building the Trust" (2006) and "Delivering on the Promise" (2007).

Many other companies are publishing similar reports—and trying to make the most of public-sector technology contracts, which Fadi Salem of the Dubai School of Government wryly calls "the goose that lays golden eggs". Not-for-profit bodies such as the United Nations, the World Bank and the OECD, a raft of universities and think-tanks and most rich-country governments also offer their thoughts on the subject. Most of them make similar points, and almost all use the same jargon.

Accenture's 2007 report, for example, highlights four "pillars of leadership in customer service": a "citizen-centred perspective", a "cohesive multi-channel service", "fluid cross-government service" and "proactive communication". Translated, the message is pretty sensible. The "citizen-centred perspective" is shorthand for the good point—so far largely ignored in e-government design—that setting up new electronic systems only to mimic the old offline ones is a bit of a waste of time.

The big advantage of new technology is that it can turn bureaucracy inside out. Well-run businesses, for example, do not see customer complaints as a nuisance; instead they use the data gathered from websites and call-centres to fine-tune the products and services that they offer. Governments could do the same. Just as businesses do not expect customers to deal separately with finance, logistics and sales departments, someone registering a newborn child should not have to worry about the way in which the tax authorities, social-benefit administration, health service, education system, census department and local government may use the information. A good e-government scheme starts off from the citizen's eye view, not the bureaucrat's one.

Similarly, a "cohesive multi-channel service" simply means that whether you make contact by internet, telephone, letter or personal visit, you should get the same efficient service. That is something the private sector already does pretty well: you can shop by looking at a

catalogue or browsing in a bricks-and-mortar store, then order online, phone with a query, receive your goods by post and take them back to a shop if there is a problem. But governments still find that sort of integration difficult to achieve.

In principle, there is not much argument about the desirability of putting government online. Technology helps to make public administration more open, more responsive and cleaner. Taxpayers save money. Citizens get better services. Democracy is revived. Rich countries already have the broadband penetration, computer literacy and skilled bureaucrats needed for sophisticated e-government, but poor countries may gain even more: technology may allow them to vault into the modern age, shedding the wasteful, incompetent and corrupt public administration that is often the greatest barrier to their development.

Name and shame

Samia Melhem, a senior World Bank official, explains that i-government does not just mean more user-friendly services but can also make the "lack of governance an unsustainable act", at least in countries where corruption is not completely pervasive. "People cannot steal public funds for too long when some system is put in place to control and disseminate the information about the theft. Shame is a powerful deterrent and often overcomes greed, especially when you have children and friends who read newspapers."

So far, though, the story of e-government has been one of quantity, not quality. It has provided plenty of reason for scepticism and not much cause for enthusiasm. Whereas e-commerce has been a spectacular success, transforming industries as diverse as travel and book retailing, e-government has yet to transform public administration. Indeed, its most conspicuous feature has been a colossal waste of taxpayers' money on big computer systems, poorly thought out and overpriced.

Britain, for example, has wasted £2 billion in the past seven years on projects that have ended up being cancelled and written off. The failure of government computerisation projects is so routine that it no longer excites much comment. In January, the British government sharply cut back a programme to merge the 200-plus databases used by the 80,000 staff in the criminal-justice system. Called C-Nomis, the project was originally supposed to cost £234m. By the time it was scaled back to cover the prison service alone, its cost had doubled to £512m.

More often, though, big government projects stagger into operation but work badly. Surprised that they work at all, few people ask whether the money was well spent. Only rarely do the promised benefits materialise. Some of those who have studied e-government call it a "dangerous enthusiasm": a technological quick fix that distracts from the real tasks—hard and slow—of reforming government and running public services properly.

Digital have-nots

But even where e-government works efficiently, it does not automatically bring more fairness and openness. Putting public services online is no use to those who cannot afford a computer or will have nothing to do with technology. The phrase "look on our website" is a turn-off for a significant chunk of most countries' population. Where the internet is used to increase public participation in democracy, the problem is sharper still: the articulate and—

literally—well-connected have an even louder and more effective voice; those at the margins go unheard.
E-government also comes at another cost. Stripping out lots of low-paid, low-skilled jobs in government adds to the problems of a section of the workforce that, especially in rich countries, already resents the march of progress. Just as technological change has stoked protectionist sentiment in the private sector in rich countries, modernisation of government can seem threatening and unfair to those who work in the public sector.

Moreover, efficient government can be repressive government. In Germany, and many other countries, the law says that people must tell the government where they live. In America, that would be an outrage. Face-recognition software, remotely readable chips in passports, recognition technology for car number-plates and biometric identity checks offer endless possibilities for controlling the citizen. George Orwell's "1984" is an example of malign e-government: a screen in every dwelling monitors the inhabitants' doings with an efficiency that would thrill today's operators of CCTV systems. Similarly, the use of electronic media to refine and project Big Brother's message is the envy of spin-doctors in Whitehall or Washington, DC. Technology may have given citizens a bit more information about government, but it has given government a lot more information about them, for good or ill.

Perhaps the biggest worry of all is that bad e-government is worse than useless. When humans make mistakes, you can argue with them. When a computer insists that you owe the government money, your car is illegally parked or you do not exist, unscrambling the problem is much harder. Similarly, when records were kept on paper by real people, the scope for error was limited. At worst, a drawerful of confidential information might be thrown away by accident and end up on a rubbish dump. Data might be wrongly entered or incorrectly filed and never found again. That was unpleasant for the individuals concerned, but usually nothing worse.

Digital mistakes can be much more serious. In November 2007, for example, the British government managed to lose two discs of data containing the (unencrypted) personal and financial details of 25m households. Nobody has been able to explain why the data—which were being sent from one part of the public sector to another—were not transmitted using the secure government intranet, a computer network specially designed for this sort of job and established at the cost of tens of millions of pounds. In the hands of fraudsters and identity thieves, the sort of data that a government can collect by law could be misused with disastrous results.

Those most closely involved in e-government are aware of the problems. As the 2007 Accenture report points out, they have become extremely cautious about what they can deliver in the short term. "After the splash of creating exciting visions and promises of truly citizen-centric government services, many governments now...find themselves...playing catch-up on a promise that citizens expect to be fulfilled...The essential infrastructure work that comes next is unlikely to capture the imagination of citizens and the media. It is hard work, plain and simple."

Bang for the chip

The world of e-government is eagerly awaiting a hefty tome that the OECD is planning to publish in 2009. "Government at a Glance" will be the latest addition to a range of international comparisons that the organisation publishes every year. The OECD's sharpest analysts and statisticians are now trying to crack a question which seems blindingly obvious

yet which hardly anybody to date has tried to answer properly: what are the costs and benefits of e-government?
Australia is one of a small handful of countries (which also includes Britain) that have tried to assess the aggregate effects of e-government. The answers were mixed. Australia's National Office for the Information Economy in 2002 found that the majority of 38 e-government projects surveyed were likely to make things cheaper and more convenient for officials, users or both. But for the 24 projects that were expected to result in specific cost reductions or higher revenues, the total investment of a $108m produced a saving for the government of only a $100m. That is not disastrous, but does not suggest that e-government is an easy way for the state to balance its books.

E-government rankings are thick on the ground: at least a dozen are produced, including one on "ereadiness" by the Economist Intelligence Unit, a sister organisation of this newspaper. But they have their limitations. The OECD (which has an interest in carving out its own niche) calls them bean-counting exercises that measure the number of web pages, level of internet penetration and the like, but without assessing whether the online activities make any sense for the country concerned. Depending on the weighting given to factors such as online privacy policies, the rankings can look ludicrous. The study from Brown University, for example, puts Sweden in 60th place, behind Kazakhstan, which rates 57th.

The costs of e-government are not all that difficult to pin down. Taxpayers fork out for new computers, software and (often most expensive of all) consultants. Individuals and businesses have to get used to the new system and deal with the inevitable teething troubles, which leaves them less time to do other, more productive things. But what of the benefits? The most obvious one is to reduce the burden for citizens, taxpayers and so on of dealing with government. All of these groups gain a lot from the provision of information online, for example.

However, when technology not just distributes information to the public but collects and uses it as well, the issues become much more complex. Where data-sharing laws permit, individuals and businesses may save money and effort by having to provide information about themselves to the authorities only once rather than many times over. And on the government side, dealing with people via automated online systems is much cheaper than face to face or on the phone (for a British example, see table 3).

But whereas private-sector organisations can insist that all their customers use the internet, governments have to keep all channels of communication open. Even in countries with high rates of computer literacy and deep internet penetration, a minority of people will want to go on using other means. And in most countries the heaviest consumers of public services, the old and the poor, are the least likely to use the internet. If all services have to be provided both on- and offline, the saving may not match the cost of the new technology.

The main exception to this is in tax administration, particularly with businesses, which have no vote and, at least in rich countries, can be assumed to have internet access. Some countries, including Britain and France, require most businesses to file tax returns online and pay electronically, and there have been few complaints. But governments should not hang their hopes too high. Edwin Lau of the OECD cautions: "Even when governments are able to demonstrate likely financial returns from potential e-government projects, there is no guarantee that such benefits will be actually realised, or that they will be available for allocation to other priority areas, spent internally or returned to taxpayers."

Fortunately there are also non-financial benefits to e-government. Simply demonstrating to the public that government works cleanly, quickly and efficiently could pay off in votes for the politicians who have pushed through the necessary reforms, and perhaps in the public's greater willingness to pay taxes. It is likely to increase trust and reduce perceptions of corruption. Such measures play an important part in countries' global competitiveness rankings, and a good performance in this area makes a country more attractive to foreign investors.

E-government also creates new businesses by giving firms the chance to add value to government services. In India, for example, so-called “e-touts” have taken up the role once played by village scribes. In Finland, an industry of data brokers has sprung up. Originally contracted by the public authorities to collect financial data from businesses, they have turned to selling data-management services to the private sector.

But so far, governments have mostly been using technology for projects where public support is likely to be strong and opposition low: putting information online, simplifying tax administration, sprucing up a country's image. Few have even started to tackle the really big task: reshaping government in order to take advantage of the immense possibilities that technology now permits. Deep reforms are likely to be painful and expensive in any organisation, and doubly so in the public sector with its entrenched interests and often weak management. The risk for policymakers is that they may have squandered goodwill by their mistakes at the beginning and will now find it hard to convince people both inside and outside government that new investment in big changes is justified.

As the OECD noted in a report, “E-Government for Better Government”, published in 2005: The next stage of e-government activity is likely to involve more e-government initiatives that develop services and solutions based on the redesign and joining up of back-office business process and systems. This will be more complex and challenging, possibly more costly, and potentially more risky, especially because required changes may be quite disruptive of established public-sector structures, culture and management arrangements. Benefits of these initiatives are likely to be less readily apparent to policymakers and outside observers.