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# Size Matters

## Electronic Service Delivery by Municipalities?

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**Abstract.** The development of e-government in the Netherlands shows two different worlds. The large national organisations implement Electronic Service Delivery (ESD) fairly successfully, while municipalities are slow to adopt ESD. This is a pity, since municipalities account for over 70% of the public services. They are expected to implement ESD on their own although they lack the necessary resources and distributed development is inefficient. In this paper we address the role of municipalities in the real and virtual world and argue that development of electronic (local) public services may be organized on a larger scale, depending on the type of service in question.

### 1 Introduction

In the international rat race for e-government, the Dutch government too has set ambitious targets. Twenty-five percent of the public services are to be delivered online by the end of this year. Although twenty-five percent does not seem much, and certainly is a long way from full-blown electronic government, even this goal is difficult to meet. In fact, in order to claim success, the Dutch government is already in the process of massaging the data. By redefining the phrase “twenty-five percent of services” into “twenty-five percent of service transactions”, it is giving a disproportionate weight to the few large national service programmes, such as the Internal Revenue Service and the Dutch student bursary programme, which have succeeded in implementing electronic service delivery.

As a result of this redefinition, the twenty-five percent target may be reached. But, what about the next seventy-five percent, or even the next ten percent? With the large central programmes digitised, any future increase in electronic service delivery (ESD) will have to come from the Dutch municipalities. These municipalities deliver the vast majority of public services in the Netherlands, and they are currently considerably less successful in implementing ESD.

In this paper we discuss the reason why further ESD-development by the municipalities is problematic and we suggest some solutions to improve the chances of success.

The structure of the paper is as follows. In section 2 we compare the ESD track records of large national public service organisations on the one hand, and municipali-

ties on the other. Then, in section 3 we provide the simple, but fundamental, problem of ESD-development by the municipalities: scale. Real ESD does not develop well in the context of small scale service delivery by municipalities. Then, building on this conclusion, the central question in the remainder of the paper is whether the scaling up of ESD will be a viable option. To answer this question we first address the background of small scale service delivery in the Netherlands, the various arguments supporting the current arrangements for service delivery and the actual practices (section 4). Understanding this background provides insight in the conditions under which scaling-up will be desirable and possible, and in the methods that can be applied in specific circumstances (section 5). Section 6 provides some concluding remarks.

## 2 ESD, fast and slow

For some decades now, the Dutch government has had an eye on introducing ICT in public service delivery. Experiments with the use of legal expert systems in service delivery, for instance, date back to the late eighties [1]. The spectacular development of the Internet in recent years has boosted the expectations and prompted for even higher ambitions. Not only would ICT help to make service delivery more efficient, it would also improve service quality. Moreover, by giving the right examples, our government aims to propel Dutch society to the forefront of the information age [2, 3, 4, 5].

The policy as outlined by the Dutch Government is aimed at both the quality and the quantity of electronic service delivery. All public service providers are to have a web site that not only provides basic information, but also allows for integrated service delivery (based on life events or demand patterns). Public service providers should also consider implementing pro-active service delivery. In 1998 the quantitative ambitions were expressed in measurable criteria. One of them was that the Dutch government aimed at bringing twenty-five percent of services on line by the year 2002 [3].

What progress have we made so far? Will the targets be reached this year? What can we say about quantity and quality of the services provided?

If we look at ESD in the Netherlands, we may distinguish two very different worlds. On the one hand, several organisations are indeed progressing on the road to electronic service delivery. Import duties in the port of Rotterdam are handled electronically. Most people's car license registrations are renewed by means of automatic bank transfers. The IRS offers its clients a computer programme, free of charge, for filing their tax returns. The data produced by the programme can either be sent to the IRS on-line or by means of a floppy disk. The student bursary system has been highly automated for over a decade and uses modern ICTs to communicate with its educated clientele. It not only offers general information to its clients, but also shows them the data that are stored about them and allows them to change certain data on-line.

Organisations such as these benefit immensely from electronic service delivery. The electronic communication with clients improves the speed and efficiency of

communication and lowers the error rate in data entry. Also the clients benefit from ESD. They can interact with these organisations whenever and wherever they want.

Contrasted with the world of large organisations is the world of municipalities where progress in implementing electronic services is much slower.

The municipalities were supposed to be the driving forces in the development of electronic public services [3]. This idea was largely based on the fact that they account for some 70% of public services. Municipalities therefore have most citizen contacts, and they are also the biggest beneficiaries of a successful implementation of ESD. The quality of services may improve and also processes may become more efficient.

The strong focus on municipalities manifested itself in the Public Counter 2000 project (Overheidsloket 2000). Municipalities were encouraged to submit plans for funding local experiments. In 1996 the first phase of the Public Counter 2000 project started with 15 subsidized municipal pilots. Others were encouraged to follow these forerunners.

Some 5 years later we may conclude that municipalities have not come very far. Although many do their best, some still do not even have a website. In fact, in May 2001 only 282 of the 504 municipalities had one and the current aim is to have all 504 on-line in May 2002. If we look at the content of the websites, we may conclude that most of them only provide (sparse) basic information. Very few offer forms that can be downloaded. Only a few municipal websites offer the possibility of on-line transactions.

In sum, in 2002, we can conclude that some organisations indeed succeeded in realising advanced ESD, where at the same time others failed. The question is of course: why?

### 3 ESD, large and small

The fact that some organisations innovate and others do not can of course be related to many aspects [6]. Success in innovation depends, for instance, on the (correct) realisation of an actual necessity, on adequate management and on the organization's (work floor) culture. Indeed, with regard to ESD, all these arguments have been expressed, especially in explaining the lack of development in the municipalities. However, these explanations tend to overlook a simple factor. The organisations that have succeeded differ quite a lot from the organisations that did not.

The ESD champions in the Netherlands share a number of characteristics. First of all, each of these organisations is highly centralised, in the sense that the services are coordinated by a central administrative body. Second, each of them is only responsible for a limited number of related services: import duties, licences, taxes or bursaries. Third, the services are typically *high volume* services; they are offered to a larger audience (IRS, car-licences) and/or with a high frequency (import duties, bursaries). Finally, the organisations in question all have vast resources to develop electronic services.

The Dutch IRS (Belastingdienst) can serve as an example. It only administers the national tax programme. Of this programme, the income tax applies to six million citizens, who have to file their tax returns on a yearly basis. The tax office has a yearly ICT budget of roughly 300 million and has an *IT* staff of over 2000 people, for a large part working in the special tax automation centre [7].

The municipalities contrast sharply with these ESD champions. Amsterdam, the largest city in the Netherlands, has some 750.000 inhabitants, followed in size by Rotterdam, The Hague and Utrecht. These large cities house 13% of the Dutch population. The rest of the population lives in the other 500 municipalities, resulting in an average number of inhabitants per city of about 30.000. Many towns of course, have even fewer inhabitants.

The size of the administration in municipalities depends on the size of the population. The same goes for the resources spent on ICT and ESD development. A town, such as Woudrichem (14.000 inhabitants) has an IT staff of 1.4 person and an annual IT budget of 160.000 euro.

In the meantime, every municipality, Woudrichem included, is expected to offer a very large number of services (300 to 400), ranging from garbage collection to education and from building permits to social assistance.

Can we expect these municipalities to develop the same advanced types of electronic service delivery as the Dutch IRS? Of course not!

Most municipalities, due to their size, lack the necessary resources to develop ESD for all of their services. But it is also questionable whether it makes sense to develop ESD locally for services that only target a limited population and generally have a low frequency [8].

The problem of developing ESD is clearly related to scale. For most service delivery the current development scale is that of the individual municipalities. This is not only inefficient, in many cases the scarcity of resources at the local level actually prohibits the development of ESD.

We may turn this argument around. If we really want to get ESD of the ground we have to develop electronic services on a larger scale (for groups of municipalities) thereby increasing the number of 'clients' and bundling the available resources.

Although this makes sense from an economic perspective, it also raises important questions from other perspectives. Economy of scale has always pleaded against local service delivery, so what is the rationale of providing services locally? Is the birth of an electronic government reason to change the existing arrangements?

#### **4 The rationale of local service delivery and local ESD development**

Public service delivery in the Netherlands is rooted in historical and legal grounds. Service delivery in most cases relates to a decision taken by some public body pertaining a right or an obligation of a citizen or an enterprise. Government is ultimately

bound by law. The constitution and the laws based on the constitution determine the powers of the various government bodies. In the Netherlands most powers are distributed to the local level (art. 124 Dutch Constitution). The municipalities are therefore at the core of the public sector; the Netherlands are a decentralised unity state. In this the Netherlands differs from a country such as France, which is far more centralised.

There are various reasons for this distribution of powers. Among them are simpler democratic control, adaptability to local circumstances, better means for people to have their say and better integration of policy [9].

Besides the necessary powers to govern, municipalities also have the powers to provide public services. This of course makes sense, especially in the pre-internet era. Delivering services on a local level is practical (efficient) from the citizen's perspective. Having a service provider nearby saves time. Although municipalities formally are at the core of the public sector in the Netherlands, the system has become more complicated and obscured over the years. With the coming of the welfare state, central government became a more active player, intervening in the autonomous municipalities. Policy no longer is developed and executed primarily on the local level. The higher levels of government (provincial and state level) nowadays have a much stronger role in policy formation and even in its execution.

In many cases policy is developed at the national level with municipalities only administering the national policy. This form of joint governance has serious consequences for the shaping of the public landscape and for public service delivery. In the current practice the powers and responsibilities are distributed over the various levels of government, sometimes making it unclear which level is responsible for a particular task.

In this blurring of powers and responsibilities, municipalities are observed to provide essentially three very different kinds of services:

- Truly local services: i.e. services which are provided based on local policy and local autonomy, concerning the management of the municipalities' own affairs free from interference by the State. Examples of such services are: street and community care and safety, local taxes, sports, recreation and culture.
- Joint governance services: i.e. services which are rooted in national legislation, but which are administered by the municipalities, with the municipalities having their own (additional) policy responsibilities and discretionary powers. An example in the Netherlands is the municipal social assistance, based on the General Assistance Act.
- Municipal delivery of national services: i.e. the administration of national policy by the municipalities, where the policy is completely defined at the national level and discretion is limited and the administration by the municipalities is simply a convenient means of bringing the service to the citizens. Clear examples of such services are the issuing of driver's licenses and passports.

In sum, municipalities deliver very different services, and there are clearly very different reasons for service delivery on the local level. However, when we consider the strategy in developing ESD in the Netherlands, we see that these differences are not being considered. Initiatives like Public Service 2000 simply place municipalities at the centre of improving public service delivery, regardless of the type of services.

A rethinking of which services really have to be delivered by the individual municipalities and which services might benefit from co-operation has not taken place.

The adage seems to be: services that are currently delivered at the municipal level should be informatized at the municipal level. But is this really the case? As we argue, the differentiation between truly local, joint and national services provides a basis to differentiate in the way ESD for the various services may be developed. While it underlines that some of the truly local services really require local ESD development, it also shows that some electronic services may be developed in co-operation and some may even be taken up by more central, national organizations.

## **5 Possibilities for co-operation in, and centralisation of ESD**

Economies of scale provide the key to improve the speed at which ESD can be developed, and as we argue, the type of service determines the possibilities for increasing this scale.

Truly local services, addressing local problems and based on local policies are indeed best dealt with at the level of the municipalities. The municipalities determine the content of these services and therefore should also determine and organize service delivery. When a service is really typical for the municipality in question, there seems to be little choice regarding ESD development: it will require the special development of this ESD for this municipality (either by the municipalities staff or by a commercial organization hired for this task). The possibilities of gaining economies of scale are very limited in this case, which implies that it may be wise not to develop ESD at all. Perhaps, however, solutions may be found in using general tools for developing simple service modules (JAVA applets, ASP code), or by co-operating with other municipalities with similar local services. However, this number of very specific local services is generally limited, and even differences in 'truly local' policies are not always as big as claimed. Many local bylaws are based on standard bylaws as produced by for instance the Association of Dutch Local Governments (logging permit, fire and safety measures), which makes co-operation between similar municipalities a viable option. In some circumstances it may be efficient to look for other, perhaps non-governmental, organizations to actually deliver these truly municipal services, based on specifications from, and tailored to, the needs of the various municipalities [10].

For joint-governance services the core of the service delivery, the possibilities of co-operation and centralization of ESD development are far greater. Joint governance services, such as General Assistance, typically are based on a national core of regulation, which applies to all municipalities. This means that, in some cases, it may also be possible to partly centralize ESD development. Where the practice of municipal service delivery consists of combining pieces of national and local regulation, ESD development may be approached as a question of integrating local and national ESD-modules, thereby limiting the effort needed by each municipality. An important question concerning the feasibility of this approach is the amount of variation in local policy. For general assistance in the Netherlands, the viability of this approach has already been shown in the development of the MR-Expert systems, which contain the

national legislation straight out of the box and to be supplemented with local rules [11].

For service based on national policy, the development of service modules on a national scale is an obvious choice. The responsible ministry could develop service modules, such as intelligent forms or expert system modules, and provide them to the municipalities to incorporate them in their websites. But, in this case also another obvious step can be taken: concentration (or centralization) of service delivery. An example where this already is possible, is the housing benefit. People fill in forms provided by the Ministry of Housing, Spatial Planning and the Environment (VROM), and send them to the Ministry, which takes care of the administrative process. The step to electronic service delivery by the ministry in this case is relatively small.

## 6 Conclusion

E-government dawns slowly in the Netherlands. One of the causes of the slow progress towards realizing true electronic service delivery is the choice for local ESD development. In the traditional service delivery model the central role for local government made sense. In the internet era the same choice hampers progress because it is inefficient to have all towns and cities develop ESD modules on their own with limited resources. An alternative is to move development to a different scale. This is possible for services that are the same for every town and city.

If we take e-government serious, we have to rethink the development process. We also have to rethink the way services are to be provided by the various levels of government. Which services should be provided by local councils, which may be provided by independent service providers (either public or private) and which services may be provided by the national government? ICT offers different means to establish better services: in the virtual world time and space lose importance. This opens the road to economies of scale by offering services on a supra municipal level. However, it is important that these advantages are weighed against other goals and functions of the public sector, such as universal service principles, and democratic control [12, 13]. The typology in types of services we have provided offers a starting point in this discussion.

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