POSITION PAPER

BUSINESSEUROPE

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Modernising public services through digital tools and ICT solutions

KEY MESSAGES

1 The provision of high quality and efficient public services is of fundamental importance for European society and the competitiveness of European companies as users of these services.

2 With increased pressures on public budgets, societal challenges, and demands for more efficient and cost-effective public services, national governments need to modernise public administration and rethink the provision of public and e-government services.

3 Better use of information and communications technology (ICT) and digital tools can drive the necessary modernisation of the public sector and help develop innovative ways of delivering its services. It will unleash efficiencies and drive down costs, both for public authorities and users of public services.

4 Fully bringing the public sector into the digital world is essential for the completion of the digital single market and will contribute to a stronger digital economy.

WHAT DOES BUSINESSEUROPE AIM FOR?

- Commitment from national governments to modernise the public sector and make public spending more growth-oriented.

- Further development of e-government tools to make public services more efficient, provide easier access for businesses and considerably reduce administrative burden.

- The promotion of public-private partnerships (PPPs) as a way to drive the modernisation of public administration and improve and finance public services.

- Better use of ICT tools to develop e-procurement, e-invoicing, the use of e-signatures and e-ID across borders, and cloud computing for public services.

KEY FACTS AND FIGURES

Today, less than 40% of citizens and 70% of businesses in the EU use online public services.
Only 66 PPP transactions reached financial closure in 2012, which is significantly below the 84 and 112 deals closed in 2011 and 2010 respectively. A negative trend, despite the advantages of PPPs.

MODERNISING PUBLIC SERVICES THROUGH DIGITAL TOOLS AND ICT SOLUTIONS
EUROPEAN COMPANIES SHOULD BENEFIT FROM BETTER PUBLIC SERVICES

1. GENERAL COMMENTS

- The provision of high quality, affordable and efficient public services, such as public transportation, maintenance of infrastructures and networks, and general administration is of fundamental importance for European society, the well-being of its citizens, and the competitiveness of European companies as users of these services.

- Public services - if provided efficiently - support European business by offering security, mobility and certainty. They contribute to a social Europe and thus have an impact on the strength and competitiveness of our economy.

- Yet, the current economic downturn is putting huge pressure on public finances, which makes it more difficult for public authorities to ensure proper delivery of the high quality public services that citizens and businesses need.

- Moreover, European economies have to be adapted to better address climate change and ensure that energy supplies will match future needs in a sustainable manner. As a result, Member States will have to invest heavily to refurbish infrastructures and the urban fabric, and to rethink the provision of public services.

- Other challenges coming from the increase in life expectancy and an ageing population require public authorities to make public services more efficient and cost-effective and call for early anticipation and adjustment.

- In the light of these challenges, BUSINESSEUROPE urges political leaders to credibly commit to modernising the public sector and make public spending more growth-oriented.

- In this context, BUSINESSEUROPE is convinced that **better use of information and communications technology (ICT) and digital tools can drive the necessary modernisation of the public sector** and help develop innovative ways of delivering its services. It will unleash efficiencies and drive down costs, both for public authorities and users of public services.

- Through the deployment of new ICT solutions, but also by building on existing digital tools, European companies will benefit greatly from cheaper, innovative, smarter and faster public and e-government services.

- Fully bringing the public sector into the digital world is essential for the completion of the digital single market and will contribute to a stronger digital economy. This is absolutely key as the European Commission estimates that by fully implementing the Digital Agenda for Europe - which includes important measures to digitalise the public sector - the EU could gain 5% of GDP and create 4 million jobs by 2016.

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2. SPECIFIC REMARKS

Public services and ICT

- Both citizens and businesses have become more demanding and expect the public sector to evolve and improve constantly. There is a strong demand for more affordable and increasingly personalised public services:

  - More efficient public transportation systems, infrastructure, networks and other public services benefitting from ICT would support business in many ways. It makes these crucial services more efficient and cost-effective and offers many new possibilities and thereby makes users more competitive.

  - Furthermore, companies want to be able to access more and tailored information and to complete necessary procedures and formalities online via e-government portals or mobile applications to save time and costs. Businesses want easier ways - which often means online - to take care of for instance company registrations, social contributions, corporate tax or VAT declarations.

  - In particular SMEs and start-ups need easy access to the right information and should benefit from new online possibilities.

- However, to truly modernise public services and to make this transition possible, not only the right ICT solutions and systems need to be in place, it also requires effective interaction between public administrations and political will to do so.

- Moreover, as national governments need to provide better public services with fewer resources, they too need to realise the great potential of better using ICT to cut costs and increase efficiency. ICT can also help to deliver public services in remote areas in a faster and cheaper way.

- BUSINESSEUROPE believes that national governments should play a pioneer role in deploying appropriate new digital tools and ICT solutions and set positive examples for private operators to follow. The same is true for the European Institutions who should lead by example in offering online consultations, dialogue, information and digital platforms for debate. This not only increases efficiency but also helps to promote a sustainable low carbon-economy.

- In fact, public authorities should always try to serve better the general interest and make the best possible use of taxpayers' money. Yet, there are still many examples of inefficiencies in the public sector, often due to a lack of drive for improvement and competitive pressures.

- In this context, we believe that national governments need to do more to drive the modernisation of the public sector. We also think that public services can better meet users' expectations and accommodate their needs through more regular consultation, for instance on setting up online portals for businesses, such as the *Points of Single Contact* or the introduction of a new online tax declaration system.

- In public tendering processes, the contracting authorities should be open for ICT solutions and be aware of the benefits that digital and mobile applications can offer. In this way, the public sector can be a driver for industrial research and innovation.

E-government services

- We already observe that ICT is not only more widely used by companies to make use of new business opportunities, but also government bodies have slowly introduced new tools and systems using ICT.

- However, true e-government requires more than just putting in place ICT solutions and introducing advanced systems. Effective e-government also entails the re-organisation of certain processes, streamlining information flows, ensuring good cooperation with "back-offices" and safeguarding interoperability of tools with a view to the diverse users. It requires a change in mind-set that will enable companies to carry out their business with government more easily, quicker and at a lower cost.

- E-government can help to make public services more efficient, provide easier access for businesses and considerably reduce administrative burden. The potential cost savings are massive. The Commission has estimated that in Denmark, for example, e-invoicing saves taxpayers €150 million and businesses €50 million a year. If introduced with well-reflected and interoperable tools across the EU, annual savings might exceed €50 billion. In Italy alone, e-procurement systems cut over €3 billion in costs.

- In addition, e-government requires public authorities to rethink their processes and improve organisational structures leading to an overall modernisation of public administration. Civil servants will also benefit from acquiring specialised e-skills.

- Despite its advantages, today less than 40% of citizens and 70% of businesses in the EU use online public services. In its e-government action plan 2011 - 2015, the Commission sets the target that by 2015, 50% of citizens and 80% of European companies should use e-government services. While it is good to set clear targets, BUSINESSEUROPE believes that the Commission and national governments should be more ambitious and concentrate efforts to go beyond these benchmarks to realise the benefits and cost savings outlined above more quickly.

Interoperability and cross-border provision

- The freedoms provided by the single market mean that more and more companies operate across borders and are dealing with public bodies outside their own Member State.

- Research shows that the possibilities offered by new technologies and services allowing businesses to track their information, issue requests and follow procedures online, also across borders, feature among the most demanded e-government services.

- Yet, most public online services and e-government tools do not function well across borders and / or require additional formalities to be completed by regular post or in person before having access to these services.

- Companies also experience that the interaction between public administrations from different Member States is often poor and that services are either unsatisfactory (delayed, extra costs, etc.) or even not possible. This reduces mobility and hinders companies that wish to operate across borders, especially SMEs.

- To establish a truly digital single market, seamless e-government and online public services need to be offered to entrepreneurs and companies anywhere in Europe, greatly enhancing mobility and creating new business opportunities and jobs.

- However, to ensure better operability of different national systems and the ability to exchange and interpret information correctly is more than a technical challenge. It also requires clear rules on data transfer, security and organisational efforts. Moreover, it entails a willingness of national, regional and local administrations to cooperate better, for instance via existing systems such as the Internal Market Information (IMI) system.

The role of public-private partnerships (PPPs) in driving modernisation

- Stronger cooperation between the public and private sector in making better use of ICT and digital tools can greatly contribute to modernising the public sector, primarily through public-private partnerships (PPPs). PPPs can offer better value for money, enforceable quality standards, wider choice, innovative solutions and the possibility to combine expertise and skills from the private and public sector.[1]

- PPPs can also offer new sources of financing and risk allocation. Where public budgets are under pressure and when investment is required, partnership agreements may provide a way of channeling (additional) private funding into public infrastructure, networks and services.

  - For instance, huge investments are needed to develop broadband infrastructure. The private sector should lead the way in investment and all future approaches in this area will need to promote conditions for private investment as the main tool to reach the targets set out in the Digital Agenda.

- Yet, despite the clear advantages of creating more partnerships between the public and private sectors, BUSINESSEUROPE regrets to observe that in 2012 *only* 66 PPP transactions reached financial closure, which is significantly below the 84 and 112 deals closed in 2011 and 2010 respectively. This is a very negative trend.

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[1] For more information on PPPs see BUSINESSEUROPE's 2009 position paper: "Public services in the 21st century: Driving for excellence – towards a stronger public and private partnership".

- Indeed, many companies experience difficulties with setting up partnership approaches, mainly due to a lack of awareness and a lack of know-how on the side of public authorities.

In this context, BUSINESSEUROPE continues to urge EU and national authorities to:

➢ **Facilitate and encourage the setting up of PPP structures** (on cross-border, national, regional and local level) that focus on result-oriented strategies, performance targets and innovation, delivering results for the common interest.

➢ **Ensure transparency and fair treatment of private operators** in the delivery of public services through open and competitive tenders. This includes ensuring equality of access to European or national funding for public authorities regardless of how they organise the provision of public services (either through a public or private entity).

➢ **Make better use of EU and national financial means to promote PPPs** and encourage a wider exchange of national best practices in partnerships between the public and private sectors. This includes support for information, for instance European PPP Expertise Centre (EPEC) guides and training programmes for Europe's civil servants to enhance their capabilities in working with PPP contracts and better understanding what the market could offer. It is fundamental to create a culture that truly facilitates the setting up of PPPs.

3. ONGOING COMMISSION INITIATIVES AFFECTING PUBLIC SERVICES

There are several ongoing and upcoming initiatives at EU level in the area of ICT, e-government and the digital agenda that can greatly affect the provision of public services in Europe, such the proposals on e-signatures, e-identification and e-authentication, e-invoicing in public procurement and the proposal for a cloud computing partnership. Below, some specific comments on these initiatives:

3.1. Electronic procurement and e-invoicing

- Business supports the wider use of e-procurement and believes that it can provide numerous benefits, including simplification goals and reduction of costs.

- However, BUSINESSEUROPE has doubts about making e-procurement mandatory within a restricted timeframe.

- We believe it important for contracting authorities to provide tender material digitally to businesses and also have the possibility to receive tender proposals in a digital form from businesses. In this way, companies that are ready to take advantage of the many benefits of e-procurement solutions can do so.

- First and foremost though, it is essential to address the operational challenges faced with e-procurement, namely interoperability and security of sensitive data as in numerous Member States diverging applications exist at central, regional and

local level. In this context, the work carried out by the Commission's e-Tendering Expert Group is important in contributing to this goal.

- The further development and promotion of e-invoicing in the field of public procurement should be ambitious but measures proposed on a *voluntary* basis, at least for the immediate foreseeable future.

- It is fundamental to have the right technology in place, however, the correct application and proper management of that technology is equally important. The shift to ICT must reduce bureaucratic duplications and encourage consolidation of different services, if they are to be used effectively by providers.

3.2. <u>E-signatures, e-identification and e-authentication</u>

- Secure e-signatures, e-identification (e-ID) and e-authentication that can be widely used throughout Europe will boost e-commerce by providing mutual trust and certainty for companies and citizens.

- Today the reality is that there are several different national solutions and systems of e-ID and e-signatures inside the EU. It is clear that the interoperability and mutual recognition between Members States needs to be improved.

- In this context, BUSINESSEUROPE welcomed the proposal for a Regulation on electronic identification and trust services for electronic transactions in the internal market to ensure better functioning and improve the interoperability of existing e-ID and e-signatures systems in Europe and to make it easier for companies to operate across borders. We are pleased to see that the Commission's proposal is focusing on improving the interoperability of existing national systems.

- The ongoing reform should also result in a better reflection of current technologies and the challenges of the fast-moving digital world. Policy-makers need to realise this and follow its pace. Therefore, the entire approach to regulation needs to be proportionate, light touch and future-proof.

- In general, the EU should stimulate and rely on market solutions and development of new technology and innovations like mobile solutions instead of reengineering or reinventing new pan-European systems for the digital world. Penetration of new technical systems would take too long and would be too expensive. European competitiveness should always be kept in mind.

3.3. <u>Cloud computing for public services</u>

- BUSINESSEUROPE believes that a fully developed digital single market can drive productivity, innovation and growth in all sectors of the economy and cloud computing[2] is a fundamental piece of its construction.

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[2] Cloud computing is the storing, processing and use of data on remotely located computers accessed over the internet. For more info see: BUSINESSEUROPE's 2012 position paper on cloud computing.

- Cloud computing will enable business - and especially SMEs - to take advantage of the digital revolution, cutting costs, optimising their operations and opening up on new opportunities by increasing their presence globally. Users will be able to access new services, products and applications. Public administrations should also use cloud to reduce costs and improve their efficiency.

- The Commission estimates that a well-reflected EU cloud strategy may increase EU GDP by €957 billion and lead to 3.8 million new jobs by 2020. Therefore, setting up the right framework in Europe to allow cloud computing to deliver on this potential is crucial.

- The public sector has to play a strong role in shaping the cloud computing market. Being the largest procurer of IT services, the public sector through public tendering can set specific requirements for performance, interoperability, technical specificities and quality for the public cloud.

- With regard to e-government applications, where sensitive data are incurred, for example in the area of e-procurement, with communication and storage of sensitive business data in the public sphere, the relevant cloud computing applications will have to safeguard the necessary data protection and data security, for instance reliable protection against illegal insight into data or unauthorised change of data.

- Pooling public requirements across borders and sharing best-practices between different contracting authorities would have an even larger impact on the market. This could lead to defining certain quality standards and would reduce costs and enable better interoperability, bringing also tangible benefits for the private sector.

- While we acknowledge the importance of standardisation and interoperability to increase security and trust in the cloud, we stress that standardisation should be voluntary, led by industry and respond to market and consumers' needs. Standardisation for cloud should not become a top down attempt to impose specific policies or technological order, but rather a bottom up process that develops appropriate practices to address need and favour innovation in the cloud. Of course, this can and should also be driven by the public sector. Reliable certification of cloud computing solutions, potentially with different levels of security according to different needs of the diverse applications may become important.

- In the above context, BUSINESSEUROPE supports the setting-up of the European Cloud Partnership (ECP) by the Commission, which aims to provide a platform for public authorities to discuss how cloud computing can lead to more efficiency in public administration and help drive down costs.

- More information and training for those developing cloud computing in the public sector as well as potential users could also contribute to an appropriate further development and use of cloud and avoid erroneous trends.

4. MAKING BETTER USE OF EXISTING DIGITAL TOOLS

- **Further develop the Internal Market Information (IMI) system**: Public authorities should make better use of the IMI system to share information, not only for the recognition of professional qualifications, but also in new legislative areas, such as the Regulation on the cross-border transport of euro cash by road between euro-area Member States and others.

- **Fully benefit from the Points of Single Contact (PSCs)**: The PSCs set up under the 2006 Services Directive can greatly facilitate the life of both domestic and foreign service providers by offering information and assistance, and the possibility to complete administrative procedures entirely online, saving both time and costs.

  Yet, we observe that the PSCs are still not working well in all Member States and that there is much room to improve their functionality, completeness and user-friendliness.[3]

  To improve the functioning of the PSCs and develop them towards the "2nd generation", BUSINESSEUROPE believes that:

  - Member States and the Commission must make full use of the "*PSC Charter*" that was agreed in June 2013, which lays down quantitative indicators for better measuring progress made in improving PSC performance while offering more transparency and allowing for more regular benchmarking.

  - National governments should modernise and further simplify administrative procedures for service companies through better functioning PSCs, which positively affects the creation of new business and can provide gains up to 0.21% of EU GDP. Moreover, public authorities can cut costs by doing this and by making better use of e-government tools.

  - There is a need to overcome technical barriers to cross border use of PSCs: Improve the interoperability of the different national PSCs by ensuring that e-signatures work well across borders and by setting standards for online identification and authentication.

- **Continue to support and launch pilot projects**: The Commission should continue to support pilot projects that aim to develop digital tools and facilitate cross-border interoperability for public services such as STORK (*Secure Identity Across Borders Linked*), SPOCS (*Simple Procedures Online for Cross-border Services*) and PEPPOL (*Pan European Public Procurement Online*) or similar initiatives.

  These pilot projects play a pioneering role and are important for the public sector to be able to lead by example.

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[3] For a full assessment of the functioning of the PSCs see BUSINESSEUROPE's 2011 Report: "Are the Points of Single Contact truly making things easier for European companies?"