

# AMCHAM HUNGARY POSITION BRIEF No. VII

## E-GOVERNMENT AS A PILLAR OF HUNGARIAN NATIONAL COMPETITIVENESS

June 2007

### AmCham's main recommendations:

- promotion of the benefits of switching to a digital culture
- creation of integrated government service centers
- definition of a uniform standard of data provision
- expansion of the range of publicly accessible data to improve public security
- ensuring data interchange between various authorities
- promotion of the use of electronic signatures
- improvement of access for administrative systems to authentic public records
- improvement of the service level and user interface of the Client Portal
- introduction of electronic payment methods for e-administration purposes
- statutory regulation of electronic document management
- improvement of citizens' access to information
- implementation and use of ASP-based solutions for municipalities
- ensuring that participants in public procurement possess the requisite skills

### Introduction

Among the factors that have a bearing on Hungary's competitiveness, the American Chamber of Commerce has already addressed some of the more important issues (e.g. tax system, education) in its previous Position Briefs. Of the various competitive factors, one that is of particular priority at the moment is ensuring that the civil service operates in a business-friendly and service-oriented manner, and that the state resolves the administrative requirements of enterprises and private individuals rapidly, efficiently, predictably, and transparently.

In accordance with international practices and with the recommendations of the EU, the e-government model is capable of ensuring the efficiency, transparency and customer-oriented nature of civil administration. In our Position Brief on E-Government, we present an analysis, which goes well beyond simply giving an assessment of the current situation, of the relevant Operative Programs of the New Hungary Development Plan – a plan that functions in line with the position of the European Union and is relevant in this regard – and we summarize the most important questions that need to be addressed in detail, and as a matter of urgency, if we wish to also implement the opportunities presented by e-government in practice.

We would like to thank the Electronic Government Methodology Center of the Computer and Automation Research Institute of the Hungarian Academy of Sciences for their assistance in preparing this Position Brief.

Dr. Péter Paál  
Chairman, AmCham IT Committee

### Executive summary

E-government developments in Hungary have been driven by the need to comply with EU regulations in recent years, rather than by a desire to address the genuine needs of citizens. Despite this, with strong political backing these efforts have, within a short time, yielded impressive results with regard to the development of Hungary's central governmental infrastructure, and the provision of electronic governmental services. The notable rate of e-government development in Hungary is also demonstrated by an annual ranking published by Cap Gemini. According to the mid-2006 study, based on a comparison of the advancement of public services, Hungary rose from 23rd to 14th place among the European nations – within the space of just one year. However, the effective use of e-government solutions will require a further change of attitude. Government departments must operate not as bureaucrats, but as institutions providing services to citizens.

### AmCham

The American Chamber of Commerce in Hungary (AmCham Hungary) is one of the most respected and influential non-profit, non-political organizations representing the interests of the entire business community in Hungary. Today, AmCham has 570 members with more than 200,000 employees in Hungary. Members represent 22 different countries, 60% of total foreign direct investment in Hungary and over 40% of Hungary's annual total export. The mission of AmCham is to be the leading representative for US and international business in Hungary, and to promote the global competitiveness of the country.

### AmCham Information Technology Committee

The IT Committee operates within AmCham with a dedicated, active membership consisting of representatives of the major AmCham member companies active in the ICT industry. It strives to represent and articulate the interest of AmCham members in the ICT field, and to provide ICT related support to other AmCham initiatives. The Committee's members have contributed much time and energy to the creation of this Position Brief on e-Government, with the aim of drawing attention to the possibilities offered by ICT solutions in contributing to the improvement of the competitiveness of Hungary.



**Enable both the general public and civil servants to understand the benefits of switching to a 'digital culture'.**

**Promote the use of services by citizens, and expand the range of municipal services.**

**The widest possible range of government agencies should apply the new approach.**

Despite the positive achievements, development continues to be impeded by the limited expectations of users. Although not strictly related to e-government, factors such as the need to reduce the digital divide and improve broadband penetration must also be given priority in order to ensure the widespread use of the services and the accessibility of e-government developments to as many people as possible. Particular emphasis must be placed on raising awareness, and training syllabuses must be geared towards improving IT skills, and informing both the general public and civil servants about the benefits of switching to a 'digital culture.' We believe that the key to a successful e-government strategy, with regard to both the setting of objectives and their fulfillment in practice, lies in the central management and coordination of development programs, because this is the only way of ensuring that the guiding principles related to e-government will be represented clearly and at the highest level, and that the projects will be managed in accordance with a uniform set of principles. It is necessary to raise the levels of interoperability and standardization within government. In the existing governmental structure, there is no working centralized decision-making mechanism with respect to IT matters – although steps have been taken in this direction. At present the various organizations make their own decisions regarding the provision of e-services and the means of implementing them, whereas a centralized decision-making process would be more efficient.

In order to improve the penetration of services, efforts must be made to promote their use by citizens, to expand the range of municipal services, and transform them into higher quality standards. Programs need to be launched for the purposes of training, and for ensuring and extending access to the services.

Overall, we conclude that the New Hungary Development Plan and its two relevant Operative Programs contain a well-founded situation assessment, as well as suitable priorities, objectives and methods.

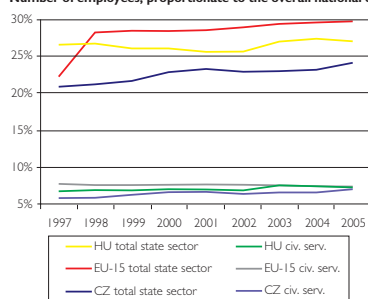
It is our view that the current budgetary austerity program should be turned to the advantage of the e-government strategy, and not applied restrictively, since these technological and organizational innovations will result in substantial cost savings, and ultimately serve to bolster the reforms, rather than draining resources from the budget.

## I. E-GOVERNMENT AND THE NHDP

Following acceptance of the New Hungary Development Plan (NHDP), in November 2006 the government approved the State Reform (SROP) and the Electronic Government (EGOP) Operative Programs. The NHDP and its operative programs go beyond simply specifying the means for which development funds are to be utilized, since they are effectively designed to "coerce" a reform of the Hungarian civil service. Prior to the change of political regime, planning, as a civil administration activity, was abolished for political reasons. Even in post-regime-change Hungary, the lack of planning continued to be a fundamental deficiency of the civil service. The recommencement of planning activities has led to the creation of a new system of institutions, and a new philosophy, within governmental organizations, centered around the National Development Agency. However, this positive change has not altered governmental operations as a whole. Most ministries still function under the traditional operating model, with the result that conflicts frequently arise between the government agencies that apply the new approach and those who have refused to take it on board. This duality will characterize the years ahead, and the means by which development subsidies are utilized.

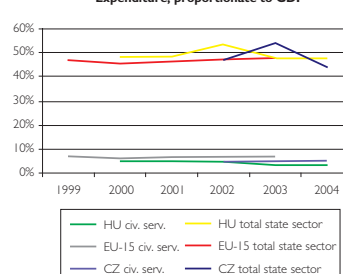
*Graph 1: Charts giving an international comparison of the overall state sector and the civil service*

Number of employees, proportionate to the overall national economy



Source: Eurostat

Expenditure, proportionate to GDP



*Note: international public-sector data also includes debt service expenditure, while the Hungarian data does not*

*Sources: Hungarian data – Ministry of Finance; international data – Eurostat*

The Hungarian civil service operates with the same number of staff per head of population, but at a higher cost, and therefore has further potential for improving cost efficiency.

The parliamentary parties have failed to reach a consensus regarding the use of development funds; indeed, this topic has now become a source of conflict in its own right. The scheduled implementation of certain projects is further impeded by the fact that some developments require statutory amendments which can only be passed with a two-thirds majority vote of parliament.

The prepared documents cannot yet be regarded as final. This is partly because Brussels has not yet approved the Operative Programs, and partly due to the fact that certain key elements of the planning process – referred to as “Action Plans” – are still in the social debate phase. Furthermore, with a few exceptions, the tenders and government programs to be advertised based on these Action Plans will only be launched in the summer of 2007, at the earliest.

However, the strength of the documents lies in the fact that the mechanism for utilizing the development funds (institutional structure and methodology) is already in place. Another notable change is that the ‘supreme’ organization in the planning hierarchy, the National Development Council, is personally chaired by the Prime Minister.

The across-the-board introduction of performance indicators related to the developments can be regarded as a positive step. In view of the fact that the civil service has no tradition of using the planned indicators, and that the existing databases were not developed specifically for this purpose and are often professionally flawed or disorganized, the resulting appraisals are certain to generate controversy when they are made public.

Overall, the prepared documents contain a well-founded situation assessment, as well as positive priorities, objectives and methods.

A question that remains to be clarified concerns the means of financing the institutions created as a result of the developments, and their activities. Each document emphasizes the need for ‘sustainability’, but the consequences of this will ultimately have to be reflected in the annual state budgets, which may lead to conflicts between the ministries. An aspect of this problem that will have to be examined separately is the question of how the long-term savings resulting from IT developments should be absorbed.

## II. COMMENTS ON THE NHDP STATE REFORM AND E-GOVERNMENT OPS

We have formulated our recommendations citing the corresponding sections of the operative programs.

### I. THE STATE REFORM OPERATIVE PROGRAM

#### Modernization of processes and organizational development

##### Improving the quality of legislation and (local) government capabilities

###### [SROP:1.1]

- Improving the capabilities of government and local government  
The SROP summarizes the characteristics of a well-functioning (desirable) government agency. Listed as specific requirements are across-the-board introduction of planning, and the integration of divergent processes. However, besides these, the SROP contains no further information regarding the restructuring of ministries. Nevertheless, in respect of local government, the program does express a need to consolidate the existing, disjointed system, by highlighting the importance of towns serving a number of settlements, and of multi-purpose small-regional associations.

##### Modernizing procedures and work processes, organizational development

###### [SROP:1.2]

- The restructuring of administrative procedures  
The situation analysis wrongly concludes that clients are generally satisfied with administrative procedures, with only a minority raising objections. The clients – even in cases with a favorable outcome – are dissatisfied with the means of administration.

**Cost efficiency must be improved in civil services.**

**There is no detailed timetable for the restructuring of ministries.**

**Create integrated government service centers.**

However, the SROP does recognize the need to simplify and accelerate procedures, primarily through the increasingly widespread use of electronic administration procedures. An important requirement is the creation of government service centers, to integrate the formerly segregated branches of government administration at the local level. A need to restructure the administration capacities themselves is also articulated, but no specific measures are described.

- Creation of integrated government service centers

## II. OBJECTIVES OF THE E-GOVERNMENT OPERATIVE PROGRAM

- Modernization of the internal processes of government and government services [EG:1]
- Infrastructure developments to support access to government services (delivery of the services to clients) [EG:2]

Graph 2: Percentage of people using the internet at least once a week

	2004	2005	2006
Magyarország	21	34	42
EU-25	38	43	47
EU-15	41	46	-
Sweden	75	76	80
United Kingdom	49	54	57
Slovakia	40	43	43
Italy	26	28	31
Czech Republic	25	26	-

Source: Eurostat

**The technical background for an electronic personal ID card should be established.**

- Development of an electronic personal ID card (eEurope 2010 eID)
  - by 2010, a reliable means of e-identification should be introduced for every European citizen – in compliance with data protection requirements – implemented, and recognized, by each member state within the scope of its own authority;
  - to support this objective, a coherent and comprehensible terminology must be formulated;
  - means of mandating, intermediation and role management must be developed;
  - document formats must be standardized;
  - standard criteria must exist for verifying the authenticity of documents;
  - standardized means must be developed for the identification of documents and their archival in authentic form.

Source: <https://nws.niif.hu/hcd2006/>; <https://nws.niif.hu/hcd2006/docs/ehu/020.pdf>;

- Harmonization of health-insurance and transportation cards with citizenship cards (Austrian model)

**A uniform standard of data provision should be defined.**

## III. OTHER THOUGHTS ON THE DEVELOPMENTS

### The state as a service provider

- The definition of a uniform service level (functionality, quality), and presence (appointment booking, electronic customer service, forms, etc.) [EGOP:2]

*All authorities, bodies and municipalities will be required to provide certain services, under legislation similar to the earlier recommendation, IKTB 21, which specified the requirements for website design.*

*Furthermore, all authorities, agencies and municipalities must be accessible via the [magyarorszag.hu](http://magyarorszag.hu) central service portal.*

Graph 3: percentage of the 20 basic public services that are available online

	2004	2005
Hungary	15	50
EU-25	41	50
EU-15	49	56
Estonia	63	79
Malta	40	75
Czech Republic	30	30
Poland	10	20

Source: Eurostat

- Definition of a uniform level of data provision (functionality, technology) and presence (Access to records, Interface) [EGOP:2]  
*All institutions (statutory and municipal, and later "external" service providers) that maintain registries must provide certain services. These services could include ID authentication-based data services: the logging of who has participated in what type of data provision to date, data blocking, the sending of emails notifying of any changes to the recorded data.*
- Determining a uniform standard of data provision
- 24/7 access to records [EGOP:1][EGOP:2]  
*Land Registry records, for example, are currently only available during working hours. All institutions must ensure 24/7 access to records.*
- Notification of institutions linked with a relationship code, in the event of any changes to data (e.g. theft of ID card, a change to the client's name) in a way that his ability to dispose over the data remains unaffected. [EGOP:1]

**It should be mandatory for all authorities to provide certain services.**

**Expand the range of publicly accessible data in order to improve public security.**

**Ensure data interchange between the various authorities.**

**Promote the use of electronic signatures.**

**Create the model for paper-free offices.**

### **Modernization of the Data Protection Act**

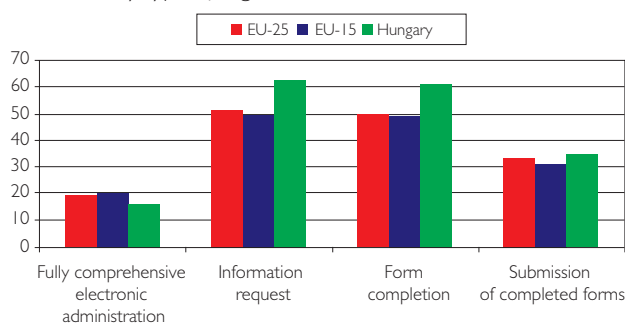
- Expanding the range of publicly accessible data in order to improve public security
- Ensuring data interchange between the various authorities
- Expanding the range of publicly available data in order to raise public security [SROP:1.1][EGOP:1]
  - The querying of data for the purpose of verification  
*General data service providers must be established, similar to those set up for identify authentication purposes.*
  - The checking of document validity  
*Based on the serial numbers/identifiers of authority certificates it should be possible to check their validity. In other words, the serial numbers of expired, invalid etc. certificates need to be published.*
- Ensuring data interchange between the authorities [EGOP:1]
  - Procurement of the data necessary for administration
- Improving the quality of the data-protection register, and making it accessible [EGOP:1]  
*The data protection register could eventually constitute the basis for linking data and ensuring data security, and has the potential to evolve from a record system that is arbitrarily managed and poor in terms of the quality of data, into one that forms the bedrock of the service-provider state.*

### **Promoting the use of electronic signatures**

- Encouraging the use of electronic signatures in civil administration procedures (with the provision of incentives) [SROP:1.2]
- Promoting the use of electronic signatures  
*To facilitate electronic communication with clients, and promote the use of electronic signatures, institutions should offer discounts to those who choose to administer their affairs electronically, since this also relieves the institutions of a substantial workload (manual paperwork, mailing, payment of postal costs, etc.), and results in various cost savings.*
- The digitization and archiving of records [SROP:1.2]  
*The freeing up of costly storage vaults as a result of the digitization and electronic archiving of records leads to savings in the rental fees paid by institutions, while the ability to retrieve the records is considerably improved, and their condition does not deteriorate any further. The digitization of records in this manner is integral to the concept of the paper-free office.*
- Establishment of the paper-free office / administration [SROP:1.2]  
*The creation of the paper-free office facilitates the rethinking / reengineering of processes, by making it necessary to use administration-support applications and a workflow-based approach. The use of a paper-free office makes it possible to establish, at any given moment, which administrator is dealing with a given case, what its current status is, and what events have occurred to date. This type of information management ensures the conditions for modern electronic administration, since all parties, including the client, can electronically monitor the status of a given case, and determine which steps remain to be taken to reach a conclusion.*



Graph 4: Percentage of enterprises that use e-government services, by type of e-government service, in 2005



Forrás: Eurostat

## Administrative systems need improved access to authentic public records.

## The service level and user interface of the Client Portal need to be improved.

## Electronic payment methods need to be introduced for e-administration purposes.

## Implement statutory regulation of electronic document management.

### Additional enhancements to the central service system

- Administrative systems need improved access to authentic public records
- The service level and user interface of the Client Portal need to be improved
- Ensuring central access to authentic public (not only authorities') records [EGOP:1]  
*The statutory provisions must be amended to ensure that the administrative organizations (not only authorities) have access to authentic public (not only authorities') records, from which they can retrieve data in the course of their administration (e.g. company register).*
- Presence of the services and records of municipalities [EGOP:2]  
*The services and records of municipalities must be accessible via the Central Service portal, to ensure that they are accessible to other organizations.*
- Expansion of the capability and inter-functionality of the Client Portal [EGOP:2]  
*The client portal must be made more-user friendly, by eliminating the need to re-enter data that has already been recorded in the Central Service portal when dealing with other service providers that are linked to it. The e-operating mode considerably improves the user-friendliness of the Central Service portal, and reduces administration times.*
- The inclusion of economic entities (public service providers) [EGOP:2]  
*It would be advisable for various public service providers to be included in the Central Service portal, thus enabling them to provide a variety of services to clients. One such service could be the provision of information regarding the services used by or available to the client. Newsletters intended for clients could also be sent electronically instead of by mail. Paper-based invoices could be replaced by e-bills. The availability of these services, and others like them, would lead to considerable savings for the service providers.*
- Use of electronic payment systems (Bank, Mobile, Alternative [PayPal]) [EGOP:2]
- Electronic payment methods need to be introduced for e-administration purposes  
*In order to ensure a full and genuinely instantaneous electronic administration service, it is indispensable to provide electronic payment opportunities. The State Treasury will have to consider the proportion of revenue that it is willing to sacrifice in the interests of promoting electronic administration, since even the acceptance of postal payment checks costs money. For this reason, the various "alternative" payment modes, and their cost implications, need to be examined.*
- Significant increase in the speed of the central service system [EGOP:2]  
*To prevent clients from being discouraged by their early experiences of administering their affairs electronically, the Central Service portal needs to be much faster. Unfortunately, the current state of affairs is reminiscent of the 'bad old days' of dial-up internet access.*

### Interoperability

- The launch of communication between servers and databases (via central service-provider systems) [EGOP:1]  
*To ensure that the servers can 'reach' one another, it is necessary to create a register that channels requests to the appropriate organization.*
- Technical support: definition of XML templates and web services [SR0P:1.1]  
*To ensure interoperability, and to further increase the number of accreditations obtained, as stipulated by the statutory provisions, the web services offered by software programs that possess such accreditation must be defined. These predetermined web services ensure that regardless of supplier (exclusivity) and platform (Unix, Windows), the products can operate with each other. This not only stimulates growth in the 'industry', but also protects the institutions' investments in such products.*

## Quality assurance

- Determination of minimum functional, design, technological and quality requirements to be observed in the course of procuring IT systems (See document management software). [SROP:1.1]

- Statutory regulation of electronic document management

*The uniform investment-protection requirements pertaining to the procurement of complex IT systems call for the passing of legislation such as "Requirements Pertaining to Document Management Software." The increasingly rapid spread of electronic administration support makes it imperative to define the software systems that are intended for this purpose, and the means of certifying them, in the statutory provisions. However, existing and future legislation must also stipulate the requirement of interoperability, so as to ensure compatibility between the various software systems (e.g. document registration system, invoicing, document format, authentication, etc.).*

- Standard methodology for the design of forms, observing the data procurement approach of the Act on Civil Administration Procedures. [SROP:1.1][SROP:1.2]

*In line with the intentions of the Act on Civil Administration Procedures, data that can be found in the database of another authority should not be requested from the client. In order to simplify administrative procedures, forms that are compliant with the Act must be prepared, and which only request data that is not available from other sources. It is important to develop a methodology for the design of such forms, and to make its use compulsory. This would certainly be more convenient for clients, and completion of the form itself would also take up less time. Another benefit is the ease of processing that it would entail (OCR).*

**Achieve interoperability.**

**Develop simplified electronic forms.**

## Quality legislation [SROP:1.1]

*Despite the fact that the study of law is a centuries-old science, to this day IT support only extends to cover the retrieval of existing statutory provisions. No software exists that can establish whether a given law is watertight. In the course of parliamentary 'law-making', there are neither any means nor is there any 'demand' for ensuring that watertight and consistent laws are passed. This is because there is no qualification committee or department charged with the task of checking the impact that the many new laws have on existing legislation.*

- Determining and refining 'best cases'

*In the course of legislative work, as in other fields, it is necessary to compile a list of 'best cases', which, for each of the various types of law, would determine how a given type of statutory provision should be structured, how cases should be described, and the exceptions and the legal consequences defined.*

- Determining and developing IT system(s) designed to support the work of the legislature

*To ensure quality legislation, it is indispensable to develop IT system(s) that are designed to guarantee the drafting of laws of acceptable quality. To this end, it is necessary to determine the requirements pertaining to such systems, as well as ensure their creation and ongoing development with the involvement of institutions of higher education.*

**Create IT systems to support quality lawmaking.**

## The dynamic rethinking and restructuring of competences and processes, with the emphasis placed on one-window administration [EGOP:1]

- While continuously monitoring client expectations, the rethinking and restructuring of processes, with the aim of reducing the administrative burden on clients, and the amount of time they need to spend on tasks;
- Implementing a "customer is king" approach;
- Optimization of back-office processing;
- The sending of letters and parcels using alternative postal services (with track and trace capabilities)

## Providing citizens with information regarding the data and information that concerns them [EGOP:1]

- Sending of a monthly notification regarding the taxes paid by the citizen's employer on his or her behalf;
- Notification regarding any changes to recorded data or property, events and opportunities, as well as the likelihood of future events.

**Improve citizens' access to information.**

**Implement and use  
ASP-based solutions for  
municipalities.**

**Guarantee the quality  
of IT developments by  
ensuring that  
participants in public  
procurement possess  
the requisite skills.**

**Quality assurance policy [SROP:1.1]**

*It is necessary for members of parliamentary and local-council representative bodies, as well as for mayors and notaries, to acquire the minimum level of legal knowledge that has long been compulsory for employees of the civil service.*

**Supplying municipalities with ASP (Application Service Provider) software [EGOP:1]**

- ASP-based solutions for municipalities
- Municipalities are compelled to finance, from their own resources, those IT developments that are indispensable for the introduction of modern electronic administration. Three viable solutions exist for enabling municipalities to carry out the necessary IT developments:
- Own funds (only a very few of the largest municipalities can afford this means of financing)
    - Only sub-projects are implemented
  - Establishment of development associations (applying for development subsidies – regions and small regions in particular tend to make use of this opportunity. e.g. GVOP-2004-4.3.1)
    - Associations that bid unsuccessfully in subsidy tenders are left behind with respect to IT developments, since they are not capable of raising the several millions of forints that are required for such projects.
  - Use of an Application Service Provider
    - Little or no investment cost;
    - All municipalities are capable of using it;
    - Consistent quality of service.

Furthermore, the use of ASP services helps to streamline the operations of municipalities, since the operating and development tasks are performed by the service provider.

[The best-known ASP software is the system used by the national network of Documents Offices.]

**Quality assurance and investment protection through public-procurement tendering [SROP:1.1]**

*As regards IT investments and software developments it is still uncommon for an internationally recognized qualification to be specified as a requirement for each professional area (project manager, systems engineer, network specialist, database technician, developer etc.). However, with the advance of technology – and as a result of specialization – a college/university degree obtained in a given subject several years (or decades) ago is no longer a guarantee of in-depth or up-to-date knowledge. To help guarantee the quality of IT developments, and thus the security of the investment, steps must be taken to facilitate and support the process of ensuring that participants in public procurement projects possess the requisite, internationally recognized skills. Corporations with an international background and experience already place particular emphasis on (and invest considerable sums in) the training and development of their employees, which puts them at an advantage over small and medium-sized companies who, in order to cut costs, tend to skimp on the training of their staff. The use of accredited specialists greatly improves the success of the investments, and thus the products themselves.*