

# Possibilities for Adoption of E-governance in the Ministry of Finance and the Development of Electronic Services in the National Revenue Agency in Bulgaria

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## Summary:

This article is an attempt to explain the notion of e-governance and its adoption in the Bulgarian Ministry of Finance. More particularly, the electronic services that operate in the National Revenue Agency are analyzed. The author uses a wide scope of methods as comparison, induction and deduction, analytical, expert evaluation and expert opinion citation. The paper is an attempt to accept or reject two hypotheses. No adequate legislation exists in Bulgarian public administration in order to adopt e-governance. And second, the Bulgarian governmental system is very conservative and bureaucratic which is a hindrance to every action to achieve improvement. The results of this survey show that the most reformed public sector in compliance with a new concept for e-governance is the Ministry of Finance in Bulgaria and the National Revenue Agency respectively.

**Key words:** e-governance, public administration, administrative services, electronic services, Ministry of Finance, National Revenue Agency

**Jel Classification:** H11

## Introduction

Two distinct and important reforms in the public sector have been observed in the past 20 years. They have been prompted by the realities and changing environment, which are constructed by the establishment of the information society and the introduction of innovative practices in public management, including the application of information technologies in the public sphere.

The aim of these reforms is to improve the administrative capacity by adopting management principles and introducing e-government. The function of e-government is to improve the provision of services to citizens and businesses; also to improve the relation between different administrative bodies; and to ensure the democratization of Bulgarian public administration. Implementing e-governance and constructing e-government respectively is part of a global administrative reform conducted in order to optimize the administrative authorities system, their activities, and the internal and interagency coordination.

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### Description of the study and scientific results

In this context, the aim of this study is to analyze and determine the process of computerization of the public administration and the specific services provided electronically by the National Revenue Agency (NRA) to the Ministry of Finance.

In order to achieve positive results of the survey, it is necessary to clarify concepts such as electronic service, electronic signature, computerization, e-governance and e-government. The research objective can be achieved by using methods such as expert evaluation, the inductive and deductive method, analysis and synthesis, comparison, historical analysis, and reference to expert opinion. In the research the author analyzes the key legislative documents related to e-governance strategy. This comparison contributes to an overall survey that the research rests on.

Through analyzing the legislation related to the implementation of the e-governance concept in public administration, we examine the evidence for constructing two hypotheses. First, there is no clear conceptual framework with respect to the nature, format and prerogatives of the public administration and the administrative units respectively. Since 1990 the "Bulgarian governments" have begun to reorganize the state administrative system without formulating any political strategy and purposes. As a result we find a discrepancy related to the Public Administration Employee Law adopted in 1999, after 10 years of democratic changes.

Second, the Bulgarian bureaucratic system is very conservative and as a result each amendment and single act of improving the work of the public

administration employee provokes a strong resistance against it.

In the information society the government must meet public needs for information, or else it will promote a corrupt social development. This fact depends on the key issue of the proper functioning of the public administration and implementing e-governance in Bulgaria respectively. The connection between public administration and information society is e-governance which provides new public electronic services to meet the needs of civil society.

During this period the EU adopted and implemented a strategy for the e-governance of Bulgaria (2001). Since 2007 the EU governing bodies have been using the resources of e-governance. This means that information technologies will open up a new horizon for the development of the EU by creating a specialized interface (e-government) which will ensure the provision of electronic services. This electronic interface creates a virtual (digital) space that is based on the interaction between civil society and the state. But the Bulgarian electronic system is an integral part of the entire European information and the administrative basis of Internet services. The implementation of e-government contributes to the integration of the Bulgarian public administration in the EU administrative bodies. The e-government strategy (2003) provides for the development of two different processes in the Bulgarian public administration.

On one hand, the Bulgarian executive branch of government and its administrative apparatus are going to reform themselves by implementing the concept of e-governance. Therefore the concept of implementation ensures the reduction of the public expenses

for administration and administrative procedures. On the other hand, the implementation of e-governance integrates Bulgaria into the EU and contributes to increasing the capacity of coordination, cooperation, and communication between different management levels. In conclusion, to achieve the main goal – integration into the EU administrative structure, Bulgaria has to develop and implement the concept of compatible interfaces pan government.

In the information society, the government absorbs public demands and transforms them into public goods. In this case, the government operates through computer, intranet platform public services. Thus the e-government provides electronically the whole spectrum of public goods and services in compliance with administrative procedures. This is the key to the proper functioning of the public administration, e-governance in Bulgaria respectively, in the context of the information society. The connection between the public administration and the information society is e-governance and its instrument - e-government, which ensures that public and business demands are met.

Some authors associate e-governance with the widespread transformation of public administration in the countries in transition. This deep transition of the state administration, which is mainly based on information and communication technologies, has taken place during two decades. As a result the Bulgarian administration has launched its transformation into a modern, electronic and transparent staff administrative system of the state. E-governance can be formulated as an administrative and organizational state system which communicates with civil society and business through an electronic

interface, rendering electronic services to them. E-governance creates new options for state and business interaction and changes the way the administration functions. It improves administrative procedures and increases administrative capacity. The administration increases the productivity and efficiency of its human resources by using public electronic services. E-governance has the following key aspects:

1. Different administrative bodies in the public administration operate within the framework of the whole information system as they are connected in an intranet framework. The platform (e-government) is the instrument of e-governance;
2. Providing information and constant, electronic, citizens' services;
3. Up-to-date interaction between the administration and the citizens, ensuring a democratic participation of citizens;
4. Supporting and maintaining the economic and social development by using internet and information technologies.

Information and Communication Technologies (ICTs) were recognized as a significant administrative "potential" which helps governments to provide information and services (Heeks, S., 2001). For example, ICTs could help establish a network structure of interconnectivity, service delivery, efficiency and effectiveness, interactivity, decentralization, transparency, and accountability. Electronic government, or e-government, was developed in public administration to cover all of these functions. There is not universal definition of the e-government concept. In order to cover the variety of uses and the different nuances sufficiently, several definitions are presented below.

Digital government is a government that is organized increasingly in terms of virtual agencies, cross-agency and public-private networks whose structure and capacity depend on the Internet and Web. The virtual agency, following the Web portal model used in the economy, is organized by the client.

E-governance can be defined as a new state model for public government. E-governance cannot function efficiently without a reliable instrument. In 2000 the e-government was formulated as an instrument for providing electronic services. In this context e-government could be seen as an instrument and e-governance as a result.

E-governance and e-government describe the new concept for administrative science, and public administration and government theory. The two terms are the basis of a new scientific direction and paradigm which will develop the basis of a new administrative management theory.

In this period the EU developed for the implementation of a strategy for e-government adoption in Bulgaria (2003). Up to 2007, the governing bodies of the EU adopted the e-Government instrument. In conclusion to achieve the main goal – integration into the EU administration, Bulgaria should develop and implement the government interface that is connected to other European administrative bodies.

We can conclude that e-governance is defined as a government organization based on electronic resources for processing, transmission and dissemination of information, including:

- Providing all categories of citizens services and information about the activities of state bodies by electronic means;

- A new model of governance, transformation of the relationship between citizens and business structures;
- Transforming government activities with the help of an entire set of internal and external connections and processes to maintain and ensure the relevant information - communication technologies.

E-governance and its instrument e-government are not only related to the provision of public services by the executive branch of government, but they also transform the public administration into a transparent administrative system. The civil society can observe the Government activities. This principle explains the control of the administrative procedures and decision making in public administration exerted by the civil society.

In Bulgaria, the reform started in 2001 when the government developed a strategy for Bulgaria's accession to the European administration. The second step was to adopt the e-Government Strategy as the basic principle was: "all services in one shop (office)".

The strategy referred to as e-government uses modern information and communication technologies (2002). This strategy establishes an information environment which will be upgraded and connected to the whole communication system at the central and local levels of public administration. This will allow an exchange of operational information and services between the electronic providers of administrative and public services.

The Bulgarian government implements electronic services and builds electronic government on the basis of the new concept for electronic governance (2010). Bulgaria

## Articles

has adopted the concept of e-governance for the period 2010-2015. The purpose of the concept is to formulate a vision and principles on which e-government in the country can be implemented by 2015. In fact this document was the basis of updating the strategy and implementation of e-government in Bulgaria.

Five important agencies in Bulgaria have built an intranet electronic system for the exchange of documents - Ministries of Transport, Foreign Affairs, Economy, the Road Infrastructure Agency and the Air Traffic state-owned enterprise. This system is already functioning.

In the period 2001 - 2009, a great number of activities related to conducting reforms in this field was carried out. Although there are many reasons that account for this fact, some of them are quite apparent. The administrative reforms failed to establish the state system of electronic management because of the lack of administrative capacity. Inconsistent policy contributes to the failure of the administrative reform. Another weakness of the Bulgarian administrative reform is related to the administration interests that provoke the opposite forces. These forces corrupt the state system and the state employees protect their privileges and administrative power. Last but not least there is no administrative body to conduct state reforms in this field. Such a body was established during the term of office of the government that ruled in the 2001-2004 period and continued operating during the mandate of the next parliament. This means that the Ministry of Administration and Administrative Reform was involved in improving the government structure two mandates or eight years. No significant changes in public administration

have been made in the last four years. In our opinion the most essential reforms are conducted by the Ministry of Finance and by the National Revenue Agency (NRA) in particular (Tsonkov, 2012).

Considerable changes related to the administrative regulation of the business and the computerization of administrative authorities in the legal environment has been initiated in the past four years. Electronic control was introduced by the Electronic Signature Act which was adopted in 2008 and provided the basis for the development of e-governance in Bulgaria's civil service. The lack of consistency between the government and the overall reorganization of some public areas (such as closing down the Ministry of Public Administration and Reform) made it difficult to implement a strategy in the administrative services. In compliance with the changes in legislation and the changes in the business processes, the renovation and modernization of the software program in the NRA until the end of 2008 was initiated. In addition all online services provided by the Agency are adjusted by launching a pilot application of e-governance in the Agency.

In 2008 the National Revenue Agency introduced new online services for submitting requests for issuing documents using the Internet. According to the legal amendments and changes adopted in the health insurance sector, citizens have the opportunity to submit declarations for exemption from the obligation to pay contributions as part of any online services they have been offered.

The information requests that were processed by state employees working in the Information center in NRA in 2010 exceeded by 72% those processed in 2009.

Figure 1 illustrates information requests and automatic services which are colored in blue for 2009 and in red for the next year. We see that the Information center usage increased 8 times.

Currently NRA provides 93 administrative services. The National Revenue Agency is a specialized state body under the Ministry of Finance for the identification, securing and collection of public receivables

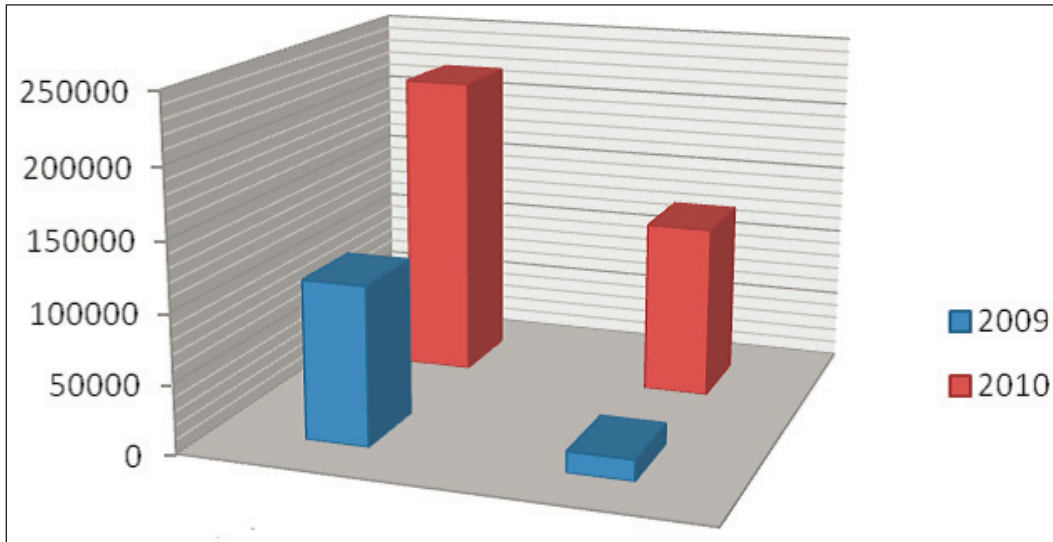


Fig. 1. Information center usage in NRA (2009-2010).

For the 2009 - 2010 period, the automatic services provided by NRA were used by 125 218 citizens that are divided as follows in table 1. Numbers that are put vertically show the number of responses to clients' requests. This system provides automatic administrative services.

Table 1. Number of clients used different type of electronic services.

Type of automatic information or request	Number of clients
Information for health status	95 042
Information for registration according to the Law of tax added value	10 706
Information for payments and declaration	19 470
<b>Total</b>	<b>125 218</b>

from taxes and social security and health insurance contributions. The most important administrative tool of the state authority responsible for creating a specific business environment in the country is NRA.

Another perspective suggests cyber services in the NRA, which facilitate the establishment of a favorable business environment by improving communication and relationships between businesses, citizens and the administration. The third effect of the introduction of e-governance in the Ministry of Finance and NRA in particular is to create a single information environment for data exchange administration, which leads to increasing the administrative capacity and effectiveness of the institution.



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A demonstration of the exchange of electronic documents between the different administrative bodies of the Ministry of Finance was initiated in 2011. The pilot project allows a real electronic exchange of documents between the Ministry of Finance, the Council of Ministers, the Ministry of Interior, the Ministry of Justice, the Ministry of Agriculture and Food and the Ministry of Regional Development and Public Works. This experience demonstrates the opportunities offered by the implementation of an electronic document system as part of the overall concept of e-government and e-governance in the public administration. And this effect is multiplied and transferred to the business to facilitate the activities and its cooperation with the state institutions. A temporal and financial aspect characterize this model. It results in reducing the time necessary to communicate with NRA and other institutions, and the cost of establishing the connection between citizens, economic operators and public authorities (NRA). Making the electronic exchange of documents between institutions possible is a step towards the establishment and functioning of e-government, which optimizes the administrative structure.

The information exchange is protected. The responsible institution is the "Electronic Communication Networks and Information Systems" (ESMIS) Executive Agency at the Ministry of Transport and Communications (MTITC). The information is coded and recognizable by the various administrative information systems (AIS)

such as firms and developers. Afterwards the system transmits the information to a secure environment, accessible only to the departments where it is further encrypted. Through the implementation of the new Treasury system the work is reorganized with documents, introduced in late 2011.

The introduction of the system is made by the implementation of the E-governance Strategy of the Republic of Bulgaria covering the period 2010-2015 and the gradual transition from paper to electronic document exchange and provision of electronic services.

Despite the efforts of the Ministry, we can point out many deficiencies and errors in the electronic services, which raise concerns in the citizens and business.

The extensive monitoring and analysis lead to different conclusions in two key areas – the legal area and that of technical organization. Legal issues arise from the mismatch between the NRA electronic services provided and the current legislation, to quote the Electronic Governance Act and the Act on Electronic Signature. A careful reading of the law shows that e-services software that is certified, should be single registered. There are also other essential administrative requirements for bodies providing services. However, practically the law adopted for registering e-services does not work. In this period e-services offered by the National Revenue Agency fail to meet the requirements and to be correctly applied in technical and legal terms to the current regulations. Thus,

although de jure administrative services, provided by NRA, were illegal, practically there is an electronic system in the Agency that manages and helps citizens and businesses. The question arises, however, how citizens and companies can apply and comply with rules and legislation. However, from the other point of view (business perspective), we can conclude that specialized services increase the efficiency. Through an interactive way of ensuring a connection between the administration, business and civil society, the expenditures of citizens and businesses fall.

The second aspect is related to technical and organizational problems. It is related to the provision of NRA information and technical security system. Discrepancy of data is related to information turnovers and tax income. In this situation the citizens and Bulgarians had to pay higher fees to the NRA.

In recent years, the process of computerization of the administrative services has been in progress. Despite the implementation of the e-government portal, some central administrative authorities failed to improve their computer services. In this respect, one of the most advanced institutions in the field of e-government is the Ministry of Finance, and in particular the National Revenue Agency. However, no conditions have been created for providing and improving a wide access of the citizens to internet, businesses and institutions, which can ensure a fast and secure internet access. Therefore, the computerization of public administration

should be gradually implemented to achieve specific results in this direction. The management of information technology and communications are not concentrated in a single authority of government.

A very important aspect is the lack of measures and administrative tools which should ensure information security at different departments.

The services offered by e-government are not enough. There is a delay in the development of the e-commerce; e-payment and e-health are not guaranteed, nor are the rights of the users of these services. So, we need to introduce e-governance mechanisms at all levels of central and local governance, including a vast range of high quality services provided by the e-government.

It is important to create a digital broadband market in Bulgaria and to integrate the network systems of different agencies; also to integrate counties and municipal governments in a single public electronic communications network, which will increase the number and types of available e-government services and will promote e-commerce. These proposals should be based on:

- Ensured access for all citizens to electronic services through the effective use of information technology;
- Protection of consumer rights and ensured information security;
- Promoting innovation and investment in information technologies and in the development of a single national electronic communications infrastructure.



### Conclusion

The Ministry of finance is the most reformed public structure in the context of adopting e-governance and electronic services. This is a very important hindrance because this system is the “heart” of state. The research shows that efforts have been made and political will has been displayed to incorporate electronic services and improve the financial system in order to simplify the relation between the ministry and all citizens that use its electronic platform for electronic services.

The process of implementing e-governance in the Ministry of Finance has to continue in order to achieve some important goals such as increasing the administrative productivity and improving the administrative processes. This will increase the transparency of the functioning of the ministry system. Moreover, the effective implementation of the e-government strategy in the Ministry of Finance and in National Revenue agency respectively will result in:

- simplifying the provision of services to citizens;
- eliminating layers of government management;
- making it possible for citizens, businesses, other levels of government, and federal employees to find information and get service from the federal government easily;
- simplifying the business processes in the agencies and reducing the costs through integrating and eliminating redundant systems;

- Streamlining the Ministry’ operations in order to guarantee that citizens’ needs are adequately met.

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