MARKET PERSPECTIVE

Czech Public Sector 2017: Compliance Among Top Priorities, Cloud Slowly Takes Off

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EXECUTIVE SNAPSHOT

FIGURE 1

Czech Public Sector ICT Stakeholder Priorities

This IDC Market Perspective discusses the latest developments and stakeholder opinions based on results of the March-April 2016 survey of participants at the Czech Republic's biggest public sector ICT conference, ISSS.

Key Takeaways

- Cloud adoption is starting to gain momentum. Stakeholders are keenly interested in this technology and also in its potential security risks.
- Smart City initiatives are slow to take off. A significant proportion of Czech cities are still not planning to deploy any Smart City project.
- Compliance is the key priority for most stakeholders. The Czech Cybersecurity Act, eIDAS, and the GDPR are among the most important and relevant regulations for public sector ICT.

Recommended Actions

- The time for a cloud solutions marketing and sales push has come, at least for municipalities. Central government may be slower to adopt cloud solutions due to the absence of a strategic framework.
- Smart city initiatives may prove slower to take off than anticipated, and expectations need to be adjusted accordingly.
- Compliance-driven spending is an important determinant of overall spending. Demonstrate knowledge of public sector specifics to persuade potential customers.

Source: IDC, 2017

NEW MARKET DEVELOPMENTS AND DYNAMICS

This IDC Market Perspective discusses the latest developments and stakeholder opinions based on results of the March-April 2016 survey of participants at the Czech Republic's largest public sector ICT conference, Internet ve statni sprave a samosprave (ISSS). Apart from gauging the temperature of several key topics such as cloud, IT security, and smart city initiatives, the 2017 survey questions were the same as in previous years. This paper therefore provides not only a one-off snapshot of the market, but also information about the medium-term dynamics.

ISSS Conference

ISSS is the Czech Republic's main public sector ICT event, in which IDC participates as a partner. The 2017 ISSS conference focused on a range of topics, including implementation of the European Union (EU) General Data Protection Regulation (GDPR), smart city initiatives, and new egovernment projects. The latest IDC survey therefore incorporated these topics, while certain questions have remained the same for three consecutive years (2015–2017), which enables a medium-term comparison and analysis. Apart from topical questions, the survey also included questions regarding public sector ICT priorities and the budgetary outlook.

Although the survey results should be taken with a certain degree of caution, as they represent only the views of ISSS conference attendees rather than an unbiased sample of Czech government stakeholders, the relatively large number of respondents (N=114) offers a valid insight into the mindset of Czech public sector ICT stakeholders.

Public Sector ICT Priorities and Budgetary Outlook

Table 1 provides an overview of the IT priorities of all survey respondents. While security is still considered to be the top priority, there are two notable year-to-year developments that warrant brief analysis. The first is the notable volatility of the importance attached to citizen service enhancements, while the second is the continuous rise in significance of compliance issues.

TABLE 1

IT Priorities

Q. What are the top three IT priorities in your organization for 2017?

Priorities	2015	2016	2017
Internal IT user efficiency	23%	14%	12%
Aligning IT with organizational strategy	24%	17%	18%
Procurement efficiency	15%	12%	10%
Human resource management	9%	5%	8%
IT organization responsiveness	14%	10%	13%
Citizen service enhancements	38%	29%	44%
Internal service productivity/efficiency	19%	18%	14%
Green IT (carbon footprint and recycling)	not present	1%	1%
Reducing costs	27%	18%	18%
Data retention	21%	20%	18%
Regulatory compliance	17%	26%	30%
Collaboration across government institutions	15%	19%	24%
Process automation	17%	18%	20%
Outsourcing IT services	3%	4%	4%
Security of information and systems	42%	54%	55%
Improving quality of skills of internal IT departments	6%	10%	11%
Other (please specify)	3%	2%	1%
Count	N=117	N=123	N=114

Source: IDC, 2017

The volatility of the importance attached to citizen service enhancements may be the result of changing cabinet-level priorities. Another probable cause is the slow but steady development of various smart city initiatives across the country, which are primarily oriented toward the rapid deployment of citizen-facing services (the focus on quick wins is being driven by the nationwide municipal elections due in 2018). The launch of the 202020 initiative should help to increase the popularity of citizen-facing services, and improve the Czech Republic's position in the UN's egovernment rankings.

An even more important factor is the ongoing rise in importance of compliance issues, the main drivers of which are specific EU-level regulations that the public sector is obliged to implement. Some of these, such as the eIDAS Regulation, have been on the agenda since last year, while others are just starting to appear on the radar of stakeholders (the GDPR being the prime example of the latter type). Compliance issues (surrounding the GDPR, eiDAS, and the Czech Cybersecurity Act) were among the topics mentioned the most by participants when asked what subject they would like to hear about during the conference.

The budgetary outlook for most of the participants appears to be even better in 2017 than in the previous year, with 44% of organizations expecting their IT budget to increase and only 13% expecting it to fall. The period of austerity looks to be finally over therefore, with new investments being realized across the public sector.

TABLE 2

Budgetary Outlook

Q. In comparison with last year, how will your IT budget change?

IT budget size	2015	2016	2017
Increase considerably (10% or more)	3%	7%	6%
Increase slightly (2–10%)	22%	28%	38%
Stay the same	50%	53%	44%
Decrease slightly (2–10%)	23%	11%	11%
Decrease considerably (10% or more)	2%	2%	2%
Count	N=117	N=123	N=114

Source: IDC, 2017

Cloud and Smart Cities

This year's survey also covered attitudes toward cloud. The results are not fully comparable to last year's, however, as only participants from regional or central government entities were asked about their attitudes regarding cloud adoption, while participants from municipal bodies were instead asked about their attitudes toward smart city initiatives. That said, it is still worth noting that attitudes toward cloud appear to be slowly changing, as the median value of ICT budget share dedicated to cloud has finally started to rise. There is also a significant trend of stakeholders becoming less concerned about cloud security, which could be indicative of the gradual acceptance of cloud technologies among public sector IT executives. The full results can be seen in tables 3 and 4 below.

TABLE 3

Share of ICT Spending on Cloud

Q. *What percentage of your organization's current total annual IT budget will, in your estimation, be allocated to each of the following areas?*

Area	Value	2017
Traditional IT	Mean	76
	Median	80
	Minimum	0
	Maximum	100
	Count	N=49
Public cloud	Mean	11.8
	Median	10
	Minimum	0
	Maximum	50
	Count	N=49
Private cloud	Mean	12.3
	Median	5
	Minimum	0
	Maximum	60
	Count	N=49

Source: IDC, 2017

TABLE 4

Common Cloud Adoption Concerns

Q. *What are your main fears of using government-run, private cloud?*

Concerns	2017
Security concerns	31%
Excessive costs not justifying the benefits	27%
Lack of current IT staff skills in using cloud-based solutions	24%
Lock-in to solutions that may not match our needs	35%
Loss of control over our own IT budget	12%
Difficult to justify potential increase in operational budget	12%
Loss of control over IT plans	4%
Things will move too slowly (excess bureaucracy)	31%
Technical support will not be good enough	29%
Documentation will be underdeveloped	6%
Breach of data confidentiality by government provider	27%
Cloud outages or network failures	35%
Other (please specify)	4%
Count	N=49

Source: IDC, 2017

The part of the survey aimed at assessing smart city initiatives consisted of two questions. The first aimed to find out how much cities are spending on smart city projects, while the second examined smart city project priorities. The results revealed that smart city initiatives are still not a prime concern for many cities, with funding for traditional IT still significantly higher, as can be seen in Table 5.

TABLE 5

Share of ICT Spending on Smart City Projects

Q. What percentage of your organization's current total annual IT budget will, in your estimation, be allocated to each of the following areas?

Area	Value	2017
Traditional IT	Mean	85.3
	Median	90
	Minimum	40
	Maximum	100
	Count	N=65
Smart City projects	Mean	14.7
	Median	10
	Minimum	0
	Maximum	60
	Count	N=65

Source: IDC 2017

When asked about smart city project priorities, a surprisingly low number of respondents highlighted transport (given the fact that transport plays an important role in most smart city projects worldwide). On the other hand, the survey clearly indicated that smart administration is a priority for cities, and that public security is another key area of focus (see Table 6 for details). However, a significant proportion of cities are not planning any smart city projects, or else are at an early stage and are currently focused on drafting a smart city strategy.

TABLE 6

Smart City Project Priorities in Next 24 Months

Q. What are your smart city priorities (maximum of 2) for the next 24 months?

Priority	2017
Public security	25%
Transport	3%
Smart buildings	3%
Healthcare	0%
Education	8%
Environmental protection	5%
Smart administration and communication with citizens	63%
Drafting of smart city strategy	22%
We are not planning any smart city projects	22%
Count	N=65

Source: IDC, 2017

IT Security

The survey's third area of focus was IT security, which is still a high priority for the surveyed stakeholders. As can be seen in Table 7, however, the threat perception in 2017 has changed somewhat in comparison with the previous year, and so have the spending drivers (see Table 8 for details).

TABLE 7

Main Threats

Q. Which threats (up to three) do you consider as posing the greatest danger to your organization's network, data, and internet security?

Threat	2016	2017
Unintentional data leakage/loss by employees	53%	55%
Malware	24%	26%
External hacking	41%	20%
Employee sabotage	32%	39%
Bring your own device (BYOD) and remote access points	10%	27%
Distributed denial of service (DDoS) attack	19%	13%
Shadow IT systems and solutions	16%	16%
Unwanted reconfiguration	4%	8%
External social networks	23%	6%
Spam	28%	15%
Big data initiatives and management	3%	27%
Cloud security breaches	11%	2%
Enterprise social networks	2%	21%
Other (please specify)	2%	2%
Count	N=123	N=114

Source: IDC, 2017

TABLE 8

Main IT Security Spending Drivers

Q. Which of the following factors (up to three) drive security spending in your organization the most?

Concerns	2016	2017
Cybersecurity Act	58%	49%
Other regulation(s)	42%	55%
Security audit result	35%	32%
Security incidents	42%	46%
Mobile computing — internally issued devices	16%	25%
Mobile computing — BYOD and remote access points	15%	17%
Cloud solutions — private cloud	7%	16%
Cloud solutions — public cloud	14%	11%
Other (please specify)	1%	4%
Count	N=123	N=114

Source: IDC, 2017

Table 7 shows that external hacking is viewed as less of a threat in 2017 than in the previous year, which may seem slightly surprising given the recent high-level security incident involving the Czech Ministry of Foreign Affairs. Bring your own device (BYOD), on the other hand, is becoming a serious issue for many public sector IT stakeholders. Last, but not least, the dangers stemming from big data are gaining prominence, which is probably connected with the increased general awareness of data security gained from the GDPR compliance process. Overall, the results in Table 7 show year-to-year consistency, with employees still seen as the biggest security threat.

Security-related spending is still mainly driven by regulations, be it the Czech Cybersecurity Act or other security-related legislation. More attention is now being paid to these security-related regulations, which suggests that the GDPR compliance process is taking off. The modest increase in the importance of cloud security also indicates that cloud solutions are beginning to gain momentum.

ADVICE FOR THE TECHNOLOGY SUPPLIER

The survey revealed various interesting developments in Czech public sector ICT that warrant the attention of vendors. Most importantly, vendors should consider:

- **Starting to focus on cloud, especially in municipalities.** Cloud appears to be finally taking off in the Czech public sector. While central government cloud adoption may still be hampered by the lack of strategic documents that are necessary to underpin deployment and guide CIOs, municipalities face no such obstacles. The time for a marketing and sales push has arrived.
- **Adjusting expectations for smart city initiatives.** The survey suggests that a lot of cities are simply not ready or willing to undergo a major smart city transformation, and still prefer to invest in traditional IT, although the situation differs from city to city. Cities such as Prague, for example, are planning massive smart-city-related investments.
- **Noting the importance of compliance.** Compliance with Czech cybersecurity legislation has been a major driver for investments in the past. The future will likely involve greater focus on other regulations such as the GDPR, and vendors are already starting to market their GDPR-driven solutions. Those vendors that demonstrate knowledge of public sector specifics and present holistic solutions are most likely to benefit.

LEARN MORE

Related Research

- *Perspective: CEE 2017 Government Outlook* (IDC #CEMA41414217, February 2017)
- *Perspective: Cybersecurity and Government in Central and Eastern Europe, 2016* (IDC #CEMA40558516, November 2016)
- *Weather Report: Cloud and Public Sector Transformation* (IDC #CEMA40676716, May 2016)
- *Czech Public Sector Survey: Security No. 1 Priority, Cloud Development Stalled* (IDC #CEMA41307716, May 2016)

Synopsis

This IDC Market Perspective discusses the latest developments and stakeholder opinions based on results of the March–April 2016 survey of participants at the Czech Republic's largest public sector ICT conference, Internet ve statni sprave a samosprave (ISSS). The survey gauges the temperature of several key topics such as cloud, IT security, and smart city initiatives. Furthermore, considerable portions of the questions were retained from previous years, and this paper therefore provides not only a one-off snapshot of the market, but also information about the medium-term dynamics.

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