

SYSTEM OF GOVERNMENT: Parliamentary

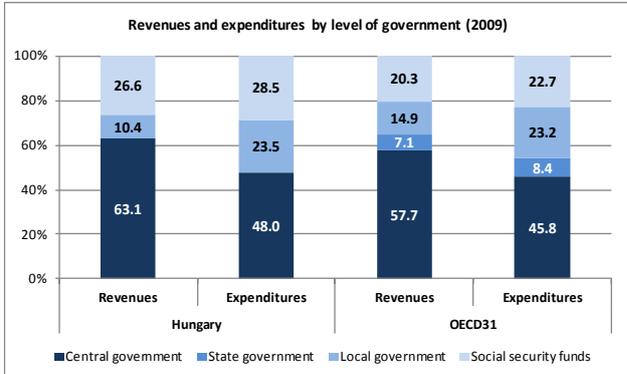
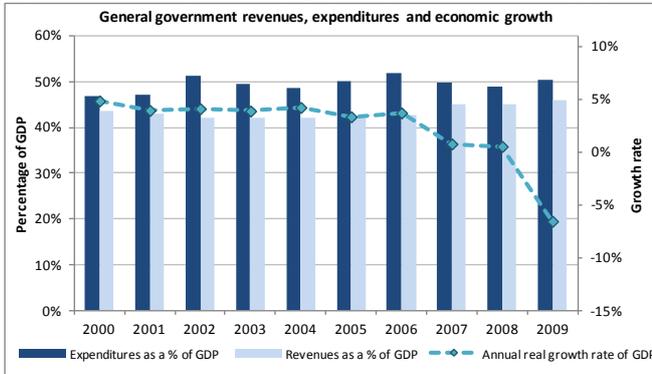
- No. of ministries: 8 (2010)
- No. of governments over last 20 years: 9
- No. of coalitions over last 20 years: 9

STATE STRUCTURE: Unitary

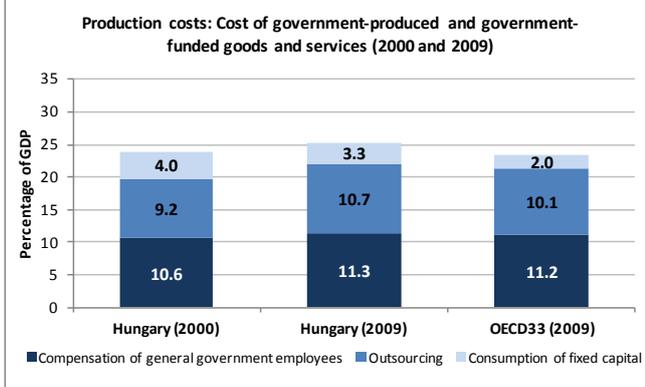
LEGISLATURE: Unicameral

- Upper house: none
- Lower house: elected using Semi-Proportional Representation

Hungary has run persistent deficits over the past decade. Economic growth plunged in 2009, but resumed in 2010 fuelled by robust external demand. While the central government accounts for the largest proportion of revenues and expenditures, social security funds account for a larger share of expenditures compared to other OECD countries. The large number of small local governments is charged with a relatively wide range of responsibilities to be performed (e.g. primary education, water supply and parts of health care), but has only very limited tax-raising capacity.

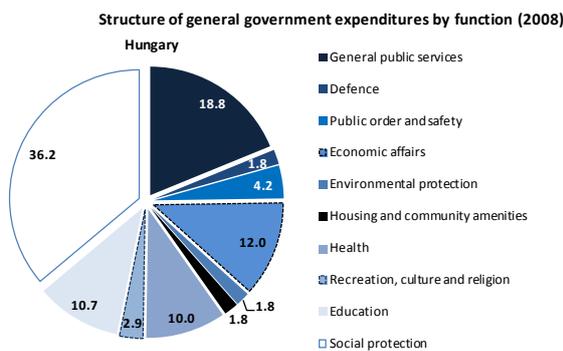


Source: OECD National Accounts and Economic Outlook 89. [Revenues] [Expenditures] [Revenues by level of government] [Expenditures by level of government]



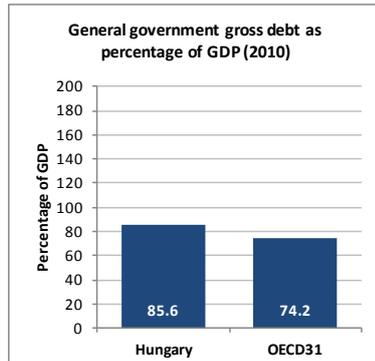
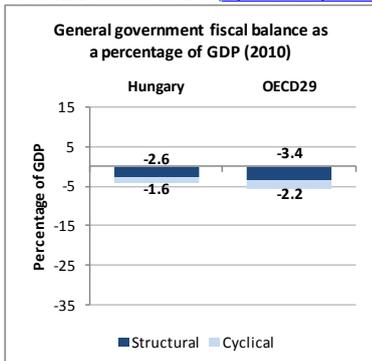
Source: OECD National Accounts. [Production costs]

About 25% of the Hungarian economy was devoted to producing public goods and services in 2009, just above the OECD average of 23.3%. Production costs as a share of GDP increased slightly from 2000 to 2009. During this period, the government has started to rely more heavily on private sector producers and service providers and less on capital in the production process, although the government still uses more capital and less outsourcing compared with other OECD countries.



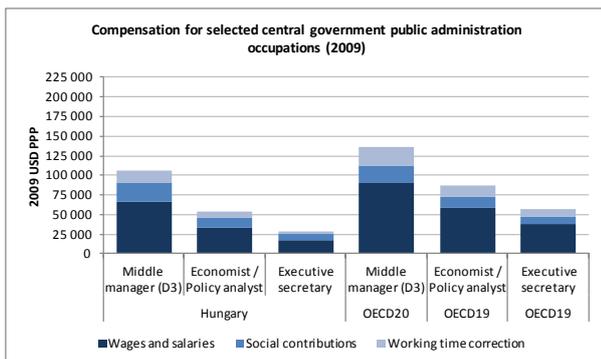
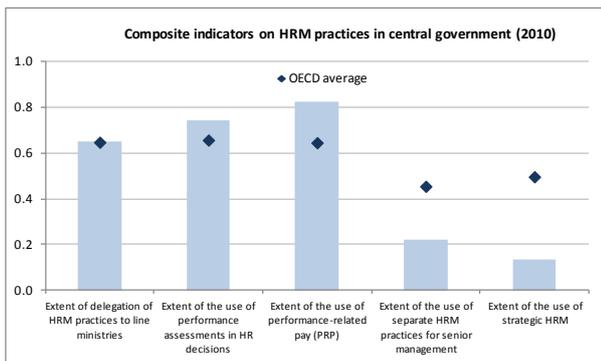
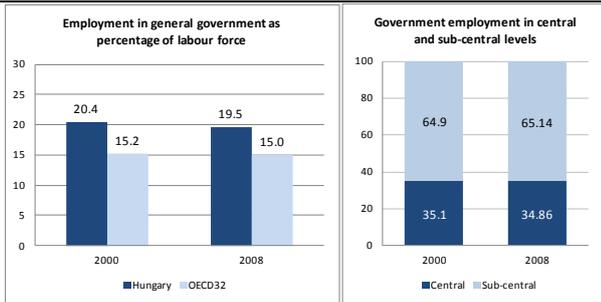
Source: OECD National Accounts. [Expenditures by function]

Hungary stands out in the comparison with the OECD average for its high share of expenditures on general public services (18.8% vs. 13.1%). This is balanced by a relatively smaller proportion of spending devoted to education and health compared to other OECD countries.



Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [Fiscal balance] [Debt]

The deficit in 2010 stood at 4.2% of GDP, better than the OECD average of 5.6%. Gross general government debt stood at 85.6% of GDP in 2010, above the OECD average of 74% (OECD definitions differ from Maastricht criteria). The recent Fiscal Responsibility Law established a fiscal rule targeting a zero increase in the real value of government debt.



Working time correction brings countries to the same basis of comparison in terms of annual working hours (accounting for weekly working hours and holidays).

Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	No	No	Yes	No	97%
Selection & evaluation criteria	No	No	Yes	No	97%
Tender documents	No	No	No	No	82%
Contract award	No	No	Yes	No	100%
Justification for award	No	No	No	No	59%
Tracking procurement spending	No	No	Yes	No	32%

Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".

With 19.5% of its labour force employed by the government in 2008, Hungary is somewhat above the OECD average of 15% but well within the OECD range, which runs from 6.7% to 29.3%. This represents a drop of 0.9% since 2000, and Hungary has plans to further lower public employment by not replacing all staff who leave on retirement, and offering attractive early retirement packages. Public employment is also quite decentralised, with almost two-thirds (65.1%) of public employees working at the sub-central level.

Source: International Labour Organisation. [\[General government employment\]](#) [\[Distribution by level\]](#)

The HRM system of the Hungarian central government is moving slowly from a centralised system to a more delegated one. While the management of the pay system is centralised, the allocation of the budget envelope between payroll and other expenses, the management of variable pay, and the decision on the types and number of posts are shared responsibilities between the centre and the line ministries. The remaining HRM functions are delegated to line ministries. There is an increased performance focus in the Hungarian central government especially in the form of performance-related pay. While performance assessments play an important role in salary setting, they are less often used for promoting staff. The Hungarian central government does not have a cadre of senior civil servants that are managed separately. There is much room to improve the strategic focus in HRM, although there is an accountability framework for senior and middle managers that includes the HRM performance of their organisation. Source: OECD 2010 Strategic HRM Survey. [\[Delegation\]](#) [\[Performance assessment\]](#) [\[PRP\]](#) [\[Senior management\]](#) [\[Strategic HRM\]](#)

Compensation for middle managers, economists/policy analysts and executive secretaries in the Hungarian public service is lower than the OECD average. The compensation structure is also less "flat", with middle managers earning twice as much as economists/policy analysts and 3.7 times as much as executive secretaries (compared to average ratios of 1.6 times and 2.4 times, respectively). A relatively large share (23%) of total compensation is made up of social contributions, with wages and salaries making up 62%. Most Hungarian public employees are required to work 40 hours a week and work an average of 221 days per year. The government plans to reform the remuneration system in the public administration to place more emphasis on tying compensation to the responsibilities of different jobs. Source: OECD 2010 Compensation Survey. [\[Middle managers\]](#) [\[Economist/Policy Analyst\]](#) [\[Executive Secretary\]](#)

Achieving greater transparency in public procurement is important; especially given that Hungary spent an estimated 13 % of GDP on procurement in 2008. Like 12% of OECD member countries, Hungary does not have a central procurement website. Instead, most of all public procurement information is published on the Public Procurement Council Official journal, *Public Procurement Bulletin*. (<http://www.kozbeszerzes.hu>). The government is drafting a new law on public procurement aimed at simplifying tendering procedures and reducing the administrative burdens on bidders. Only procurement plans are published by the contracting agency on their own website. In case the contracting entity does not have a website, the information should be posted on the homepage of the Public Procurement Council. All information notices concerning the performance of the contract, the modification of notices, withdrawal notices or limited extensions to submit tenders, have to be published in the Public Procurement Bulletin. Currently, Hungary is one of the countries that publishes information on justifications for awarding a contract to a selected contractor like in 59% of OECD member countries. However, Hungary does not allow tracking public procurement spending on line as is done by 32% of OECD member countries nor does it publish information on contract modifications. Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public. Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

Functions of the oversight body	Percentage of OECD countries responding "yes"		HUNGARY
Consulted as part of process of developing new regulation	2005	73%	Yes
	2008	82%	Yes
Reports on progress made on reform by individual ministries	2005	43%	No
	2008	56%	No
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005	43%	No
	2008	50%	No
Conducts its own regulatory impact analysis	2005	43%	Yes
	2008	47%	Yes
Anticipating compliance and enforcement			
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005	57%	No
	2008	70%	No
Guidance for regulators on compliance and enforcement	2005	37%	No
	2008	47%	No
Existence of policy on risk-based enforcement	2005	N.A.	N.A.
	2008	30%	No

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Hungary has developed an institutional structure for regulatory management within the Ministry of Justice and Law Enforcement. In 2005 an independent department was established within the ministry, called the Department of Impact Analysis, Deregulation and Registration of Law, to provide professional support for the quality of legislation and the development of impact analysis. It was abolished in July 2006 as part of cutbacks in the size of the public sector, and its missions partially transferred to other departments of the ministry.

Between 2006 and 2010, the Ministry of Justice and Law Enforcement coordinated programmes relating to regulatory quality. Another major programme for regulatory quality was the burden reduction programme for business and citizens, which was launched in 2008. The most recent step has been the establishment of the Impact Assessment Unit within the Ministry of Public Administration and Justice in mid 2010. The unit is responsible for (a) co-ordinating the development of the system for regulatory impact assessment, (b) monitoring RIA activity of other ministries, and (c) working on impact assessment projects on regulatory drafts and planned projects in co-operation with the units responsible for the preparation of these proposals or papers.

The Hungarian government has not developed an explicit risk-based policy on enforcement.

Source: OECD 2008 Survey on Regulatory Management; OECD (2007), "Regulatory Management Capacities of Member States of the EU that Joined the Union on 1 May 2004: Sustaining Regulatory Management Improvements through a Better Regulation Policy", Sigma Papers, No. 42.

[\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

OPEN GOVERNMENT

Disclosure of public sector information, 2010

Types of information disclosed	Proactive disclosure		
	Hungary	OECD32	Publication channels
Budget documents	●	94%	CP, MA
Audit reports	●	72%	CP, MA
List of public servants and their salaries	○	28%	MA
Sharing of administrative data			
Administrative data sets	●	66%	CP, MA
Requirements on publishing in open data formats	No	53%	–
<ul style="list-style-type: none"> ● Required to be proactively published by FOI laws ◎ Not required by FOI laws, but routinely proactively published ○ Neither required nor routinely published <p>CP= central portal; MA= ministry or agency website; OW=other website</p> <p>OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.</p>			

Hungary's Freedom of Information legislation- which includes among other provisions the Data Protection Act of 1992 and the Freedom of Information Act by Electronic Means of 2005- requires that the government proactively publish budget documents and audit reports. This information is provided most commonly on a central portal as well as on individual ministry/agency websites. As is the case in the majority of OECD countries, lists of public servants and their salaries are not proactively published. Administrative data sets are required to be made available to the public but Hungary currently does not have requirements on publishing in open data formats which could hinder the re-use of this information. This is expected to change however, as the government intends to generalise the use of Open Document Format within the public sector in 2011. Furthermore, recently, a central website has been launched and which features a public data search system. This search application allows users to find reference links to data from different government agencies.

Source: OECD 2010 Survey on Access to Information. [\[Disclosure of information\]](#) [\[Publication channels\]](#)

E-GOVERNMENT

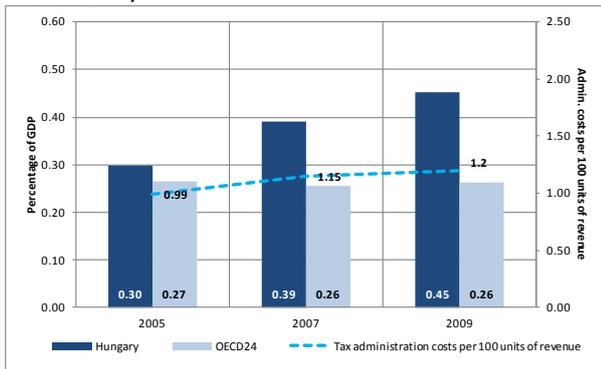
E-Government building blocks and e-procurement, 2010

e-enabling laws and policies	Hungary	OECD25
Recognition & use of digital signature	●	100%
Electronic filing within the public sector	●	88%
Administering PPPs for e-government projects	○	64%
Services offered on single-entry procurement website		
Tender searches	No single-entry site	62%
Tracking of outcomes of contracts	No single-entry site	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable		

Similar to most OECD countries, the Hungarian Government has put laws and/or policies in place to promote the use of digital signatures and electronic filing in the public sector. Starting in 2014, it will be obligatory in the work processes of the public sector to utilise digital signatures. However, contrary to 64% of responding countries, the government does not administer public private partnerships for e-government projects. Hungary does not have a singly-entry procurement website but publishes procurement information (e.g. tender announcements, procurement plans, etc.) in domestic printed or electronic journals.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

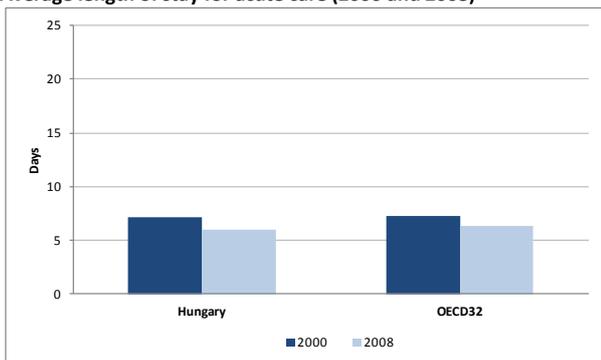
Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. Over time, a decreasing trend could reflect greater efficiency in terms of lowered costs and/or improved tax compliance. In Hungary, the administration costs of collecting 100 units of revenue have increased between 2005 and 2009. Total revenue body expenditure has also increased during this period and could partly explain this trend, as could a drop in revenues following the crisis. Total revenue body expenditure in Hungary is nearly double that of the OECD average.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

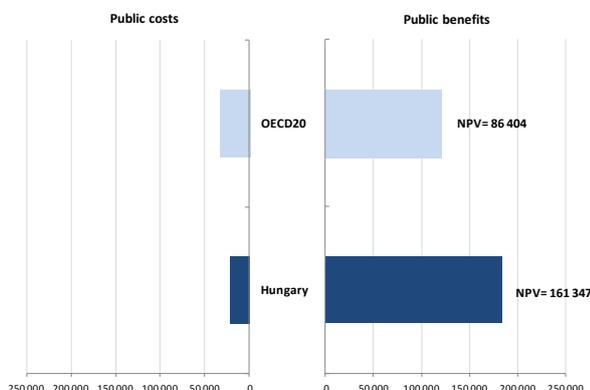
Average length of stay for acute care (2000 and 2008)



The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in hospital for curative care. In Hungary, the ALOS decreased from 7.1 days in 2000 to 6.0 days in 2008 in Hungary. This decrease is similar to that of the OECD average, where the reduction was about one day over the same period. Over time, reductions in ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilising less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs. Too short a length of stay however could cause an adverse effect on health outcomes.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

Public net present value for male obtaining tertiary education as part of initial education (2006), USD PPP



Both government and society gain economic benefits from increased schooling. Obtaining a tertiary education helps people enter the labour market and earn more, thereby increasing government tax revenues. A more educated and employed population can also reduce the government obligations for benefits and social assistance. At around USD 161 300, Hungary’s public net present value (NPV) for a man obtaining tertiary education is much higher than the OECD average. This measure represents the public economic returns to education after having accounted for the costs of this education. In the case of Hungary, the NPV is over seven times the net public investment in tertiary education—the highest among OECD countries—providing a strong incentive to expand higher education.

Source: OECD (2010), Education at a Glance 2010: OECD Indicators, OECD Publishing, Paris. [\[Public NPV of education\]](#)

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available in Annex E at: www.oecd.org/gov/indicators/govataglance.

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay (PRP) index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

Compensation data: Total compensation includes wages and salaries and employers’ social contributions (those to statutory social security schemes or privately funded social insurance schemes, as well as unfunded employee social benefits paid by the employer, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems)). In most cases data are for six central government ministries/departments only (interior, finance, justice, education, health and environment or their equivalents). Working time adjustment compensates for differences in time worked (both weekly working time and holidays). Compensation was converted to US dollars using purchasing power parities (PPPs) for GDP from the OECD National Accounts database. Differences in compensation policies can be the result of different bargaining powers; the state of the labour market (such as compensation in the private sector for similar positions); specific labour shortages; and the attractiveness of the government as an employer. While the survey uses the International Standard Classification of Occupations (ISCO) to standardise job categories, full comparability of responsibilities behind the occupational titles across countries presents difficulties in some cases. Annex D in *Government at a Glance 2011* fully details all limitations to data comparability, including those related to the measurement of employer’s social contributions (which were based on sources outside the survey for a number of countries, leading to potential inconsistencies).

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

Public net present value for male obtaining tertiary education: Tertiary education refers to levels 5 and 6 in the International Standard Classification of Education (ISCED 97). Public costs include lost income tax receipts during the schooling years and public expenditures related to tertiary education. Public benefits include additional tax and social contribution receipts associated with higher earnings, and savings from transfers (housing benefits and social assistance) that the public sector does not have to pay above a certain level of earnings. The discount rate is set at 3%, which largely reflects the typical interest on an investment in long-term government bonds in an OECD country.