

LEGISLATURE: Unicameral

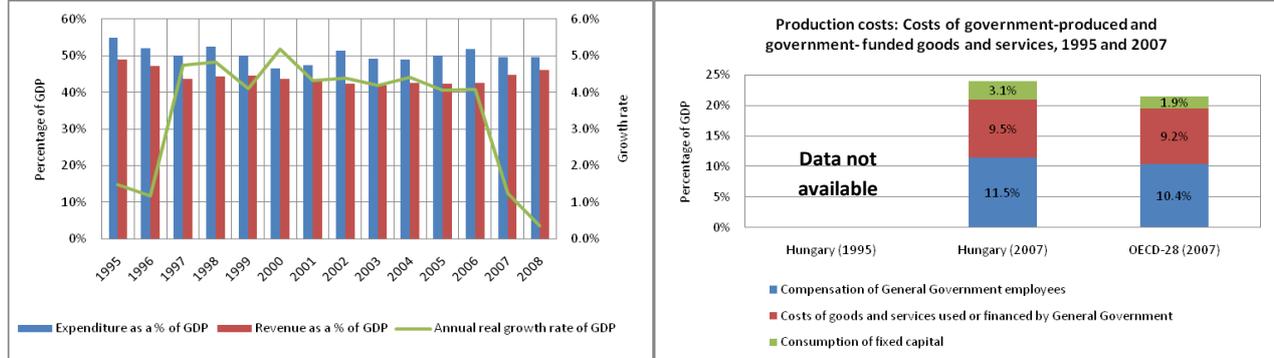
- Upper house: none
- Lower house: elected using Semi-Proportional Representation

SYSTEM OF GOVERNMENT: Parliamentary

- No. of ministries: 13(2008)
- No. of ministers: 16 (2008)

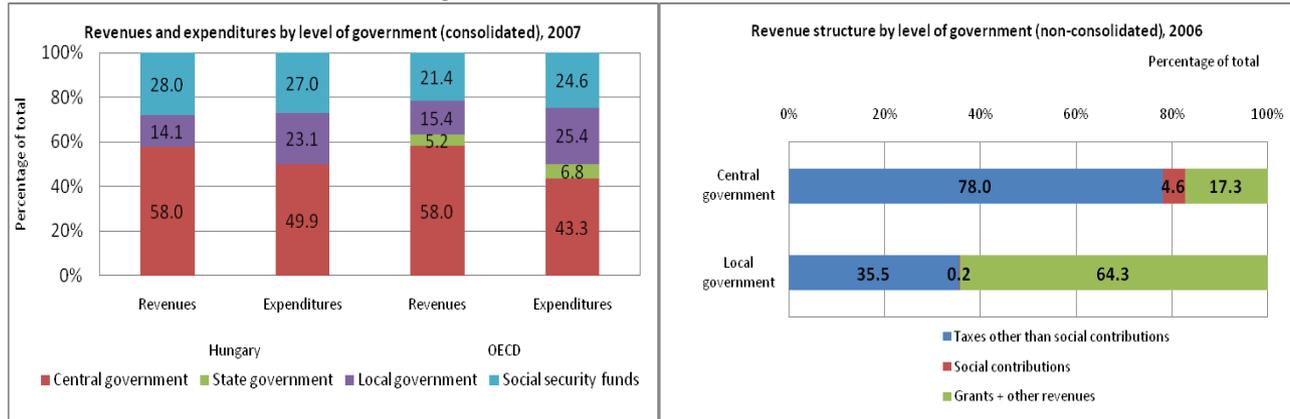
STATE STRUCTURE: Unitary

While government expenditures have been near 50% of GDP since 2000, revenues are much lower, although the gap between revenues and expenditures narrowed in 2007 and 2008 due to fiscal consolidation measures introduced by the Hungarian government. Once robust, GDP growth declined sharply in 2007. Total production costs of goods and services funded by government as a share of GDP are higher in Hungary than average in the OECD.



Source: OECD National Accounts and Economic Outlook. [\[Revenues\]](#) [\[Expenditures\]](#) [\[Production costs\]](#)

While the Hungarian 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 in turn charged with a relatively wide range of responsibilities to be performed (e.g. primary education, water supply and various areas of health care), but has only very limited tax-raising capacity: the share of Hungary's local governments in total public spending is close to the OECD average, but the share of local governments' own tax revenues in total tax revenues is well below average.



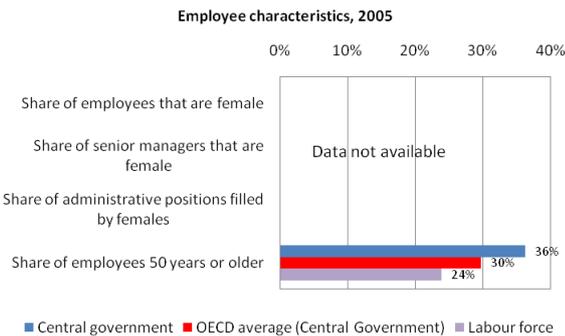
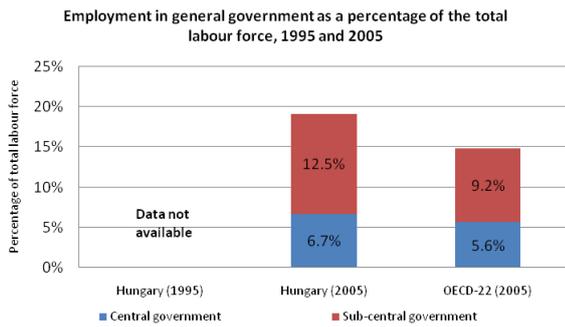
Source: OECD National Accounts [\[Revenues\]](#) [\[Expenditures\]](#)

Hungary stands out in the comparison with the OECD average for its high share of expenditures on general public services and economic affairs. The latter mostly reflects the presence of large investment spending on road infrastructure, particularly motorways. The share of total expenditures devoted to health care is relatively modest. Almost half of all central government expenditures go towards general public services and social protection. Local governments have large responsibilities for providing education, environmental protection, and housing and community amenities. General public services also account for a notable share of local government resources.

Expenditure structure by function of government (non-consolidated), 2006	Hungary		General government	OECD-26 General government	EU-19 General government
	Central government	Local government			
Share of total					
General public services	23.1%	17.2%	18.5%	13.8%	13.9%
Defence	3.9%	0.0%	2.7%	3.4%	3%
Public order and safety	5.6%	1.2%	4.2%	3.8%	3.7%
Economic affairs	15.7%	8.2%	12.1%	10.6%	10.1%
Environment protection	0.5%	4.7%	1.4%	1.7%	1.5%
Housing and community amenities	0.2%	8.4%	2.1%	2%	1.9%
Health	11.3%	14.6%	10.6%	15.1%	14.1%
Recreation, culture and religion	3.3%	4.8%	3.2%	2.6%	2.5%
Education	10.8%	29.2%	11.2%	12.9%	11.6%
Social protection	25.6%	11.5%	34.1%	34.2%	37.7%

Source: OECD National Accounts [\[General government\]](#) [\[Central, state and local\]](#)

GOVERNMENT EMPLOYMENT: SIZE AND CHARACTERISTICS



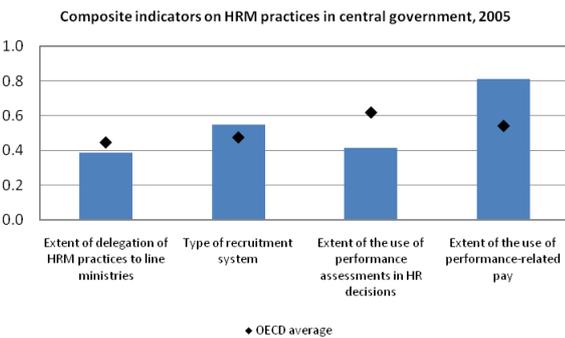
Government employment in Hungary amounts to 19.2% of the total labour force, 5 percentage points higher than the OECD average. Government employment in Hungary is decentralised, with around two-thirds of staff employed at the local government level.

Source: OECD Comparison of Employment in the Public Domain Survey and Labour Force Survey
[\[General government employment\]](#) [\[Distribution by level\]](#)

An ageing workforce will be a significant challenge for the Hungarian central government as a substantially higher proportion of its employees are 50 years or older compared to the wider labour force. The ratio of older workers in central government surpasses the OECD average by roughly 5 percentage points. This creates difficulties in the government's ability to maintain capacity and continuity but also presents an opportunity to reform positions and recruit staff with different skill sets.

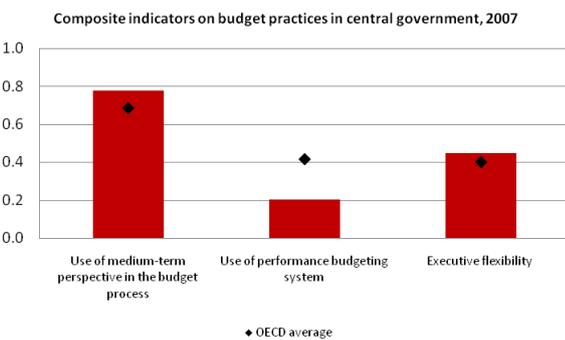
Source: OECD Strategic HRM Survey and Labour Force Survey
[\[Female participation\]](#) [\[Ageing\]](#)

COMPOSITE INDICATORS: PUBLIC MANAGEMENT PRACTICES



The HRM system used by the Hungarian central government is relatively centralised, with a comparably low level of delegation of authority to line departments. In recent years, there have been efforts to further centralise HRM functions by reducing the authority of line ministries. The HRM system is rather career-based. Recently, there has been 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 is characterised by a cadre of senior civil servants that are managed separately.

Source: OECD Strategic HRM Survey
[\[Delegation\]](#) [\[Recruitment\]](#) [\[Performance management\]](#)

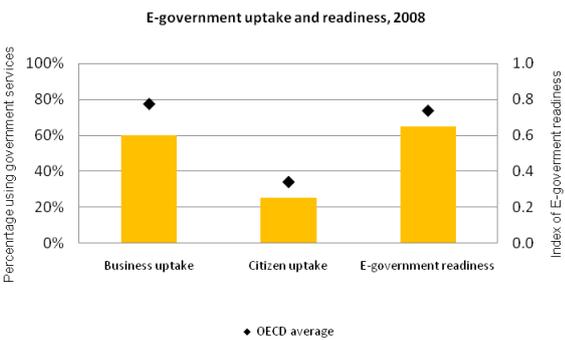


Hungary has modernised its budget process over the last ten years, first as part of the EU accession programme and subsequently with the Convergence Programme 2005-08. The central government has taken steps to incorporate medium-term expenditure estimates and ceilings into the budgeting process, and is considering the adoption of fiscal rules that emphasise the introduction of multi-year expenditure limits. However, Hungary does not use performance information to a similar extent as other OECD countries. While the budget has a strong and detailed input focus, plans are being developed for a new framework that is more output oriented and that will allow for more use of performance information. Similar to most OECD countries, after approval by Parliament, the Hungarian budget is rather rigid and leaves only limited room for reallocation.

Source: OECD International Budget Practices and Procedures Database.

[\[Medium-term\]](#) [\[Performance budgeting\]](#) [\[Executive flexibility\]](#)
 OECD Journal on Budgeting: www.oecd.org/gov/budget/journal

E-GOVERNMENT



In a short space of time, Hungary has significantly increased the online availability of 20 core e-government services benchmarked by the EU and improved the number of transactional services that can be completed on line. Hungary has also set up a government-wide electronic communications backbone, a national government portal and an electronic authentication gateway – all important elements for co-ordinated online service delivery. However, Hungary exhibits a lower level of e-government readiness and uptake compared to other OECD countries, in part due to limited broadband access.

Source: United Nations E-Government Readiness Knowledge Base, Eurostat.

[\[Readiness\]](#) [\[Uptake\]](#)
[\[OECD E-Government Publications\]](#)
 Reforms for Stability and Sustainable Growth: An OECD Perspective on Hungary (2008): <http://www.oecd.org/dataoecd/10/60/40415872.pdf>

INTEGRITY

Types of information central government decision makers are required to disclose and level of transparency, 2009

Requirements for disclosure	President	Prime Minister	Minister	Members of Parliament
Assets and liabilities	DP	DP	DP	DP
Loans	DP	DP	DP	DP
Source and level of income	DP	DP	DP	DP
Outside positions	DP	DP	DP	DP
Gifts	DP	DP	DP	DP
Previous employment	ND	ND	ND	ND

D= Disclosed; DP= Disclosed and publicly available; ND= Not disclosed; NA= Not applicable.

Compared to other OECD member countries, Hungary requires key elected officials from the executive and legislative branches to disclose and make publicly available a significant portion of their private interests. For members of Parliament, the General Secretary collects the disclosures every Spring and posts them on the Parliament website. Timely disclosure is encouraged by progressive sanctions that start with the reduction of allowances and escalate to the suspension of voting rights. In addition, Hungary has begun requiring disclosure for officials in the judiciary, such as for judges.

Source: *OECD Survey on Integrity Disclosures*

REGULATORY MANAGEMENT

Requirements for Regulatory Impact Analysis (RIA) processes used by central governments

	2005	2008
Quality reviewed by body external to Ministry preparing rules	No	No
Required for draft primary laws	Always	Always
Required for draft subordinate regulations	Always	Always
Required to quantify costs	In selected cases	In selected cases
Required to quantify benefits	In selected cases	In selected cases
Required to publicly release results	No	No

The 2005 and 2008 surveys of Indicators of Systems of Regulatory Management examined the extent of governance practices designed to improve the quality of regulation in OECD countries. Among the most important practices are: the use of regulatory impact analysis (RIA) to assess the cost and benefits of new regulation and the institutional oversight of the quality of regulations; and the design of programs to reduce the costs of administrative activities on business and citizens.

Hungary has not taken as many steps as some other OECD countries to introduce a comprehensive regulatory management system; however, many of its elements are in place. The central government has recently embarked on a programme to reduce administrative burdens on businesses and citizens with a goal to reduce these burdens by 25% by 2012. Regulatory impact assessment is being

Source: *OECD Survey on Regulatory Management*.

[[RIA](#)] [[Administrative simplification](#)]

Regulatory Management Indicators: www.oecd.org/regreform/indicators

EU 15 reviews on Regulatory Reform: www.oecd.org/gov/regref/eu15

Background reports on Regulatory Reform: www.oecd.org/regreform/backgroundreports

Extent of programs for reducing administrative burdens at the central level of government

	1998	2005	2008
Explicit programme exists	No	No	Yes
Includes quantitative targets	No	N/A	Yes

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, the costs of goods and services produced by private entities funded by government (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 2009*.

Employment characteristics: The OECD averages refer to the following number of countries:

- Share of employees that are female: OECD-23
- Share of senior managers that are female: OECD-22
- Share of administrative positions filled by females: OECD-17
- Share of employees 50 years or older: OECD-25

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 at: www.oecd.org/gov/indicators/govataglance.

- **Delegation index** gathers data on the delegation of determining the number and types of posts needed in an organization, 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.
- **Type of recruitment system index** includes policies for becoming a civil servant in general (*e.g.* competitive examination or direct application) and for recruiting senior civil servants, and systems for appointing entry-level positions and for allocating posts across departments. This index describes a spectrum of recruitment systems in place in OECD member countries. Countries scoring closer to 0 have career-based systems whereas countries scoring closer to 1 have more position-based systems. The index does not evaluate the performance of difference systems.
- The **performance assessment index** indicates the extent to which it is 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 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.

Budget 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 at: www.oecd.org/gov/indicators/govataglance.

- The **medium term budget perspective index** contains information on whether countries develop and present multi-year expenditure estimates in the annual budget, the number of years the estimate covers, how often estimates are updated; and whether there are multi-year targets or ceilings and how often these are revised. This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.
- The **performance budgeting index** contains information on what type of performance information is developed; the processes for setting goals and targets; the process for monitoring and reporting on results; and if and how performance information is used in budget negotiations and decision making processes by key actors including the central budget authority, the line ministries and politicians. This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.
- The **executive flexibility index** contains the following variables: the extent to which lump sum appropriations are used; the number of line items in the budget; agencies' ability to carry-over unused budget allocations between years, borrow against future appropriations, reallocate between line items and keep efficiency gains; and constraints on the executive's ability to increase spending during budget execution. This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

E-Government:

- The **UN e-government readiness index** ranges between 0 (low level) and 1 (high level). It measures the capacity of governments to implement and develop e-government services. Developed within the framework of the UN global e-government survey, the indicator consists of three sub-indices: (1) the web measure index, (2) the telecommunication infrastructure index and (3) the human capital index. The web measure index ranks countries based on the coverage, sophistication and availability of e-services and e-products. The index categorizes countries as having either an emerging, enhanced, interactive, transactional, or networked e-government presence. The telecommunication infrastructure index is a weighted average of 5 measures of ICT infrastructure capacity: PCs/100 persons, Internet users/100 persons, Telephone lines/100 persons, Broad-banding/100 persons and Mobile phones/100 persons. The human capital index is a weighted average of the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-thirds weight).
- The e-government take-up by citizens indicator measures the percentage of individuals (aged 16-74) who used the Internet to interact with public authorities in the 3 months preceding the survey. Data are collected through Eurostat's annual Community Survey on ICT Usage in Households and by Individuals, and are only available for European countries.
- The e-government take-up by businesses indicator measures the percentage of enterprises using the Internet to interact with public authorities. Only businesses with 10 or more employees are included. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-commerce in Businesses.