

ICA COUNTRY REPORT
Hungary
40th ICA Conference, Guadalajara

I. Brief description of the governance structure with changes in 2006

Hungary has three levels of government: Central government, 19 counties and the capital Budapest, and municipalities. Hungary is a Parliamentary Republic, and its legislative body – a unicameral parliament (National Assembly) – consists of 386 members elected for four years.

Executive power is formally held by the President of the Republic, who is the Head of State. The government is headed by the Prime Minister. The President is elected by a two-thirds majority vote by the National Assembly for five years. The President has limited policy-making power, and effective executive power is exercised by the government, in which the Prime Minister plays a key role. The National Assembly elects the Prime Minister upon a proposal from the President of the Republic, on the basis of the principle of parliamentary majority, and approves the government programme. The Prime Minister nominates the ministers of the government, who are formally appointed by the President after approval by the relevant committees of the National Assembly.

Public administration functions are performed by two types of institutions: Local or regional offices representing and directed by the central government, and local governments directed by locally elected bodies. According to 1989 amendments to the Constitution, the local governments are independent. Local governments have an elected representative body and an executive entity, the Mayor's Office. The Mayor's Office executes both local administrative tasks (for which it is responsible to the representative body) and state administrative tasks (for which it is responsible to the state authorities). Local governments are legal entities that have full independence in local matters including the adoption of local legislation and administration of financial resources. Their income base is generated through local taxes and central government funding of generic and specific nature. At the *local level* Hungary has 3,145 local governments operating in 19 counties and Budapest.

The new government that came into power in June 2006 (after a general election in April) has announced both significant budgetary restrictions for the public sector in order to reduce public spending, and an increase in taxes for both citizens and businesses. Despite the fact that Hungary is now experiencing greater economic stability high budget deficits and requirements for entry into the Euro zone are forcing the government to introduce austerity measures

At the *central level* the new government structure from June 2006 has reduced the number of ministries leaving a current number at 11 (instead of previous 15); the number of ministers has also been reduced, and some minister positions without portfolios have been abolished.

Some leading posts in the public administration have also suffered basic changes. The posts of the political state secretary (deputy minister) was replaced with the post of the senior state secretary, the highest post in the public administration, that of the permanent state secretary was abolished, while former deputy state secretaries responsible for specific domains were replaced by state secretaries. This change implies that administrations of our ministries in the future will be directed from political level.

II. The strategic approach towards e-Government

During the 16-year history of the Republic of Hungary no profound reform of the central government administration took place. In its June 2006 policy statement, the new Hungarian government

announced that it will take up the challenge of extensive and profound public sector reforms. E-Government development in Hungary has primarily been driven by political priorities. Like most developed countries, Hungary has seen e-government development as a part of a larger political and strategic view on developing an Information Society and a digital economy to enable the country to compete globally. For Hungary, the main political driver for most policy areas has been Hungary's political priority goal: Integration into the leading market economies in Europe and globally. With EU membership and the accession process as a national goal, Hungary has focused on European "quick-wins" within the e-government policy area, such as aligning policies, laws and governance structures to European Union demands.

There are several **important e-government-related changes** in the new central government structure from June 2006:

- The established in 2002 Ministry of Informatics and Communications (IHM) has been abolished, and its tasks, mainly related to the area of the Information Society, with the exception of those relating to e-public administration, have been transferred to the Ministry of Economy and Transport. Its tasks in connection to e-government have been transferred to the Prime Minister's Office where they will be merged with the E-Government Centre (EGC) and form a new **Centre for Electronic Public Services** to be formally established by 1 January 2007 (EKK has previously been in charge of the country's E-Government Strategy reported in our last year's country report for the Salzburg conference).
- The Central Data Processing, Registration and Election Office, which used to be an agency under the Ministry of Interior, will also be merged into the new Centre for Electronic Public Services (EKK).
- A Government Commissioner responsible for the IT developments in the Public Administration has been in charge to manage this reorganization process. As a governmental CIO, he is reporting to the Minister of the Prime Minister's Office and presides over both the Inter-Departmental Conciliatory Committee for Government Information Technology and E-Government Operative Committee having been operational in the previous government cycle as well.
- The Ministry of Interior's tasks have been transferred to two other ministries: most tasks have been transferred to the Ministry of Local Government and Territorial Development established by the new government, while the issue of law enforcement has been transferred to the Ministry of Justice and Law Enforcement.
- To achieve a more cost-efficient and transparent use of public funds, the government intends to centralise certain administrative functions of central government such as public procurement, tendering, bookkeeping, payroll functions, ICT, customer service, human resources management, travel and protocol functions; a shared service centre will be established to operate these generic administrative tasks across ministries.

III. The OECD study

At the request of our previous Government, the OECD is conducting a peer review of e-government in the Hungarian public sector. The overarching objectives of the review, as agreed with the Government, are:

- To apply the OECD's e-government analysis framework so as to provide Hungary with a report on its e-government strategies and solutions, with a focus on how they contribute now, and could contribute in the future, to its good governance objectives in the information age.

- Through reviewing e-government in Hungary, to further develop the OECD's e-government analysis framework, and obtain knowledge and information that will enable robust cross-country comparisons of e-government in countries participating in OECD Peer Reviews (previously Norway, Denmark, Mexico and Nederland, Turkey lately) .

The analytical framework for the review is based on OECD publications *The e-Government Imperative* (2003) and *e-Government for Better Government* (2005). E-Government is examined in the context of public governance reform and modernisation.

In May this year the OECD provided the Preliminary Findings of the Study, which served two purposes. First, it is focusing on areas where conclusions may be drawn that could lead to proposals for action to our Government. Second, it highlights/identifies aspects of e-government development which require more in-depth analysis and, given their particular relevance across OECD countries, could benefit from more focused discussion among OECD e-government officials. The report discusses e-government under the following major headings: country profile, challenges, leadership, implementation, collaboration, and outputs and outcomes.

The full review, to be completed in August 2006, will further develop the observations presented in the Preliminary Findings, provide additional evidence, and make proposals for action for the government.

The main findings are introduced as follows:

Major progress in e-government began later in Hungary than in many other OECD countries. One of the priorities in the Hungarian Information Society Strategy policy adopted by Government in November 2003 was to create a modern and efficient public administration. The implementation of this policy has been at the core of the E-Government Strategy and Programme. Hungary has made significant progress in terms of setting up a proper technical and legal infrastructure and providing better services to citizens and businesses. To achieve the strategic goals of good governance, further progress is needed. This can be achieved by developing further integration of e-government services through increased interoperability with an emphasis on user take-up, public sector modernisation, and realising e-government benefits and making e-government pay-off.

IV. The latest results

1. The interim evaluation of the 2005 realisation of the Program Plan and the E-Government Strategy (described in our last year's Country Report)

For the sake of a multilayer continuous (rolling type) strategic planning of e-government based on the principles laid down in the E-Government Strategy, and taking into account the most important tasks of the coming period, a yearly interim monitoring process took place. The last 2005 interim monitoring, based on the competencies, indicators of results and effects, revised the realisation of the Program Plan and proposed a modification of the E-Government Strategy. The Strategy was investigated in the light of i2010 document, the e-Government working paper for 2010 of the EU, and the IDABC program as well, and in compliance to the public expectations corrective steps were planned with special regard to the objectives comprised in the national development strategy documents.

The interim evaluation of the 2005 realisation of the Program Plan and the E-Government Strategy was accomplished in January 2006. The evaluation reinforced the right direction determined by the E-Government Strategy: the necessity of creation of a unified infrastructure, the single window like realisation of the Client Gate, the identification system making possible the use electronics services and finally realisation with a systematic approach of various elements of the Central Electronic Service System (both the Client Gate an the Central System were first mentioned in the last year's

report). The strategic planning for the period 2006-2010 will be based on the i2010 E-Government Action Plan accepted by the European Union in April 2006.

2. *Regulatory Activity*

In order to create a service-providing state, efficiently manage budgetary resources and to comply with the requirements of operating as a European Union Member State, the Government has issued a Government Decree on the coordination of government information technology and relevant procedures. According to the decree, government institutions are to perform their ICT activities as coordinated by the Government Commissioner (in the CIO role), who has the **right to consent** to and **express his opinion** regarding the government ICT strategy, the annual government ICT investments and operating budget of concerned organizations, and the modifications thereof, and also reviews related implementation.

The Electronic Government Centre (EGC) played an initiating and active role in the codification activity aimed at the elimination of legal barriers to electronic government. It participated in the preparation of 13 legal materials as an independent author, and of 13 further legal materials as a joint co-author during its term.

The evaluation of E-Government Strategy 2005 and the experiences gained during the practical implementation of e-government show that for the purposes of further *regulation* an *e-administration (e-public service) act* that takes European legal harmonisation requirements into account should be passed, which is to be drawn up with particular attention to the directions of the public administration modernisation strategy. In the meantime, the law must also promote the improvement of the internal efficiency of the public administration (public service) sector. In the course of this, special attention must be paid to supporting interoperability-based data exchanges and to satisfying the conditions of quality service, which—as a consequence of the service-providing state approach—is focused on clients, while full protection of personal data must also be ensured. Provision of electronic services as well as the obligatory use of the Central Electronic Service System services must be promoted both in respect of public administration bodies and the civil servants concerned. Authentication and representation-related cross-authentication via the Client Gateway must be made obligatory for the electronic management of all administrative matters. Authentication requirements for the electronic management of official matters must be simplified and made uniform, and the authentication of civil servants with rights to issue official copies of documents must be ensured with respect to that role.

3. *Latest developments of the Central Electronic Service System (CESS)*

Since our last year's report several important developments took place concerning the elements of the CESS, comprising the Electronic Government Backbone (EGB), the Government Portal, the Client Gate and the Government Customer Information Centre.

- **Electronic Government Backbone**
 - In the second half of 2005 the **second (redundant) network centre** went into use and in parallel with it the Border Defence System providing the Internet access became more powerful. Enlargement of the capacity of backbone sections was finished with the migration to the new technology (DWDM). As a result a 6 Gps bandwidth was reached country-wide, which is providing sufficient capacity for development IT services in the middle run.
 - A modern, high performance **firewall system** was put into operation securing an operation without breakdown.
 - According to a Government Decree, in 2004 a completely closed MPLS VPN network was implemented on the EGB infrastructure, which enabled the 9

institutions concerned **to manage classified EU documents**. The classified documents are encrypted and decrypted using an encryption tool that was developed for foreign affairs purposes and was tested and authorised by the National Cryptography Authority.

The document database is set up and maintained by the Ministry of Foreign Affairs, and the network suitable for forwarding classified information (HSNet) was implemented—using the EGB—by the Electronic Government Centre of the Prime Minister’s Office. In the second half of 2005 the HSNet network was supplied with further end-nodes.

- In order to achieve better use of EGB’s ICT infrastructure, additional government institutions are connected to it on an ongoing basis. Currently, **there are 130 institutions connected to EGB in Budapest**, which number practically includes the majority of central and national institutions. The connection of the systems of the national institutions was started and by May 2006 already 58,000 users were using the EGBN at 740 institutional sites.

According to a Government Decree, all (currently about 1,100) government institutional sites will be connected to the EGBN by the end of 2006. In addition, there are about 100 state (non-governmental) institutional sites, which are already connected to the EGBN.

- The **integration of data and voice transmissions over the EGBN** started at the end of 2005. The complete central call routing system, which can control calls using the original 'A' number, was implemented. The system is in the testing phase now. The monitoring and “voice mail” systems—the latter being able to forward voice messages—required by law, have also been implemented. Using VoIP through the EGB allows institutions to achieve significant savings since calls with both endpoints within the EGB domain are free of charge, and those ending outside—but still domestic phone calls—can only be charged as local calls.
- The Call-In system of EGB allows managing staff members and ICT system administrators of government institutions **to access the network from their homes or when working remotely**, using a modem connection. This system allows those that have appropriate authorization to access their workplace mailboxes, the Internet and the services required for system operation. This system has about 450 users at present. Since, due to practical reasons, there is growing demand for mobile access, the preparations for implementing mobile access to the EGB have been started.

- **Government Portal**

The number of public service-related reference and information search services increased from three (real property, company and vehicle search) services in 2003 to 264 by 31 May 2006. The Collection of Effective Legal Regulations

service, which has been available since December 2005 and offers access to effective legal regulations through simple search engine functions for those interested, has a large number of visitors.

Currently, there are 33 government organizations participating in the provision of services. Besides them, the services of 26 EU organisations and 8 public service companies can also be accessed through the Government Portal. In May 2006 the services of the Government Portal were used more than 3 million times.

The central administration provides **an electronic administration interface** available on the Government Portal through the Client Gateway, which has an authentication function, to manage—an ever increasing number of—administrative matters electronically. The most important of these is the provision of electronic

access to the 20 basic services (27 in Hungary) specified by the European Union, which cover about 80% of the total number of administrative matters. Apart from those, a further 400 administration-related matters could be managed electronically (at different levels of electronic management) in May 2006.

The fact that appointments are also made via the Internet saves time considerably. This option was available on the Government Portal in respect of every Document Bureau in May 2006. Besides that, one can launch the management of nearly 80 types of administrative matters in the virtual document bureau and make appointments with regard to 86 different types of document bureau matters in May 2006.

The Government Portal allows enhanced communication between public administration, politics and citizens, and also the implementation of electronic democracy. As part of that, regularly held online forums, where well-known public figures answer questions asked by the citizens have been very popular. The forum service of the Government Portal—by identifying contributors by their name—provides a new, direct and modern way of expressing one's opinion in a democratic and well-founded manner. The newsletter of the 'magyarorszag.hu' government portal is sent to about 40,000 users every day.

The Government Portal (www.magyarorszag.hu) went through its first major modification in 2003. It was migrated to an open-source platform, received an up-to-date appearance and was focused on service provision. Based on experiences gained from everyday operation, the portal was reconstructed in October 2004, and the components facilitating the management of citizens' affairs were given emphasis in terms of both form and content. The experiences gained during the one year operation of the Client Gateway and the increasing number of electronically managed public administration related matters made another structural reconstruction of the Government Portal necessary in July 2006, which put even more emphasis on its service providing character.

- **The Client Gateway**

The **Client Gateway** system, which has been in operation since 1 April 2005, made it possible—with the most stringent adherence to data protection regulations—**to launch or even manage administrative (official) matters electronically requiring authentication of the client.** The number of electronically managed matters, which can be launched from or accessed through the Government Portal via the use of the Client Gateway has increased significantly due to the implementation of Act CXL of 2004 on the General Rules of Administrative Official Procedures and Services (Ket.), which entered into force on 1 November 2005. By the end of May 2006 more than 100,000 citizens had registered in document bureaus to enable themselves to use electronic services via the Client Gateway (their exact number on 19 June was 135,679).

Currently, the system provides access to the tax and contribution declaration related services of the Hungarian State Tax Authority (APEH), the document bureau services of the Ministry of Interior and the administrative services related to company registration and the statutory register. The developments have been implemented in relation to electronically accessing the most frequently used 27 public services via the Government Portal, and ensuring access to the real property registry through the Client Gateway is also underway.

Although the first application of user authentication via the Client Gateway was the management of tax and document bureau matters, the number of other electronically manageable matters is continuously growing. In 2006 it was already

possible to submit higher education application forms electronically and a number of OEP (National Health Fund) services were also available. Municipalities have also started to connect to the Client Gateway using in part IPSEC VPNs, or connecting directly to the EGB, thus ensuring electronic reception of local level requests and data supply. The detailed rules for the technical specifications of connecting to Client gateway services are set forth in a Recommendation of the Interdepartmental Conciliatory Committee for Government ICT (KIETB).

- **Government Customer Information Centre (KÜK)**

The Government Customer Information Centre (KÜK) was established to ensure the completion of certain tasks laid down in Act CXL. Citizens can access this call centre 24-hours a day by dialling the toll-free number 189 from Hungary, or +36-1-371-9300 from abroad, or by sending an e-mail to 189@ugyfelvonal.hu. The goal of KÜK is to orient citizens and enterprises in the world of public administration matters in the spirit of equal opportunities. In line with that, KÜK—in cooperation with the Government Portal—strives to provide overall and professional information to Hungarian citizens, organizations and to foreigners (in English, German and French) as well.

Its knowledge base is founded on the effective statutes and the case descriptions based on them, which is continuously being developed using a self-study method relying on the questions received. Its services include making appointments, which means that KÜK administrators request an appointment for the client from the appropriate public administrative (or public service) institution already completely aware of the professional issue, which needs to be solved. The Client Line is a significant step forward in terms of inter-institutional cooperation, because call centre staff can forward calls directly to the staff members of the competent bureau.

KÜK played an important role in receiving reports about bird flu cases and forwarding them to the competent animal health organizations, and also in answering questions related to the individual tax and contribution declaration system based on monthly data supply. They also received a significant number of questions in connection with the baby bonds, applications to institutions of higher education and student cards. KÜK already received more than 130,000 calls in May 2006.

As a result of the open, negotiated public procurement procedure, KÜK was established and will be operated until May 2008 via outsourcing.

4. Services on the Central Electronic Service System

- **The ‘HUsz (20) online’ Project**

In relation to the eEurope 2002 Action Plan, the European Committee issued an announcement about electronic (online) access to the “20 most demanded public administrative services”. The e-Government 2005 Electronic Government Strategy and Program Plan, laid down three basic task systems to promote electronic government:

- A physical infrastructure allowing reliable electronic government operation must be implemented.
- A uniform application and connection system (e-Government public utility) must be provided for citizens, which enable them to remotely manage their everyday matters through a standard logical and security system, also providing efficient support for these tasks.

- The basic e-government services related to the eEurope 2005 Action Plan must be implemented by 31 December 2005.

To have the 20 services operate at the required level, several public utility-type developments had to be completed in 2005, the most important of which include following:

- Setting up a Client Gateway on the Government Portal,
- Design and setting up of the background systems of the institutions concerned in terms of the implementation of the 20 services and make those systems suitable to provide those services via the Client Gateway,
- Provide access to case descriptions and downloadable forms related to service use through the Government Portal or the specialized systems,
- Ensuring the technical conditions necessary for the electronic payment of administrative charges and fees (development will start in the near future).

As a result of the efficient cooperation of the e-Government Operative Committee (EKOB), the Government accepted a Government Decree on the current e-government tasks for the modernization of public administration in May 2005, which specified the four-grade scale developed by the European Union to evaluate the level of specific electronic public services, and the priorities applying to the implementation of electronic public services. Furthermore, the resolution ordered the implementation of the listed 27 electronic public services at the electronic service level defined in the appendix to the resolution, at the responsibility of those identified therein and under the coordination of the Government Commissioner for Government Information Technology and the Creation of the Service-Providing State by 31 December 2005.

At its 8 December 2005 meeting, the e-Government Operative Committee (EKOB) unanimously approved the EGC report on the performance of the 27 services. **Based on all this, we can establish that the 20 public services (27 in Hungary), which are the most demanded in the European electronic domain have been implemented in an electronic form—at the levels required to be achieved by 31 December 2005—and have been connected to the www.magyarorszag.hu Government Portal interface.** With that achievement, the degree of the aggregate development of the “EU 20 services”, which started from 46% as surveyed on 15 October 2004, already exceeded the 80% performance level on 15 October 2005, which means that, with regard to these indexes, by the end of 2005 Hungary reached a leading position in the mid-range of EU Member States.

- **Tax and Contribution Registration System Based on Monthly Data Supply**

With its Resolution, the Government authorized the Electronic Government Centre of the Prime Minister’s Office to take the measures necessary to implement the tasks—especially to ensure the conditions necessary for the realization of electronic individual tax and contribution declarations based on monthly data supply—included in the provisions and falling within its scope of authority.

In addition, in order to achieve that, to procure services and the technical devices (servers, storage equipment, active and passive network tools, firewalls and other products needed for bandwidth extension) required for the implementation of a system managing contribution declarations and, in general, the receipt of electronic messages sent by the clients to the authorities, by the authorities to the clients and by the authorities to each other, for the extension of the Client Gateway and Government Portal capacities, to perform software development, programming and system integration tasks, and to create a client relationship system.

To provide means for the forwarding, receipt, secure temporary storage (guaranteeing proper data security with the content being accessible only by the sender and the addressee) of bi-directional messages encrypted as necessary, the confirmation thereof supplied with the accessories, which meet the requirements set forth in the relevant statutes, the use of the service

ensuring that messages reach their respective addressees, and the operation of the client relationship system required for the above.

The above task was completed by employing a technical solution also applicable in the case of other electronic administration types dealing with a similarly large volume of data. Operation is ensured through using temporary storage capacity established within the technologically restructured Central Electronic Service Provision System, the capacity of which has been increased. As a result of using new technology, electronic services were established through the central system, using uniform logic, on the same infrastructure, by dampening the load peaks, and in a cost-efficient manner. Data security is ensured by the application of the 'double envelope' solution. This solution proved to be successful: It received more than 500,000 declarations in the first month without any significant problems.

- **Virtual Document Bureau (XR)**

The Internet Public Administration Service Provision System (XR) is a remarkable step forward towards the implementation of electronic administration managed via the Internet. Legal and technical requirements of electronic administration have only been met in part, since the implementation and use of electronic signatures—a basic requirement—is only in its initial phase in Hungary. Therefore, XR is a system suitable for limited purposes, expressly only under the circumstances offered by present legal and technical opportunities, which allows **launching the administration of specific matters** electronically and **making appointments with document bureaus** as the first step in public administration.

Launching the administration of matters is possible under the following circumstances:

Administration related to address changes and address cards (7 different types of matters),

Administration related to private entrepreneur cards (3 different types of matters),

Register-related administration (6 different types of matters),

Driver's licence administration,

Vehicle accompanying sheet administration,

Related to the administration of parking permits for the disabled,

Vehicle administration matters (27 different types of matters).

Apart from the types of administration listed above, a citizen can also **make appointments** with the document bureau for matters related to their passports or personal ID cards.

5. Some e-Government projects with horizontal scope

The Electronic Government Centre (EGC) had also contributed to the development of some e-Government projects with horizontal scope. Among them it is to mention the Unified Digital Radio Telecommunication System (*EDR*), the Governmental Electronic Document Handling System (*KEIR*) and Electronic Law Preparation System (*ePreLEX*).

The EGC was also responsible for co-ordinating and monitoring the implementation of the government decree on unification of governmental web-sites in Hungary, and was together with others in the process of establishing a governmental information security centre as well as a knowledge centre for best practices. The EGC established a software competence centre as well to encourage Hungarian agencies to use open source software (OSS).