Hungary social briefing:
Digitalization and Covid-19 in Hungary

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The global pandemic and physical constraints on economic and other social activities demonstrate the growing importance of digital solutions in both business and government. The two spheres are difficult to separate because there are permanent feedbacks between them, but new solutions in both spheres complemented and reinforced each other during the Covid 19 pandemic. It is a rare moment in history that we can see clearly into the future, and we can easily point out that digital governance and its quality will play a significant role in the future success or failure in any society, like Hungary.

Introduction

After the adoption of the National Info-Communication Strategy in 2017, the Hungarian government started to focus on digitalization, and it launched the so-called Digital Welfare Program. Since then, several strategies have been adopted to improve the international competitiveness of the society and economy: Digital Education Strategy of Hungary, Digital Export Development Strategy of Hungary, Digital Startup Strategy of Hungary, Digital Child Protection Strategy of Hungary. Looking at the topics of these strategies, one can understand that they cover comprehensive policy fields closely related to society and economy. The briefing will focus on different aspects of digital governance in Hungary. The Digital Welfare Program has been managed by the Ministry of Innovation and Technology since 2019.

Institutional and legal framework

The Hungarian Minister of Innovation and Technology participated in the I. Digital Public Administration Summit end of December 2020, where he emphasized that the "knowledge value" of data plays an increasingly important role in the Hungarian economy. He added that last year the Hungarian government finalized its artificial intelligence strategy and made it clear that the country's "data economy" must be launched as soon as possible and the success of the initiative depends on the efficiency of digital governance. In other words, the data generated in the agencies of public institutions must be used more efficiently. We can add that digital governance can significantly improve transparency and the use of available financial
sources. The Minister of Innovation and Technology drew the attention of the audience to newly found solutions that are very helpful in dealing with the situations created by the pandemic. He also emphasized the growing share of the digital economy in the GDP. (According to several forecasts, the digital economy will account for about 6.3 percent of GDP by 2025.) We must add here that the coronavirus forced the Hungarian Government to organize their work online, which gave a huge boost to digitalization in Hungary.¹

In order to accelerate the formation of the digital economy, the legal framework in Hungary needs to be reformed and reshaped, which is why Hungarian Government established National Data Agency last year. The new agency's tasks were defined in detail in April 2021, when the Ministry of Innovation and Technology sent out its legislative proposal (Act on National Data Assets).² In a notice to the MTI, the Ministry stressed that public data is not only to be protected, but also considered as tangible assets that have a market value. Accordingly, the agency will have to perform the following tasks:

- to operate a national public data portal,
- to establish a comprehensive collection of national public data,
- process anonymous databases, and
- provide data analytics services to the government, market participant, and citizens.³

The Ministry stressed that the rules on data protection are not changed by this law, the regulation aims to improve the processing of large databases. In other words, the goal is to create platforms that will allow fair and transparent trading of private data assets. The platforms will help companies to develop products with high added value.⁴

To speed up digital administration in other areas, the MNB issued an ordinance last year. According to the regulation (26/2020. (VIII. 25.) MNB Regulation)⁵ financial service providers can more easily identify their customers through digital channels (mobile phone and internet). Personal digital information stored in the chips of the e-identification card can be used during the identification process. In practice, this means a three-step process for the customer: take a

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photo of the ID, take a selfie and upload the stored personal information. This solution can be used first by banks, then by other financial service providers. The advantage of this solution over existing digital solutions is that no bank employee is needed for the process, which runs automatically, and that it can also be used during the bank's opening hours.\textsuperscript{6}

There are several new digital solutions in public administration, with more in the pipeline. One of the new digital solutions already in place is that citizens can identify themselves using their camera, among other online options (client gate, phone identification code and e-identification card). Another stream of this modernization process is that new e-application forms are being prepared by the government, which will help improve the efficiency of the Hungarian public administration.\textsuperscript{7}

\textbf{Social and economic impact of digitalization}

The digitization of the Hungarian economy has a positive impact through several channels: (1) The improvement of the international competitiveness of the private sphere. (2) The digitalization of public services enables faster and smoother public administration, at the same time public spending can be reduced and less manpower is needed in the public sector.

(1) Economic impact. According to the latest Digital Economy and Society Index (DESI) published by European Commission, Hungary's performance exceeds the EU average in the connectivity pillar, but lags behind the EU average in other pillars (human capital, use of internet services, integration of digital technology). Hungary ranks 21\textsuperscript{st} among the 28 member states (including the UK) in DESI. When it comes to digital public services, the country ranks 24\textsuperscript{th} in the list, however, it must be added that Hungary has made significant progress in all indicators in this area in recent years. As can be seen in Table 1, Hungary lags behind in open data and pre-filled forms. The measures mentioned above – the establishment of National Data Agency and new e-application forms – are intended to alleviate these bottlenecks of the Hungarian public administration. In our view, this year's ranking will be rather beneficial for Hungary.


Table 1. Digital public services in Hungary

<table>
<thead>
<tr>
<th></th>
<th>DESI value 2018</th>
<th>DESI value 2019</th>
<th>DESI value 2020</th>
<th>EU value</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-government users (%)</td>
<td>45%</td>
<td>53%</td>
<td>55%</td>
<td>67%</td>
</tr>
<tr>
<td>Prefilled forms (score from 0 to 100)</td>
<td>28</td>
<td>31</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>Online service competition (score from 0 to 100)</td>
<td>75</td>
<td>82</td>
<td>87</td>
<td>90</td>
</tr>
<tr>
<td>Digital public services for business (score from 0 to 100)</td>
<td>73</td>
<td>79</td>
<td>85</td>
<td>88</td>
</tr>
<tr>
<td>Open data (% of maximum score)</td>
<td>NA</td>
<td>NA</td>
<td>32%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Source: Digital Economy and Society Index 2020, Hungary

(2) Social impact. In order to reduce the number of public sector employees, the Hungarian government has resumed its program to help public sector employees leave the public sector and find a new job in the private sector. The main goal of the measure - the government argues - is that those who have the necessary qualifications and motivation should not work in the public sector but find a job in the private sector. It also adds that the fewer public jobs there are in the economy, the easier it will be to achieve the goal of full employment.

In the case of a temporary public job, the public employee will receive 45,600 forints for each month left of his or her contract term if he or she finds a job in the private sphere. The program started on April 15, 2021, and the application can be submitted until December 31, 2021.

There are several elements by which we can see the direct connection between covid-19 and digitization steps:

- Public and higher education to online curriculum.
- On the national e-health platform, redeeming prescriptions and online access to patients have been made available.
- The Modern Enterprise Program (funded by the government and the EU) has been adapted to the new needs of small and medium enterprises.

As for the future, an important question is how much of these solutions can be preserved for the post-pandemic period.
Summary

We have seen in the briefing that Hungarian decision-makers are trying to take advantage of the Covid 19 pandemic situation to give an extra boost to the modernisation of the Hungarian public administration, which has already begun. We have also seen in the European comparison, which still reflects the situation before the pandemic, that Hungary is below the EU average in the digitalization of public administration. At the same time, several steps - the establishment of National Data Agency, the preparation of pre-filled e-forms - target the shortcomings of the Hungarian public administration. The establishment of National Data Agency will improve the "open data" indicator - see in Table 1 - and the preparation of pre-filled e-forms will contribute to this very indicator. (See again Table 1!)