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Measuring Efficiency in the Practice of the Developmental State

The financial crisis that followed the turn of the millennium in 2008, and subsequently the global pandemic in 2020, once again highlighted the significance of efficiency in governmental and municipal operations. Contrary to the predictions of neoliberal opinion leaders – who envisioned the rise of international organizations in place of the state, and simultaneously the decline of state autonomy and a process of de-statization – opposite tendencies have emerged in many parts of the world since the beginning of the twenty-first century. It has become increasingly evident that without an effective state and without governments and municipalities capable of embodying such effectiveness, stability cannot be sustained. In their absence, uncertainty, social dissatisfaction, and vulnerability grow, and the likelihood of asymmetric interdependencies increases.
In this study, following a review of the literature concerning the efficiency of governance and municipal work and the measurability of such efficiency, we seek to answer the question of under what conditions and in what ways performance measurement methods applied in the competitive sector can be transferred to the practice of the new developmental state and public administration.
Keywords: state efficiency; good governance; performance measurement; new public management; new developmental state.
JEL-code: H7, O16, H11, Z1.

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1. INTRODUCTION

After World War II, political science, sociology, and economics have continuously focused on the "modernization" of state functioning. Sociology primarily examines new possibilities for changes in social structures and values, participation, and conflict resolution. Political science sees the solution in the advancement of democracy. Economics investigates ways to increase the efficiency of state operations, including institutional frameworks, sectoral policies, and local governments.
Among scholars holding divergent, sometimes even extreme, positions, convergence is scarcely perceptible. This divergence has both political and economic roots. Not unrelatedly, certain neoliberal sources envision the decline of nation-states and the rise of supra-national governance (Hein, 2005).
Entering the new millennium, humanity has once again confronted crises that shook societies and economies. The consequences of the 2008 financial collapse – arguably – were comparable to the global financial and economic crisis of 1929–1932. The COVID-19 pandemic that erupted in 2020 further highlighted the limits of our health resilience. It is therefore unsurprising that, following these recent global disruptions, policymakers have increasingly focused on the functioning of the state, its institutional framework, and local government operations. There is a renewed recognition that one fundamental prerequisite for well-organized and effective decision-making is the measurement and monitoring of the performance and outcomes of public service delivery. Without such mechanisms, policymakers lack feedback on which areas require intervention to enhance the public good, social satisfaction, and trust.
Over the past one hundred to one hundred and fifty years, the role of the modern state has undergone several paradigm shifts across both time and geographical space, as confirmed by the specialised literature in public finance, economics, political science, philosophy, and sociology. Inevitably, the resource needs associated with state functions have also evolved, a process

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reflected in the expansion of public budgets. From the second half of the twentieth century onward, member states of the Organisation for Economic Co-operation and Development (OECD) have increasingly participated in the regulation of social and economic processes, as well as in the distribution and redistribution of resources. (OECD, 2024, 2025) Welfare expenditures have grown in every member state, although the extent of this growth varies considerably. (Table 1.) France, Italy, and Austria occupy the upper range of this spectrum, while Hungary appears near its lower end. Comparable challenges are observable in the wealthier member states of the European Union, where economic growth has slowed since the crisis that began in 2020. In Hungary, budgetary expenditure on social protection has increased continuously since 2016, reaching 12,466 billion Hungarian forints in 2022. (Figure 1.)

Table 1: **Public Sector Expenditures in Selected OECD Countries**

COUNTRY	Public social expenditure as a % of GDP (2022)	Total net social spending as a % of GDP (2019)
France	31,6	30,1
Italy	30,1	24,4
Austria	29,4	24,8
Belgium	29	25,6
Finland	29	24,4
Spain	28,1	23,2
Germany	26,7	25,4
Denmark	26,2	24,7
Portugal	24,6	21,7
Greece	24,1	20,7
Sweden	23,7	23,4
Slovenia	22,8	19,8
United States	22,7	29,4
Poland	22,7	18
United Kingdom	22,1	24
Czech Republic	22	18
Luxembourg	21,9	17,9
OECD average	**21,1**	**20,9**
Iceland	20,8	21,4
Norway	20,7	22,6
Lithuania	19,8	15,6
Latvia	19,7	14,4
Slovakia	19,1	17
Netherlands	17,6	25,3
Estonia	17,2	14,9
Hungary	17,2	15,8
Switzerland	17	24,1
Ireland	12,8	13,4

Source: OECD, 2024

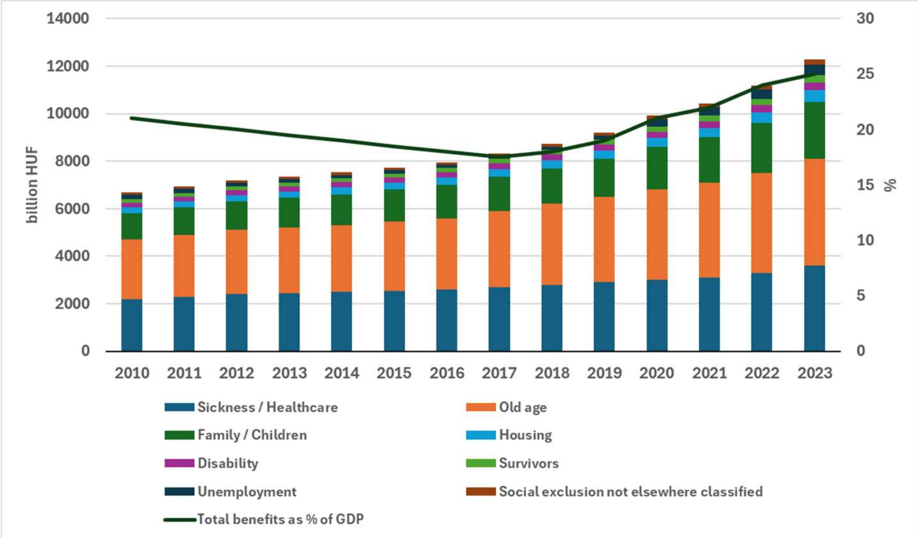

Figure 1. Functional Distribution of Social Protection Benefits in Hungary
Source: KSH, 2014.

Measured as a proportion of gross domestic product, social protection expenditure in Hungary decreased until 2022, owing to the more rapid growth of gross domestic product, falling to 16.4 percent, and subsequently stagnated in 2023 at 16.6 percent. A significant rise occurred only in the first year of the pandemic, 2020, when this proportion increased to 17.9 percent as a result of governmental measures intended to protect public health and the labour market. (Boxed text 1.)

It has become clear that the governments of European countries are currently engaged in an intensive search for a delicate and sustainable balance between public revenues and the rising expenditures associated with the expanding scope of state responsibilities. In Hungary as well, the fulfilment of public tasks and the responsibilities entrusted to state and municipal institutions impose substantial burdens on the national budget. Consequently, the efficiency with which the available—and inherently limited—resources are utilised becomes a question of critical importance.

On the basis of the aforementioned considerations, the present study seeks to address three central questions:

a) What justifies the measurement of performance within the public sector, particularly with regard to public policies and municipal operations?
b) How can public-sector performance be measured effectively?
c) What specific characteristics must be taken into account when measuring performance within individual sectors and in municipal governance?

Boxed text 1.

The Deficit of the Hungarian Budget and the Development of Public Debt

In the 2020s, Hungary's budgetary processes have been characterized by a higher fiscal deficit than in the previous decade. The economic crisis triggered by the COVID-19 pandemic, followed by the Russian-Ukrainian war, alongside significant increases in global energy prices and inflation, have resulted in Hungary's public finances showing a persistent budget deficit exceeding 6 percent of GDP since 2020 (Figure 2).

Inflation in 2023 continued to place a substantial burden on public finances, both through tax revenues falling well below projections due to reduced consumption, and through inflation-linked expenditures—most notably sharply increased government spending on energy, interest payments, and pensions.

For 2024, inflation is expected to decline significantly. Following last year's GDP contraction, real economic growth of approximately 1.0–1.8 percent is projected, which may improve the budgetary situation relative to 2023.

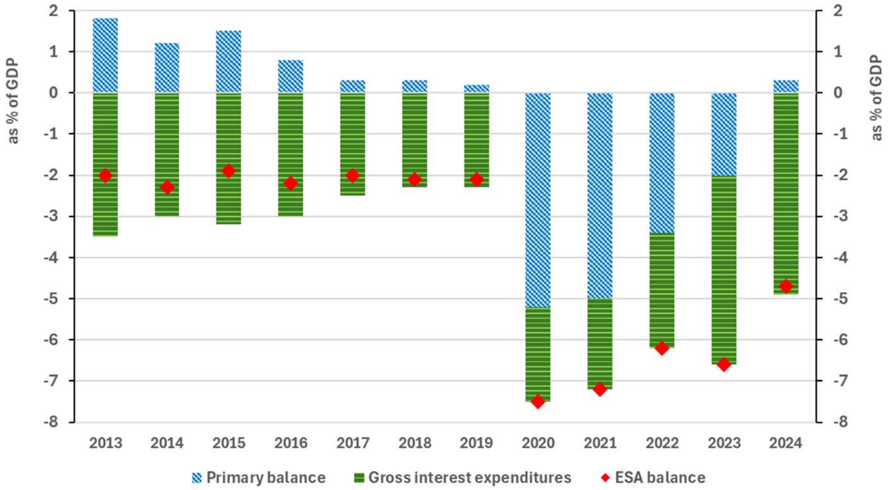

Figure 2. Government Sector Balance as a Percentage of GDP

Source: KSH, MNB

The decline in Hungary's public debt-to-GDP ratio was primarily supported by a high GDP deflator, as nominal GDP increased by nearly 14 percent despite the contraction in the real economy. The appreciation of the forint also contributed to the reduction of the debt ratio. (Figure 3.)

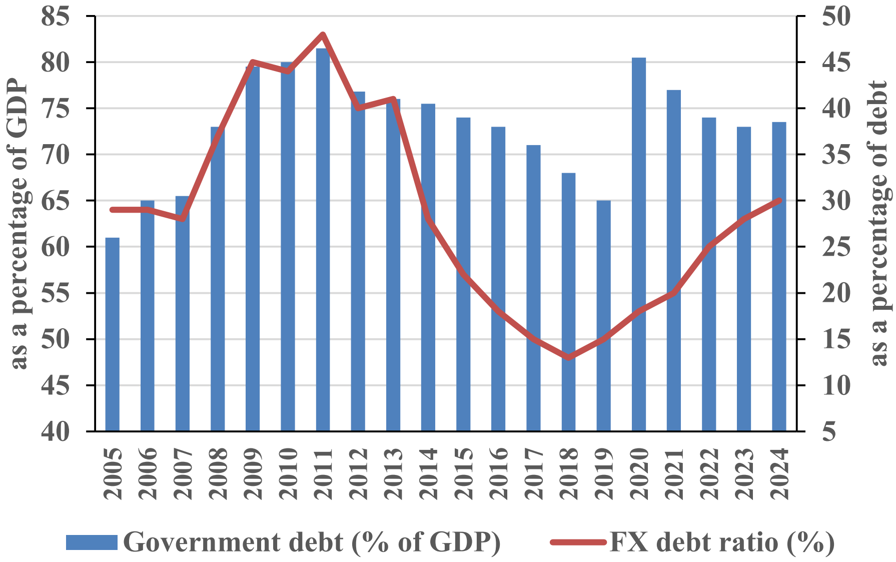

Figure 3. Forecasted Gross Public Debt as a Share of GDP
Source: ÁKK, MNB.

2. LITERATURE REVIEW

The concept and evaluation of good and effective governance have evolved significantly across time and space. In earlier historical periods, questions related to the functioning of the "good state" were primarily addressed by philosophers and moral theologians, later complemented by artistic representations – such as Ambrogio Lorenzetti's fresco from 1339 in Siena – which portrayed the societal effects of good and bad governance. Over time, political science, sociology, and eventually economics also became deeply engaged in the broader discourse surrounding the nature of good governance.

In the twentieth century, six principal state types emerged in the academic literature based on the extent and nature of their involvement: the passive state, the active state, the command state, the neoliberal (or "lean") welfare state, the developmental state, and the new developmental state. (Table 2.) Each corresponds to the dominant intellectual, political, and economic paradigm of its era.

It is worth highlighting the reasons behind these paradigm shifts. After World War II, Western Europe developed a welfare state model that promised its citizens a stable social safety net financed by high tax rates. This form, famously known as the "Scandinavian model" eventually became fiscally unsustainable.

Table 2: **Changes in State Functions**

NO.	TYPE OF STATE	INDICATORS
1.	***Passive State (Invisible Hand)***	• Protection of public order • Guarantee of property rights • Ensuring market conditions • Maintenance of the state
2.	***Active State***	• • Crisis management • Characteristics of the passive state
3.	***Command (Planned) State***	• Price regulation • State control over all sectors of the economy • State decides on resource reallocation • Primacy of state ownership
4.	***Neoliberal (Welfare) State***	• Lean state • Market self-regulation • Support for market competition
5.	***Developmental State***	• Development of priority economic sectors (e.g., industry) • Interventionism
6.	***New Developmental State***	• Effectiveness, economy, efficiency • Service-oriented public administration • Regulation of sustainable social, economic, and ecological conditions

Source: Author's own compilation

From the 1970s onward, both external shocks (such as the oil price crises of 1973 and 1979) and internal structural limitations contributed to the fiscal crisis of the welfare state (Glatz, 2003; Matsaganis, 2013; Sapir, 2006)

In search of solutions, numerous countries embarked on processes of deregulation. These included the restructuring of public support systems, the expansion of administrative autonomy, the development of new public contracting models, and efforts to adapt efficiency-enhancing methods from the private sector into public-sector settings.

As a result of these reforms, the concept of New Public Management emerged. This approach represented a new culture of public administration and governance, emphasising partnership instead of excessive state control, performance instead of mere rule compliance, cooperation instead of hierarchical subordination, and market-based competition instead of monopoly structures (Hajnal, 2004).

New Public Management quickly became a prominent theme within neoliberal academic discourse. (König, 1995; Laux, 1993; Müller, 1993; Mutius, 1997) Its central premise was succinctly captured by Holtkamp (2012, p. 205), who stated:

"New Public Management is the application of business administration methods in the public sector."

At the beginning of the 1990s in the Federal Republic of Germany, governmental reforms were launched with the aim of modernising public administration, enhancing its performance, and improving public-service quality. The literature from this period includes several seminal documents (KGSt, 1991; 1992; 1993 a,b; 1994 a,b; 1995; 1996) that set out strategies for marketisation, managerial decentralisation, and the introduction of business-like operational models into public institutions.

According to the neoliberal perspective, public administration is fundamentally similar to the private sector in terms of organisational logic, and therefore private-sector management tools can

be successfully applied within public administration as well, particularly in the case of public-service providers.
The main characteristics traditionally associated with good governance include:

- a lean state operating with minimal resource expenditure;
- transparency, meaning openness and traceability of governmental decisions and processes;
- legality, responsibility, and accountability;
- efficiency and effectiveness, that is, the goal-consistent and results-oriented use of resources;
- participation, meaning the involvement of citizens in fundamental decisions;
- legal certainty, that is, the application of stable norms equally binding for all citizens;
- equal treatment of citizens based on consistent principles.

Analyzing the literature on New Public Management (NPM) published in the German context – based on 900 studies and 22,000 citations – Vogel (2009) concluded that, from the early 2000s, interest among local governments in Germany significantly declined, as NPM methods developed in the Anglo-Saxon environment were perceived as less compatible with the German administrative culture.
By contrast, in the Anglo-Saxon literature, there has been enthusiastic support for the governmental application of NPM since the 1980s (Lounsbury et al., 2002; 2007). This was partly due to the continuous expansion of the NPM concept itself.
The current NPM approach defines six main objectives (Gruening, 2001):

- reduction of state functions, implementing the principle of "smaller government";
- decentralization and the development of service- and performance-oriented organizations;
- transformation of administrative processes into "value-adding" procedures, whereby every procedural step contributes additional value perceived by the client;
- increasing the proportion of automated (electronic) data processing;
- goal-oriented political and administrative leadership;
- integration of competitive elements into the public sector.

Thus, NPM did not merely aim to transplant management practices from the private sector into public administration; it sought to make state operations more economical and efficient. Its overarching goal was to transform the social (welfare) state into a neoliberal state responsible only for the most essential societal functions (Nachold et al., 1993, 2000; Laux, 1993, 1994).

However, European countries have applied these business-derived methods in the public sector only partially, due to their social and cultural traditions and the historical role of the state. This was particularly true for Central and Eastern European post-transition countries, which primarily regarded these methods as tools for addressing their immediate problems.
Following the 2008 financial crisis, the conflicting experiences made it clear that public management could only offer a limited solution to public sector challenges, both temporally and spatially, and primarily in the post-welfare state crisis context. Since then, new narratives (e.g., good governance, joined-up government, whole-of-government) and methods have emerged, providing responses to the changes that have occurred in the interim.
Critics of the approach argue that the adoption of management methods from the private sector entails several challenges:

- Divergent logics of public administration and the private sector: Concepts and processes such as profit maximization or strict supply-and-demand dynamics cannot be meaningfully interpreted or applied in the public sector, which primarily focuses on service provision and equity (Reinhard, 2001).

- Public interest vs. profit: Excessive marketization prioritizes economic efficiency and profit over the public interest, potentially leading to a decline in the quality of public services.
- Globalization and capital accumulation: Globalization facilitates further capital accumulation by business enterprises, with privatization serving as a strategic instrument in this process.
- Neoliberal ideology: The adoption of private-sector methods is seen as an expression of neoliberal economic thinking, exploiting the crisis of the welfare state to introduce changes in public administration.
- Questioning efficiency gains: Over-adoption of private-sector methods does not necessarily produce genuine economic or social benefits; indeed, the privatization of public bodies may facilitate capital accumulation rather than improve service outcomes.

Criticism of NPM has intensified. As Dunleavy et al. (2006, p. 12) stated, "New Public Management is dead." The convergence of the business and public sectors is a myth that can never occur (Kovács, 2023).

In response, the developmental state concept emerged, emphasizing the central role of the state in economic and industrial development (Johnson, 1982).

The new developmental state represents a post-2020 financial crisis paradigm shift. This model builds upon the earlier (classic) developmental state framework but places sustainable development at its core, rather than prioritizing economic growth.

In Hungary, following the political turnaround of 2010, the government articulated a new vision, emphasizing effectiveness as its priority. Stemming from the concept of an active and engaged state, governance has been characterized by intensive, responsible, and efficient action. At times, it "destroys in order to build," breaking down rigid power structures that hinder strong governance. Strategic, goal-oriented, creative, and innovative work, coupled with public policy experimentation and intensive legislation, has become a defining feature of government activity.

Greater attention has been paid to measuring and monitoring government and local government performance. The Hungarian Government's 2015 strategy remains relevant today:

"The development of public administration is an indispensable requirement, particularly in a period when the global economic crisis demands constant preparedness." (KSH, 2015, p. 2)

Persch similarly emphasizes:

"An effective and capable public administration is a fundamental prerequisite for a modern and developmental state that can manage crises in a complex political environment." (Persch et al., 2024)

The significance of public sector efficiency and competitiveness is comparable to that of the private sector, with a clear interdependence: inefficiencies in the public sector undermine the performance of the private sector and vice versa. At the same time, equity – particularly equal opportunity – has special importance in the public sector, though this does not imply that individuals can access as many services as they desire.

Effectiveness in the public sector cannot exist without rule compliance; a core requirement for public organizations is adherence to social norms and legal regulations (Domokos, 2019). A high-performing state must continuously measure and monitor both the quantity and quality of public service outputs. Without such feedback, policymakers cannot identify areas needing intervention to enhance effectiveness and, consequently, societal satisfaction.

The concept of an effectively functioning state is closely tied to the growing need for information and continuous performance measurement required to achieve objectives. Just as there is no uniform definition of good governance, there are no standardized methods for measuring it, complicating comparisons of results. Challenges arise from both the diversity of quantitative and qualitative indicators and political influence. This is reflected, for example, in the Berggruen Governance Index, which aggregates government quality, quality of life, and the state of democracy into a single index (Anheier et al., 2022).

A research report commissioned by the German Federal Ministry of the Interior (Bundesministerium des Innern) evaluated the performance of the public service sector based on seven criteria: quantitative, qualitative, economic, functional, social, competence, and external dimensions (Demmke, 2007).
The World Bank has assessed the governmental performance of over 200 countries according to political stability, absence of violence, government effectiveness, regulatory quality, rule of law, and anti-corruption measures (WGI, 2024). Due to the subjective nature of these assessments, the findings of the report have been widely criticized.
Similarly, the Bertelsmann Foundation compiled the Bertelsmann Transformation Index (BTI), evaluating the governmental performance of nearly 140 countries from political, economic, and governance perspectives (BTI, 2024).
A fundamental challenge in measuring public sector performance—unlike in the private sector—is that most public services do not have market prices. Therefore, for outputs, indicators are required that are linked to inputs and can be quantified and measured.

3. MEASURING THE OPERATIONAL EFFICIENCY OF THE PUBLIC SECTOR

The framework for evaluating the public sector is expressed through a combination of effectiveness, social satisfaction (impact), and efficiency indicators. Outcome alone is insufficient to capture the efficiency and effectiveness of the performance of public tasks. Similarly, the provision of public services cannot be properly assessed without considering both efficiency and social impact. This approach aligns with the "value for money" principle prevailing in the public finance sector, which emphasizes that all public funds must be utilized effectively and efficiently.
The delivery of public tasks is fundamentally influenced by the geopolitical environment, societal values, human factors, natural environment, and the institutional framework (Figure 4.).

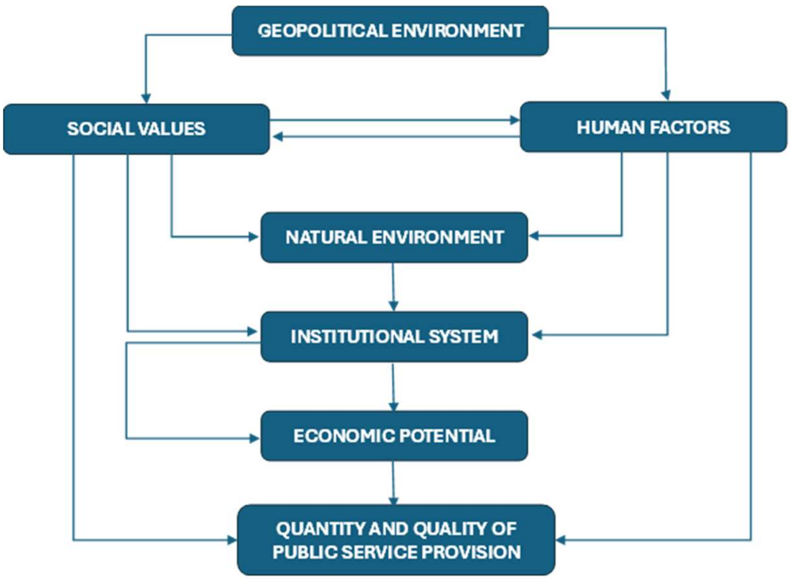

Figure 4. Factors Affecting the Performance of Public Tasks
Source: Author's own figure

These factors define the broader context within which efficiency assessments must be interpreted. (Figure 5.).

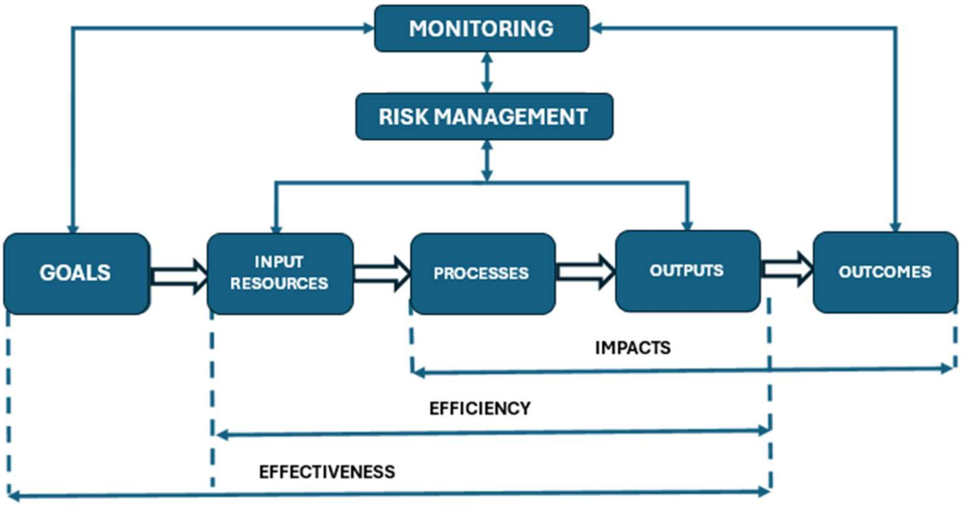

Figure 5. Logical Framework for Efficiency Measurement and Result Feedback
Source: Author's own figure

The first step involves defining the objectives of a public-interest measure, program, or project. This reflects the decision-maker's value system, which is manifested in the principles and extent of allocation, redistribution, and institutional versus market coordination.
The second step entails taking stock of the available inputs (resources). The third step focuses on the outputs, along with the measurement of their effectiveness and efficiency.
Effectiveness refers to the achievement of the set objectives, assessing the extent to which intended goals have been met. Evaluation of effectiveness examines whether the articulated objectives were achieved and considers external environmental variables that may facilitate or hinder goal attainment.
Efficiency measures the relationship between the resources used and the outputs achieved in terms of quantity, quality, and time. An activity is considered more efficient if it achieves greater results with the same inputs or the same results with fewer inputs. When assessing efficiency, the central question concerns the use of available resources: were the resources utilized optimally to achieve the intended goal?
Efficiency can be narrowly interpreted in relation to financial resources, in which case the public sector is considered efficient if each unit of government expenditure produces the maximum possible impact on societal welfare (Bókay & Domokos, 2018).
Economy refers to minimizing the financial costs of the resources employed relative to the achieved results, ensuring their use at the most favorable price, taking into account quantitative, qualitative, and time-related factors. It reflects the best price achievable at a given moment for a specified level of quality and quantity.
Economy in the public sector refers to either a reduction in the average cost of providing public services or an improvement in quality at the same cost level. The economy of performing a public task can only be measured if all costs incurred by the organizations involved – including both supervisory bodies and supporting institutions – are accounted for. This requires data collection systems capable of satisfying this need. Economy, as a standalone measure, has no meaning; it is only interpretable when compared with the same indicator in another organization or with regional or national averages.
The fourth step involves taking stock of the achieved impacts. Social impact is one of the most important indicators of public sector performance, reflecting the effect of measures on the community. In other words, it assesses whether the designated societal goal, public task, or public service has been realized, and whether the organization or public institution responsible has fulfilled its obligations as defined in its strategy, charter, or other official documents. A public

policy is considered effective if it achieves the defined social goal and produces the intended social impact as specified by the government, policy framework, or institution (Kassó, 1999).
However, the achievement of a public task does not necessarily equate to citizen satisfaction (Orbán, 2015). Factors influencing satisfaction extend beyond assessments of effectiveness, efficiency, and economy, and can only be evaluated over the long term. A social public task may be performed effectively, yet this does not always result in citizen satisfaction.
Measuring social impact requires the development of a complex evaluation and indicator system (KIM, 2000). Indicators of the effectiveness of social objectives are typically measurable only over the long term.
An essential element of the process is the monitoring of impact indicators and risk management of inputs and outputs (fifth step).
Based on this model, the following sections provide a schematic demonstration of public sector performance measurement using the examples of the cultural institutional network and local governments.

3.1. Measuring the Performance of the Cultural Institutional Network

It is by no means a novel observation that a society's knowledge and cultural capital are resources of equal importance to financial capital, labor, and natural endowments. While the quantity of material goods diminishes with use, knowledge and culture are essentially unlimited, and their effects are multiplicative.
Culture positively influences human potential, interpersonal relationships, the formation of networks, organizational integrity, and overall economic performance. Unlike other resources, knowledge is not finite; it can be continually expanded and renewed. Accordingly, contemporary literature regards knowledge as a resource of equal significance to capital. From this holistic perspective, values, culture, knowledge, environment, economy, and institutional frameworks are closely interconnected.
Cultural policies are also expected to produce tangible results and social impact. It is therefore unsurprising that, from the last third of the twentieth century, cultural economics research has increasingly adopted an interdisciplinary approach, examining not only the micro- and macroeconomic effects of culture but also its psychological, sociological, and cultural dimensions. Consequently, research has shifted from a previously narrow focus on economic growth toward a holistic perspective, including efforts to analyze the local and regional effects of culture and education, as well as the consequences of their absence.
The foundation of economic development lies in knowledge, national and local identity, performance, added value, and moral standards. These factors are not additive but multiplicative; if any one of them is zero, society and the economy risk falling into a developmental trap.
Moral standards and values contribute to the expansion of knowledge, the strengthening of identity, and act as factors enhancing performance and added value.
Accordingly, the objectives of cultural programs are: expansion of knowledge; strengthening of local, regional, and national identity; growth of economic potential, measured through performance and added value, within a sustainable environment.
Input Indicators
Government Decree 388/2017 (XII.13.) specifies the list of activities related to public culture. The associated quantitative and fiscal indicators provide the basis for impact assessments (Table 3).

Table 3: **Input Indicators**

NO.	DESCRIPTION
1.	**Funding Volume:** *maintenance support (thousand HUF/year),* *grant support (thousand HUF/year).*
2.	**Infrastructure of Implementing Organizations:** *number of organizations (units),* *area (m²),* *IT equipment (units).*
3.	**Personnel in Cultural and Public Education:** *annual average staff number (persons/year),* *distribution by educational attainment.*
4.	**Type of Events Rendezvények jellege:** *popular science lectures, professional workshops/meetings, discussions, opinion exchanges, exhibitions, performing arts programs, club activities, cultural events, training/continuing education.*

Source: Author's own compilation

Indicators of Local (Municipal) Endowments

Local endowments – at both the municipal and district levels (Table 4) – exhibit a multiplicative effect on the output and outcome indicators of cultural processes, either enhancing or diminishing their impact.

Table 4: **Indicators of Local (Municipal) Endowments**

NO.	DESCRIPTION
1.	**Civil Sector:** *number of organizations (units),* *number of participants/beneficiaries (persons),* *absorption capacity (thousand HUF/year),* *activity: number of events (units/year).*
2.	**Religious Organizations** *Cultural activity (units/year),* *Absorption capacity (thousand HUF/year).*
3.	**Ethnic Organizations** *number of organizations (units),* *number of participants (units),* *activity: number of events (units/year),* *absorption capacity (thousand HUF/year).*
4.	**Local Government** *cultural and public education activities (units/year),* *number of cultural and public education organizations (units),* *budget allocated to culture (thousand HUF/year).*
5.	**Local Demographic Attributes** *resident population (persons),* *age distribution of the resident population,* *average per capita income (thousand HUF/person).*
6.	**Local Economic Attributes** *share of primary/secondary/tertiary sectors,* *annual investment activity (thousand HUF/year).*

Source: Author's own compilation

Municipal-Level Outputs of Cultural Programs

Data reporting on outputs is mandated by Government Decree 388/2017 (XII.13.) (Table 5).

Table 5: **Relationships Among Indicators**

1.	*Revenues*	**Operating revenue** (thousand HUF)
2.		of which ticket, participation, membership fees (thousand HUF)
3.		**Capital and investment-related revenues** (thousand HUF)
4.		**Grants, supplements, and transferred funds** (thousand HUF)
5.		from row 4. support from supervising/maintaining authority (thousand HUF)
6.		from row 4. earmarked budgetary support (thousand HUF)
7.		from row 4. grant support (thousand HUF)
8.		from row 7. received from EU funds (thousand HUF)
9.		**Other revenues** (thousand HUF)
10.		**Total revenues** (sum of 1., 3., 4., 9. rows) (thousand HUF)
11.	*Expenditures*	**Personnel expenses** (thousand HUF)
12.		**Employer contributions** (thousand HUF)
13.		**Material expenses** (thousand HUF)
14.		**Renovation expenses** (thousand HUF)
15.		**Capital expenditures** (thousand HUF)
16.		**Other expenses** (thousand HUF)
17.		**Total expenditures** (sum of 11., 12., …, 16. rows) (thousand HUF)
18.		from row 17. VAT and other tax-type expenditures (thousand HUF)
19.	*Personnel*	**Number of communities (units)**
20.		**Number of events (units)**
21.		**Number of participants (persons)**
22.		**Number of groups (units)**
23.	*Training*	**Own programs (units)**
24.		**Outsourced/Transferred programs (units)**
25.	*Exhibitions/ Performances*	**Number of events (units)**
26.		**Number of participants involved (persons)**

Source: 388/2017. (XII.13) Korm. rendelet

Local Impacts of Programs (Outcome Indicators)

The impact of cultural and educational services, programs, and organizations is complex and can be measured through:

- satisfaction, local identity, values, and lifestyles of the affected population;
- effects on the local economy, including consumption, employment, and service provision;
- changes in the town’s image, environment, and reputation;
- number of self-organizing groups and participants, as well as the events they organize, reflecting the strength of collaboration and social cohesion.

Evaluation and Monitoring of Impacts

Based on responses to outcome indicators, multi-dimensional and multi-stage evaluations can be conducted.

Temporal dimension: Assessments can be single-point (static) or repeated (dynamic). Dynamic evaluation traces developmental trajectories over time, whereas static assessment provides a snapshot of the effects at a given moment.

Spatial dimension: Analyses can be conducted at the local (municipal) or regional (e.g., district) level.

Methodological approaches:

- rating scales: Simple, quick, and easily applicable.
- correlation analysis: Examines the direction and strength of relationships between selected output and outcome indicators.
- regression analysis: Explores the relationship between complex indices and individual contributors.

The level of integration of the impact assessment allows for evaluations at both the municipal and district levels. For this purpose, services must be grouped—for example, libraries, exhibition spaces, archives, or by functional activities and events (which can be classified according to non-monetary support or by function such as economic, social, recreational, etc.). Aggregate scores from these groups determine municipal and district-level data and rankings.

3.2. Measuring the Performance of Local Governments

The Hungarian local government system has undergone significant changes since 1990. According to the legislator's intent, its fundamental responsibilities today include regulating local public affairs, fulfilling mandatory and voluntarily assumed tasks, providing public services, and managing municipal assets.

All tasks must be carried out effectively, efficiently, economically, and with impact. In doing so, local governments rely on entrusted assets, available financial resources, and human capacity (Table 6).

Table 6: **Resources Available for Local Government Operations**

NO.	DESCRIPTION	INDICATORS
1.	*Available Financial Resources*	• Budget revenues (thousand HUF/year) • Use of remaining funds (thousand HUF/year) • Receivables (thousand HUF/year) • Liabilities (thousand HUF/year) • Liquidity loans (thousand HUF/year) • Short-term loans (thousand HUF/year) • EU funds (thousand HUF/year)
2.	*Asset Resources*	• Value of municipal assets (thousand HUF/year) • Stock of invested assets (thousand HUF/year) • Value of ongoing investments (thousand HUF/year)
3.	*Human Capacity*	• Average staff number (persons) • Average number of participants in public employment programs (persons) • Annual wage costs (thousand HUF/year) • Annual public employment support (thousand HUF/year)

Source: Author's own compilation

The outputs of local governments can be measured in terms of resources, changes in asset positions, and the quantity and quality of services provided (Table 7).

Table 7: **Outputs of Local Government Operations**

NO.	DESCRIPTION	INDICATORS
1.	*Changes in Municipal Financial Resources*	• Change in receivables (thousand HUF, %) • Change in liabilities (thousand HUF, %) • Change in EU funds (thousand HUF, %)
2.	*Changes in Municipal Asset Position*	• Change in municipal assets (thousand HUF, %) • Change in invested assets (thousand HUF, %) • Change in completion of ongoing investments (thousand HUF, %)
3:	*Changes in Services*	• Change in healthcare services • Change in infrastructure • Change in human infrastructure

Source: Author's own compilation

Based on these indicators, the evaluation of local government outputs can be conducted.

Table 8: **Evaluation of Local Government Outputs**

NO.	EVALUATION ASPECT	DESCRITION	EXAMPLE OF MEASUREMENT
1.	*Effectiveness*	*Degree of achievement of the set objectives (%)*	• Change in poverty rate of the local population. • Change in the proportion of households with piped water. • Change in the proportion of households with central heating. • Change in the proportion of paved roads. • Change in local air quality.
2.	*Efficiency*	*Quantity of resources used to achieve the objectives (%)*	• Change in local poverty rate during a given period / resources expended to achieve it.
3.	*Economy*	*Ratio of output to input, or input to output (%)*	• Length of renovated municipal roads / EU funding received. • Number of participants in public employment programs / state support received.

Source: Author's own compilation

The operations of local governments have fundamental social, ecological, and economic impacts (Table 9).

Table 9: **Impacts of Local Government Operations**

NO.	DESCRIPTION	INDICATORS
1.	*Social Impact*	• Demographic impact • Educational attainment impact • Cultural impact • Social responsibilitY

2.	*Ecological Impact*	• Impact on air quality • Impact on wastewater discharge • Impact on solid waste generation • Impact on protected natural areas • Impact on green spaces
3.	*Economic Impact*	• Employment impact • Income impact • Segregation impact

Source: Author's own compilation

4. CONCLUDING REMARKS

The early years of the second millennium began poorly. Global crises—including financial shocks and pandemics—disrupted societies, to which institutional frameworks responded with varying degrees of effectiveness. The results of these measures, however, have been mixed. In most countries, budget deficits and public debt increased, economic growth slowed, income and regional disparities persisted, and structural problems remained unresolved.

The liberal state model failed to meet the expectations of its proponents, as it promised commitments that could not, or could only partially, be fulfilled. This prompted a thorough examination of the developmental state and its operational mechanisms. While this model has also faced considerable, and sometimes justified, criticism, there is broad consensus that greater attention must be paid to measuring and monitoring the efficiency of state intervention and ensuring the conditions for sustainable development.

The search for an optimal division of labor between the market and the state is not new. The self-regulating model spectacularly failed during the 1929–1932 global economic crisis. Today, the necessity of state involvement is widely acknowledged; the debate centers primarily on its extent and orientation.

Meanwhile, the question of public sector performance and efficiency has received comparatively less attention. In response, the 1970s saw the emergence of a new type of public service management, aimed at introducing methods from the private sector. However, these approaches only partially aligned with the objectives of the public sector.

A state model aimed at social and economic sustainability could represent a paradigm shift, contributing not only to improved public sector efficiency but also to greater acceptance of governance.

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