The central question of the webinar is how central government can help improve local public services while preserving the room for manoeuvre of local governments and without unduly increasing their reporting burdens. Hungarian data practices can be linked to the five discussion questions of the proposed Moldovan methodology.

The central question of the webinar: Monitoring the effectiveness and efficiency of local governments in providing public services

Dear Colleagues,

At first glance, measuring the performance of local governments may appear to be a technical task: we select indicators, collect data, and then compare the results. In reality, however, behind every measurement system lies a public policy decision: what do we want to use the results for? This is not a negligible question, because we still encounter data and indicators that do not necessarily help us.

At the same time, do we want to understand where help is needed, both for central government and for local governments? For example, do we want local governments to learn from one another? Do we wish to underpin central funding? Or do we want to identify situations in which even a minimum level of service cannot be ensured? Or do we wish to establish a unit cost for the use of EU funds?

All of these may be legitimate objectives, but they do not necessarily require the same measurement system. My starting point today is therefore that we should first define the decision we want the data to support; only then is it worth selecting the indicators.

The workshop's background paper clearly distinguishes efficiency from effectiveness. Efficiency examines what financial, human and physical resources a local government uses to provide services, and at what cost. Effectiveness asks whether the service reaches the people concerned, meets the expected quality standards, and produces a real result in their lives.

This distinction is extremely important. An institution may operate at low cost, but if residents of the surrounding villages cannot reach it, access to the service is poor. Another service may have a higher unit cost because it operates in a sparsely populated area; nevertheless, it may be indispensable for ensuring that the people living there can access basic provision.

Good monitoring therefore does more than show where costs are high. It also explains why they are high and what residents receive in return for those costs.

The Moldovan approach described in the attached material highlights three dimensions:

the legal and administrative viability of territorial units;

- local financial capacity and sustainability;
- and institutional capacity and performance in carrying out responsibilities.
- This is a useful starting point because it does not attempt to describe a local government's situation with a single indicator.

At the same time, it is important to keep these three dimensions separate in the assessment as well. A local government's weak financial capacity, an institution's operational shortcomings, and a service's poor outcomes for residents are three different problems, and they may not have the same solution. The first may require changes to funding or the organisation of responsibilities; the second may require professional support; and the third may even require reorganising the service across the territory.

So what should we measure?

For every public service examined, we could ask at least five questions. For example: Who needs the service? Can they actually access it? Are its capacity and quality adequate? What resources does it require? And finally, what results do residents experience? What do all these findings tell policymakers as well?

We can build an indicator system from these questions, but we must be careful about turning it into a single composite score too early. An aggregate value may draw attention to a possible risk. On its own, however, it rarely tells us what to do. If a municipality receives a low score, we need to know whether this is due to its financial situation, access to the service, a shortage of staff, or data quality.

The next question is comparison. The workshop paper rightly raises the importance of population size, rurality, geography, deprivation, and the responsibilities actually assigned to local governments.

From the Hungarian experience, one point particularly deserves emphasis: it is not enough to compare settlements with the same population size. The settlement network, links with neighbouring settlements, travel time, the age structure of the population, and whether the service is provided by the local government itself, an association, a state body, or another provider all matter.

A small town, for example, may be an important service centre for surrounding villages. If we take only the town's residents into account, its costs may appear unjustifiably high. If we look at the entire service area, we get a different picture. This is why comparison groups made up of local governments in similar situations may be more useful than a single national ranking.

What data can we use for this?

Several significant data sources are available in Hungary.

- The Hungarian Central Statistical Office's T-STAR database provides time series at settlement level.
- The TeIR supports the analysis of territorial processes and planning.
- The municipal ASP system and its data warehouse bring together a wide range of data on local government operations and finances.
- The IKIR, which is intended to support the planning of local public services:
    - By bringing together data at settlement level, it can help local governments, for example, reconsider the capacity of kindergartens or libraries. Some municipalities actively use it for this purpose. At the same time, the IKIR is not a map-based territorial analysis system, and its use has not become widespread enough; a lack of user-friendly functionality has also played a part in this. Nor is the TeIR always easy to use. This is therefore a good example of how the mere availability of a system and its data does not ensure that they will be widely used in local decision-making.

Alongside the above, detailed information on individual public services is also often found in sectoral systems.

The practical question is whether these sources can regularly be used to build a common picture of the effectiveness of public services. At present, the answer is: only in part. There are common platforms, but there is no single interface that reliably contains the cost, accessibility, quality and outcomes of every local government public service according to a uniform methodology. A comprehensive assessment therefore requires the data of different data holders and sectors to be coordinated. At the same time, this is a conclusion drawn from the purposes of the existing systems; it does not mean that every item of data must be requested manually on every occasion.

The municipal ASP system is a particularly good example of what common infrastructure can do, and where its limits lie. Its data warehouse represents a significant step forward in standardising local government data. At the same time, its main purposes set out in legislation relate to monitoring financial management, liquidity, task-based financing and financial oversight. On its own, it does not yet tell us whether an older person actually receives the care they need, or how long it takes a family to reach a service.

The use of different data is governed by several legal frameworks: separate provisions regulate local government responsibilities, the operation of the ASP system, official statistics, access to public sector data, and the use of the national data asset. Where personal data are linked, the appropriate legal basis for processing and the necessity of doing so must also be examined. A common data platform therefore cannot mean unrestricted access to all data. The objective is documented and secure data sharing that is necessary for a defined public task.

What should a monitoring system now being developed take into account?

First, it should compile a data inventory. Who produces each dataset? How often is it updated? At what territorial level is it available? How comparable is it? Can the indicator be derived from existing administrative or financial data? How much cleaning is needed, or can the data be used immediately? We should ask local governments to report new data only where these cannot genuinely be obtained from another reliable source.

Second, central government and local governments should agree on a small common set of core indicators. This should be complemented by the sectoral indicators required for individual services. However, an excessively large indicator system can easily become a reporting exercise that consumes the very capacity we would like to devote to improving services.

Third, the figures should always be checked and interpreted with the local government concerned. An outlier may signal a real problem, but it may also result from a different division of responsibilities or a data-quality error. The participation of local actors in selecting and periodically reviewing indicators is a condition for making the assessment useful.

Fourth, the response to monitoring results should be proportionate. Where performance is good, effective practices should be made visible so that others can learn from them. Where a shortcoming is identified, the first steps should be joint analysis, professional assistance, and a feasible improvement plan. Stronger supervisory or administrative measures can be justified only in cases of clearly defined, serious and persistent problems. Particular care is needed if an assessment may also inform decisions about the viability or territorial future of a local government.

Finally, the data must flow back to local decision-makers. If a municipality merely reports to the national system but receives no useful feedback on how it compares with municipalities in similar circumstances, monitoring will primarily become an administrative burden. If, however, it can see the reasons for differences and the system supports improvement, the data can also strengthen local autonomy: they provide a better basis for its own decisions and for testing new solutions.

On this basis, three brief observations can be highlighted.

First: monitoring local public services is fair when it assesses local governments in the light of their actual responsibilities and territorial circumstances.

Second: we need to connect existing administrative and statistical data much more effectively. Repeated, individual data requests create costs for both central and local government. Alongside rules for data collection, we must therefore organise the shared interpretation and use of data.

Third: the value of monitoring lies not in the score, but in the better decision that follows from it. Ultimately, the most important question is whether residents, regardless of where they live, can access the services they need.

To sum up:

Hungary has common systems, including settlement-level statistical databases, TeIR, and the municipal ASP data warehouse.

These systems were, however, built for different purposes.

At present, there is no single platform that presents access to, the cost, quality and outcomes of all local public services in a uniform way.

A comprehensive analysis therefore requires data from several sectors to be coordinated. When we mapped public services in 2023, we also had to meet separately with each sector and request its data. We then spent weeks cleaning, filtering and processing those data to produce a usable database that could subsequently also be displayed on a map.

Furthermore, the way sectoral ministries manage their data is not necessarily sound or appropriate in every case. Some still collect data in Excel spreadsheets, while others use different systems that cannot communicate with one another.

Thus, one of the most important next steps would be to define common indicators, identify the data holders, and establish regulated data transfers, making use of existing data first.

The government's objective is now to establish such a data bank: one that collects, manages, cleans and makes available data from every sector, and gives every actor who needs to work with those data access to them, at every territorial level and for every function.

Thank you for your attention.