Accounting for almost 50% of countries’ GDP in the EU28, Europe’s public sector plays a decisive role with regard to socio-economic development and competitiveness. Being faced with global challenges such as the economic crisis, demographic change, and strains of increasing expectations in public services and institutions, it is indispensable for the public sector to modernise and innovate. This article argues that the concept of ‘Administrative Capacity Building (ACB)’ does not only lead to performance improvement of institutions and of the provision of public goods and services (internal dimension), but also – and more importantly – to good governance, thus the building of trust and social capital. ACB is therefore a prerequisite for innovation in the public sector.

The authors seek to present different aspects and elements of ACB (the building blocks), referring to its components policy (structural development of organisations), people (professional development of employees) and systems (instruments to tap tacit and implicit organisational knowledge). It is shown that ACB is a priority in the European context, as it is an integrated element in the governance of the EU’s overarching strategy Europe 2020, its strategic and operational levels, as well as the alignment of (funding) programmes. Finally, three flagship initiatives by EIPA (the European Public Sector Award and its spin-offs and knowledge transfers, the Common Assessment Framework, and the ‘ACB toolbox’), which illustrate the bridges towards public sector innovation, will be highlighted and presented as best cases for a well-functioning public sector.
Introduction

The public sector accounts for almost 50% of countries' GDP in the EU28. In its triple function as regulator, provider and employer (with approx. 75 million employees), it is not only Europe's biggest single 'industry', but it moreover has a crucial role to play in Europe's socio-economic development, progress and competitiveness. However, for the last six years, most public administrations across Europe have experienced continued strains on their public finances, with the first signs of tentative recovery appearing only recently, while being persistently confronted with rising welfare costs due to the effects of the financial crisis and demographic change. At the same time, public authorities have been aiming to live up to citizens' expectations and 'do more with less' with a view to better and wider service provision despite reduced staff levels and tightening budgets.

In fact, the public sector has always been under pressure to increase productivity, to deliver more citizen-centric services and to enhance democratic participation. However, the current challenges of globalisation, technology, increased mobility of people, goods and services, ageing, societal change, and climate change are now more likely than ever before to have a more fundamental impact on the role of the public sector in Europe. These developments – coupled with the importance of the public sector for Europe's growth and recovery – call for stable and strong institutions, but which are at the same time flexible, agile, and open to change, and thus increase capacities and boost innovation. But how can this be achieved?

On a European scale, the prerequisites for the modernisation of public administration and successful reform are often dealt with under the concept of 'administrative and institutional capacity building'.

This concept can be found in varying notions at EU level, such as 'modernising public administration' in the framework of the European Semester, or 'quality of public administration', especially in relation to the European Social Fund (ESF). The latter describes broad and systemic concepts that go beyond the technical aspect of training civil servants to address the core issue of how public authorities interact with and deliver services to businesses and citizens. In return, administrative capacity has good governance as its ultimate objective, and thus the building of trust and social capital. The above-mentioned concept is closely related to that of public sector innovation. In this sense, administrative capacity creates the pre-condition for making innovation happen in the public sector through reform and the strengthening of institutions, as well as human capital: 'The objective of administrative capacity development, with regard to public sector innovation, is to systematically embed it into operations of the public sector and thus harness innovation when it happens'. To this end, 'innovation' (in the public sector) is often seen as the creation of 'newness' which goes beyond the average situation or existing modes of – for instance – service delivery. Although innovation should demonstrate a clear leap of creativity, it may not have reached its full level of 'maturity'.

In this article, the authors will examine in detail the various discussions around administrative capacity, its building blocks, as well as showcasing several examples (bridges) in which EIPA takes the lead or is deeply involved, and on why and how it may work and lead to more innovation in the public sector. In a nutshell, only a well-functioning and developing public sector can be the cornerstone for prosperity and growth in Europe.

Defining and developing administrative capacity: its building blocks

Capacity building/development has a long history in development aid to third world countries. The term capacity building was introduced in the late 1980s, but builds on previous concepts starting from that of institution building in the 1950s. Capacity building/development contrasts with its conceptual predecessors on a number of points. First of all, capacity building issues began to take a more 'macro reform' perspective in the late 1980s and 1990s. Secondly, more attention was paid to the broader environment in a country (or a sector or region) in terms of building capacity. The broader institutional and social patterns of a country were 'the rules of the game' (the conditions) within which the 'players' have to function. Thirdly, because organisations often are interdependent actors whose activities are embedded in larger systems of networks, a more multi-sectoral and systematic approach began to emerge. The management of relationships between actors and between levels began to matter more. Increased efforts were directed towards partnerships, linkages, networks, stakeholder involvement, integrated planning and inter-organisational coordination. The various aspects are well reflected in the widely used OECD definition of capacity building: 'Capacity building is the process by which individuals, groups, organizations, institutions and societies increase their abilities to: 1) perform functions, solve problems and achieve objectives, and 2) understand and deal with their development in a broader context and in a sustainable manner.'

In their latest (May 2014) 'Governance Report', Lodge and Wegrich divide administrative capacity into four categories:

1. **Delivery capacity** as the resources an administration has available to perform its tasks;
2. **Regulatory capacity** as the way in which the state regulates economic and social activities and in which it monitors and promotes adherence to the rules;
3. **Coordination capacity** as the ability to steer mediation and negotiation processes between parties involved at different administrative levels and among non-state actors;
4. **Analytical capacity** as the state's ability to assess the performance of its system, anticipate future developments, and plan future demands accordingly.

In addition to those categories, an internal and external component should be taken into account. The 'internal orientation' of administrative capacity building focuses on improving the provision of public goods and services by the various public institutions as an end in itself. It focuses more on performance of the institutions and internal pressures. The more 'external orientation' derives from the economic, environmental, social or health field. This orientation is built on the premise that institutional and administrative
capacity building is intrinsically interlinked with broader society, including competitiveness and socio-economic development. In this respect, the strengthening of administrative capacity has as its final goal to contribute to good governance and should not be deemed an aim in itself.

The first cluster deals with **structural development of the organisation as a whole** and seeks to enhance the existing organisational structures and mechanisms that are in place in order to improve the conditions for policy making and implementation. In particular, organisational development focuses on the legal and regulatory framework, management structures and capacities, as well as on procedures and mechanisms for consultation, coordination and cooperation. In this cluster, 8 general building blocks for strengthening administrative capacity can be identified:

1. Strategic planning and evidence-based management allowing the formulation and monitoring of objectives and goals;
2. Stakeholders’ involvement in all components of the policy cycle (design, decision, production and evaluation);
3. Appropriate administrative structures (ministries, agencies, fusion of organisations, etc.);
4. Simplification and rationalisation of administrative procedures;
5. Management of partnerships with different crucial actors in the field (e.g. other governmental bodies, NGOs, private and business partners);
6. Results orientation: impact assessment, evaluation, monitoring and audit to assure the transparency and accountability in terms of efficiency and effectiveness;
7. Socially responsible behaviour: ethical, environmental, non-discrimination, gender equality;
8. Tackling corruption.

With regard to the dimension of _people_, the goal is individual capacity development. This area falls within the broader scope of human resource management and includes the aim of equipping individuals with information, knowledge and training to enable them to effectively carry out their tasks. Interventions focus on recruitment and career management as well as on the existing incentive and merit systems:

9. Professionalisation of senior and leading civil servants/managers (selection, training, mandates and accountability, etc.);
10. Modern HR policy and management (recruitment system, incentives, professionalisation, appraisal, involvement, career development, competence management, etc.).

Finally, the dimension of ‘_systems and tools_’ refers to the development of instruments, methods, guidelines, manuals, systems, procedures, forms, etc., which enable organisations to tap into tacit and implicit knowledge (the type which primarily exists in the thoughts of individual people), and to transform it into explicit knowledge that can be shared across organisations. ICT infrastructure (and e-Government in particular) is considered an important intervention tool to improve service delivery:
12. User/customer orientation, involvement and empowerment (needs analysis, satisfaction measurement, administrative burden reduction, one-stop-shop solutions, etc.);
13. Management of Resources (financial, knowledge, technology, facilities);
14. Process management, optimisation and re-engineering of business processes in order to achieve the defined goals on output and outcome;
15. e-Governance; strengthen internal efficiency and external service delivery (e.g. e-Procurement, e-Government, information and communication);
16. Continuous improvement by building the learning organisation through knowledge management, bench learning and benchmarking, internal and international networking and fostering innovative solutions (including European Public Sector Award, Observatory on Public Sector Innovation, European Public Administration Network, etc.).

These 16 building blocks define the overall framework for designing measures to strengthen administrative capacity.

Strengthening ACB in the European context: a priority?!

It goes without saying that administrative and institutional capacity building is an integrated element in the governance of the EU’s overarching strategy, Europe 2020, for smart, sustainable and inclusive growth and is consequently also translated to the level of EU funding. Thus, it represents a clear golden thread running through the different strategic and operational levels of alignment and programming in the European Union.

As indicated above, it has been integrated as a core aspect of ‘modernising public administration’ for the last three editions of the ‘Annual Growth Survey’ and is thus used in the framework of the European Semester.14 The European Semester as a European economic governance mechanism, monitors the effective and timely implementation of the EU 2020 at Member State level, as well as the prevention and correction of macro-economic imbalances. With the Annual Growth Survey in mind, countries receive ‘Country-specific recommendations’ to stay on track for the EU 2020 targets.

In 2013, more than half of the Member States received such country-specific recommendations for rendering their public administrations more effective and for improving governance. To this end, ‘modernising public administration’ tackles the cross-cutting areas of general governance (administrative effectiveness), administrative modernisation (e.g. e-Government services and their take-up), quality of public investment (e.g. strategic budgeting and planning, strategic human resource management), administrative burden on businesses (e.g. time and cost to start a business, time to obtain licences), quality, independence and efficiency of justice and corruption.15

Administrative capacity building is also reflected in the European funding instruments, in particular in thematic objective 11 ‘enhancing institutional capacity of public authorities and stakeholders and efficient public administration’ of the European Structural and Investment Funds (ESIF). This objective is addressed concretely by the European Social Fund (ESF) and the European Regional Development Fund (ERDF). Moreover, some specific calls of the centrally managed funds like Horizon 2020 or even COSME focus on the exchange of best practices among public administrations and on rendering the public sector more efficient.

Administrative capacity building in practice: successful ‘bridges’ towards public sector innovation

The current buzz around public sector innovation and manifold ACB actions, conferences and initiatives on an international scale is prominently reflected in examples like the Observatory on Public Sector Innovation (OPSI)16 of the OECD, or the LIPE project (Learning from Innovation in Public Sector Environments)17 within the 7th Framework Programme on Research and Development, as well as the well-known UNPSA (United Nations Public Service Award and Day).18 This clearly shows that there is no shortage of demand for such initiatives and the need for collation of best practices and knowledge exchange in the quest for transferrable models for public sector modernisation and reform.

Three flagship initiatives (by EIPA) in support of this mission will be briefly presented: 1) the EUPAN and the Common Assessment Framework (CAF); 2) The European Public Sector Award (EPSA) scheme and a sample of its prominent knowledge-transfer activities and spin-offs; 3) the construction of a ‘Toolbox on ACB’ at EU level.

EUPAN and the Common Assessment Framework (CAF)
The European Public Administration Network (EUPAN) is an informal network of the Directors-General responsible for public administration in the Member States of the European Union, the European Commission and observer countries. The informal structure of the Network is steered by the Ministers responsible for public administration. There was an increasing need within the European Union at the end of
the 1990s for a more intensive and formal response in order to optimise cooperation with respect to the modernisation of government services in the Member States and the preparation for the upcoming enlargement. In 1997, this need was given substance with the formation of a steering committee at European level, which subsequently became the IPSG – the Innovative Public Services Group, acting under the aegis of the network of the Directors-General. The IPSG working group developed a quality tool specifically intended for and adapted to the public sector. This resulted in the year 2000 with the Common Assessment Framework (CAF) – an easy to use and free entry tool based on Total Quality Management for self-assessment in the public sector, which could help public administrations across the EU to understand and employ modern management techniques.

CAF is based on the premise that excellent results in organisational performance, citizens/customers, people and society are achieved through leadership driving strategy and planning, people, partnerships, resources and processes. It consequently looks at the organisation from different angles at the same time. Many of the 16 ACB building blocks mentioned above can be found or are linked to the CAF model. In this way the CAF model itself is an instrument to strengthen the capacity of public sector organisations.

The year 2001 saw further development around the CAF: the European CAF Resource Centre (CAF RC) was established at the European Institute of Public Administration in Maastricht, the Netherlands. It has the aim of being a European consultancy and training centre of expertise on CAF implementation. Furthermore, the CAF RC carries out research on the use of the model to further develop it and aims to stimulate the European CAF network of national correspondents, as well as being a source of inspiration to the European CAF community.

In the past 14 years the CAF has also become more mature. In this process three different phases can be distinguished: a first phase focusing on the self-assessment (i.e. the introduction of TQM principles and values in the public sector by using the CAF; a second phase concentrating more on the improvements after the self-assessment (i.e. the implementation of the actions that were the result of the discovery of many areas of improvement during the self-assessment); and a third phase drawing attention to the mature culture of excellence in an organisation (i.e. the work done in the context of the discussions on the new Procedure for External Feedback).

The European CAF Resource Centre keeps track of the (over 3700) organisations using the CAF model. In this way and via the national and European CAF Users’ events, the dynamic of working with CAF is spread and public sector organisations all over Europe are stimulated to exchange practices and come together to learn.

EPSA: a strong driver for public sector reform and search of excellence

‘EPSA has emerged as a framework for mapping innovative practices, including a comprehensive set of criteria, definitions and categories. This provides a basis for carrying out meaningful analysis and comparisons of countries. Through collecting and sharing these practices, EPSA is adding genuine European value, encouraging learning and inspiring a culture of public sector innovation.’

László Andor, European Commissioner for Employment, Social Affairs and Inclusion, 2013

EPSA is a unique and prestigious platform in Europe, as well as a powerful source or supplier of best practices (‘case-maker’) from among Europe’s public sectors. It rewards projects that address relevant European public challenges and are crucial drivers for innovation and change in the way public operators act in the 21st century. With more than 800 cases from 36 European countries and institutions, which have been thoroughly assessed by external and independent evaluators since 2009, and which provide an insight into proactive approaches of hundreds of public administrations, EPSA makes (best) practices transparent, transferrable and available to all public administrations. It offers a rich ‘data/information treasure’ and the possibility to transfer this knowledge while ensuring the extraction of lessons learnt and understanding of respective trends in public reforms.

The main goal of EPSA is a combination of both awarding and learning (platform). Both targets are interrelated and contain benefits for the (potential) applicant. Considering that public administrations’ learning methodologies differ substantially, ranging from an autodidactic approach, involving internal and external consultants and advisors or by networking, EPSA contributes directly and indirectly to all these forms of learning.

In a recent survey carried out by EIPA among the EPSA 2011 and 2013 Best Practice recipients (105 in total) on the impact of the award scheme for the applicants, several benefits could be identified (with a response rate of 69%): 45% of the applicants considered the process of writing the application (in English) to be highly beneficial; the same percentage of applicants considered the process of writing the application (in English) to be highly beneficial; the same percentage of respondents replied that their project received reinforced internal attention leading to further developments and improvements thanks to being awarded in the EPSA. These answers were followed by 34% of applicants who considered the Evaluation Summary Notes (ESN) – the results of the four-step external evaluation process – as being very valuable (i.e. external consultants’ involvement), and 30% who got inspiration from exchanging best practices with others (i.e. networking). The positive answers from the majority of applicants (102 compared to 3 BPCs), clearly show that the EPSA is perceived to bring about positive change and impact for awarded projects.

The EPSA 2015 is about to be launched (www.epsa2015.eu will soon be live for further information) and will again recognise and reward those outstanding public achievements which can further motivate innovators in the public sector in their efforts to reform and change.
EPSA spin-offs and knowledge transfer
EIPA also pays special attention to sharing and exchanging these good practices from the EPSA scheme with the aim of minimising both the wastage of resources in the public sector and the wastage of time spent ‘re-inventing the wheel’. The so-called EPSA Transfer by EIPA covers various formats and transfer routes such as (classical) training, research, advice or consultancy role or matching and broker role (among participants).²⁴

In the following, three examples of this knowledge-transfer are highlighted: one is the ‘joint journey in search of local public management excellence’ and cooperation of seven cities – all former EPSA rewarded applicants, the cities of Bilbao (ES), Birmingham (UK), Mannheim (DE), Milan (IT), Tallinn (EE), Tampere (FI) and Trondheim (NO) – which resulted in a publication accessible to all public actors (and available in English, Spanish and German).²⁵ The objective of this assignment was to examine, compare and contrast the successful local management models of seven partner cities. Telling their success stories in the different areas of local public management in Europe allowed their knowledge and know-how to be transferred to other public administrations. By highlighting their local experiences, these seven cities also boosted the accountability and legitimacy of their actions, whilst enhancing their visibility and supporting the building of capacities throughout Europe. Each city case was first analysed in terms of background, strategy (for change) development, ‘journey’, results and innovation power (key enablers and drivers) (‘… the making of…’) and it concluded by presenting seven steps leading to excellence in public management.

A second prominent example of the EPSA knowledge transfer and contribution to ACB, this time from both an academic as well as practice angle, is the book Public Management in the 21st Century – Trends, Ideas and Practices.²⁶ Research questions such as ‘What kind of ideas are behind the remodelling of the state and public sector, and how have these ideas materialised in practice?; Why have public management reforms become such a prominent issue?; Which relevant models and methods have been influential?’ have inspired recent debates in this field. The authors’ ambition was to contribute sophisticated answers and to illustrate what the driving forces are behind the huge number of public management reforms over the last three decades, as well as validating their findings against 16 EPSA (best) practices.

Finally, a most recent flagship example of an EPSA spin-off is the high-level European ‘City Economic and Financial Governance (CEFG) Group’ (www.cefg.eu). Dedicated to creating a space for mutual learning in the field of economic and financial governance, the City Council of Barcelona initiated this high-level strategic partnership together with the cities of Dublin (IE), Hamburg (DE), London (UK), Milan (IT) and Vienna (AT), many of which are former EPSA rewarded applicants. The CEFG Group thus unites larger European cities, representing a total of approx. 30 million inhabitants in their respective metropolitan areas, that aim towards a different way of doing politics – politics that are committed to quality management, sustainability and liquidity of public sector finances as guarantors of Europe’s economic competitiveness, its social policies and thus ultimately the wellbeing of their citizens. Over the course of four meetings burning issues such budget practices, integrated financial management systems, their financial accounting practices in relation to the European Public Sector Accounting Standards (EPSAS) as well as national and European accounting systems will be discussed and their effects on economic development and growth analysed.

This timely initiative has already raised a great level of interest in the European environment and is also supported through active participation by the European Commission – Eurostat as it coincides with their efforts to formulate the EPSAS and to apply them EU wide.
Creation of an ‘ACB toolbox’ at EU level
As mentioned in part 2, the topic of administrative capacity is gaining increased attention on the European agenda. In the new programming period (about €3 billion expected in 2014-2020), the Member States are asked to propose measures to build administrative capacity. A European Commission inter service group, coordinated by the Directorate-General for Employment, Social Affairs & Inclusion (DG EMPL), in collaboration with EIPA is drafting non-binding guidelines for Member States on how to strengthen the functioning of the public sector and invest in administrative capacity.

The initiative for the toolbox arose out of the European Semester of economic policy coordination with Member States, the Annual Growth Survey which consistently highlights good governance in the public administration and judiciary as being essential to economic success, and the resultant Country-Specific Recommendations to Member States. Moreover, there is no single DG in the European Commission with sole competence and an unambiguous leading role. Most have some interest, large or small. Hence, the toolbox is conceived as non-prescriptive policy guidance by highlighting the Commission’s and other Member States’ initiatives, and in particular by drawing on examples of relevant practices from the Member States as a form of peer-to-peer exchange, structured around key messages. The other main rationale for the toolbox is the future use of European Structural and Investment Funds (ESIF), which include ACB as an area of eligible spending. The ESIF are currently being programmed, with the idea being that the toolbox provides guidance in the implementation of these funds (as programmes tend to focus on priorities and measures, but with relatively little detail of how they might be converted into projects).

The toolbox, which will be available electronically and online by the end of 2014, is currently structured around 7 main themes: Better policy-making; Tackling corruption; Professional & well-performing institutions; Improving service delivery; Enhancing the business environment; Strengthening the judicial system; and Managing public funds effectively.

Conclusions
Institutional and administrative capacity building has been a feature of the public sector agenda for many decades. Whereas in the early years ACB was mostly oriented towards developing or transition countries, focused on structures, institutions or functions, more recently ACB widened (from organisational to macro level) and deepened (tackling various topics, cf. 16 building blocks above) its scope sufficiently to approximate a form of strategic public administration reform which ultimately may lead to and foster public sector innovation (PSI).

With this in mind, and despite the continuing lively debate on whether well-established administrative capacities lead to or allow more public sector innovation (ACB -> PSI) or the opposite (i.e. (radical) innovative changes result in more capable administrations (PSI -> ACB)), the EU stresses the importance of public administration reform, making a well performing public sector an indispensable factor for the larger EU2020 objectives. Therefore, improving the functioning of public administration should indeed be an end in itself; but just as importantly, it contributes to the strengthening of the overall (good) governance of a region/country. The possibilities provided to the Member States during the new programming period 2014-2020, will hopefully push countries to take measures to strengthen their administrative capacity.

In defining and implementing reform initiatives, inspiration might be found from insights gained in previous (best) practices from other public sector organisations/Member States, and can help to abort unsuccessful and scale-up successful ABC/PSI initiatives. Making them available, visible and usable is therefore a crucial aspect in ACB or in any kind of learning. EIPA is contributing to this exposure of interesting examples and identifying key aspects of these domains.

Notes
5. The definition of good governance is based on the one used by the Directorate-General of Employment, Social Affairs and Inclusion in their publication ‘European Commission, Promoting good governance. European Social Fund thematic paper’, Brussels, 2014, p. 8: ‘the manner in which power is exercised in the management of a country’s economic and social resources for development’.
11. SEOR, Evaluation of the ESF support to Capacity Building, Rotterdam, the Netherlands, 2006.


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