

## KDZ Factsheet

# KDZ Factsheet Cost and Effectiveness of Public Administration and Services in Europe

23 April 2026

Thomas Prorok, Anna Baumgartner



## **Imprint**

KDZ – Centre for Public Administration Research

Guglgasse 13 | 1110 Vienna

+43 1 8923492

institut@kdz.or.at

www.kdz.eu

## **Table of Content**

<b>1</b>	<b>Introduction.....</b>	<b>3</b>
<b>2</b>	<b>Costs of Public Administration and Services .....</b>	<b>3</b>
<b>3</b>	<b>Effectiveness of Public Administration.....</b>	<b>5</b>
<b>4</b>	<b>Costs of Government Effectiveness .....</b>	<b>6</b>
<b>5</b>	<b>Diverging Developments in Costs and Effectiveness .....</b>	<b>6</b>
<b>6</b>	<b>Conclusion – From Higher Spending to Better Outcomes .....</b>	<b>9</b>

## 1 Introduction

The factsheet addresses the growing gap between the costs of public administration and the outcomes it delivers. Drawing on Eurostat expenditure data and the World Bank's Government Effectiveness indicator, it highlights significant disparities in both resources and performance across European countries. In particular, administrations in Southeast Europe and the Western Balkans operate under much tighter fiscal constraints while facing increasing demands on service delivery and institutional capacity.

The analysis is especially relevant in the current context, as public administration spending has increased substantially across Europe in recent years, while improvements in effectiveness have remained limited and uneven. This raises the critical policy question of how to ensure that rising public expenditure translates into better governance outcomes.

The factsheet provides evidence to inform reform debates at European and national level, with a particular focus on the efficient use of resources and the need to strengthen institutional quality and performance, especially in countries with limited fiscal space.

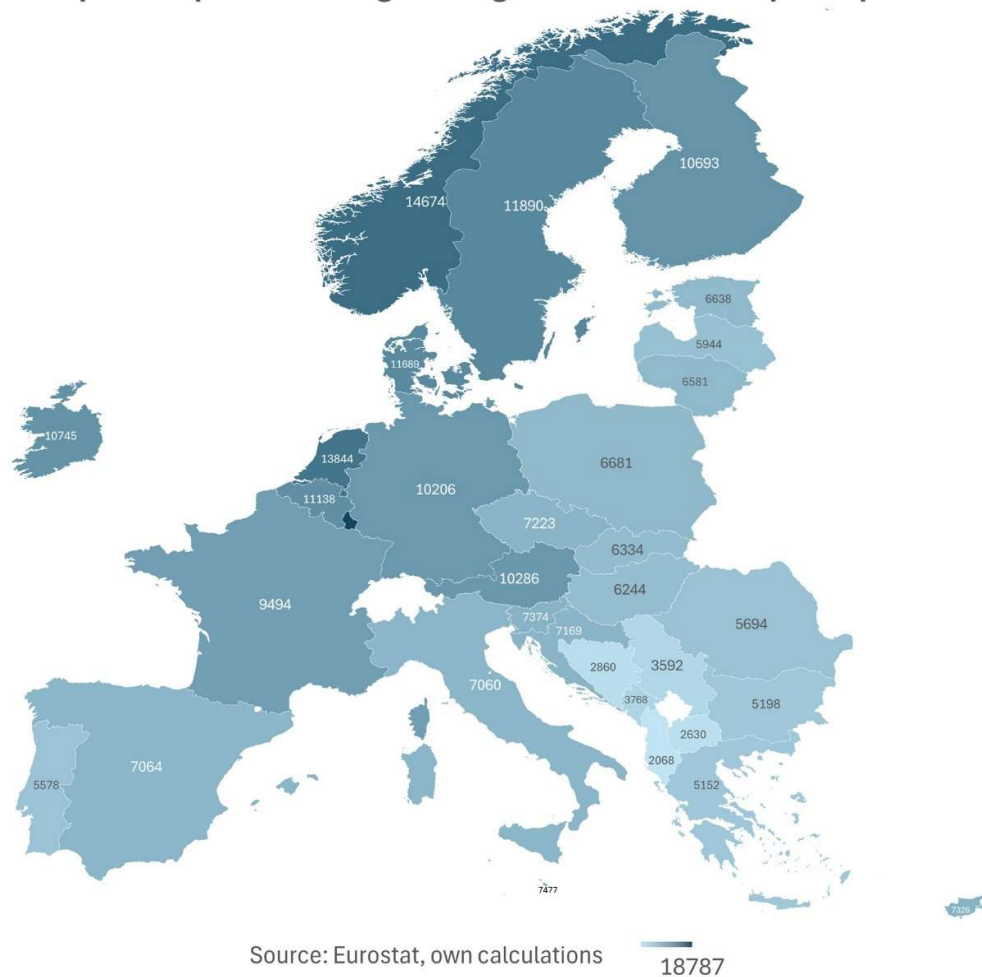
## 2 Costs of Public Administration and Services

A major component of Gross Domestic Product (GDP) is the final consumption expenditure of general government. This covers public spending on goods and services, including the compensation of employees in general government. As such, it is a useful indicator for assessing the costs of public administration and the provision of public services, while excluding investments and social transfers.

The data used for this analysis is provided by Eurostat through the European System of Accounts (ESA) for the Member States of the European Union and neighbouring countries. It is expressed in Purchasing Power Standards (PPS), which allows for more meaningful cross-country comparisons by taking differences in national purchasing power into account. This makes it possible to compare the financial resources available to the public sector in different countries on a more equal basis.

Figure 1 highlights the considerable disparities in public expenditure levels across Europe. In 2024, the EU-27 average amounted to 8,609 PPS per inhabitant spent on public administration and the provision of public services. Behind this average, however, there are very large differences between countries. At the lower end of the scale, Albania recorded only 2,068 PPS per inhabitant, the lowest value in Europe. At the upper end, Luxembourg reached 18,787 PPS per inhabitant, representing by far the highest level of expenditure per capita.

**Figure 1: Final consumption expenditure of general government in PPS per capita 2024**  
**Final consumption expenditure of general government in PPS per capita 2024**



These figures point to a clear regional divide in the financial basis of public administration. In particular, the data illustrates the limited resources with which public administrations in Southeast Europe are equipped. Countries in this region generally operate with significantly lower expenditure levels per capita, which means that they have fewer financial means available for staffing, administrative organisation, and the delivery of public services.

By contrast, the Nordic countries stand out with a substantially larger public budget per capita. This reflects both stronger fiscal capacity and a broader role of the state in providing public services. Higher expenditure levels in these countries suggest that their administrations can rely on a much stronger financial base for carrying out public tasks and maintaining administrative capacity.

### 3 Effectiveness of Public Administration

While expenditure data shows the financial resources available to public administration, it does not by itself indicate how well public institutions perform. To assess this dimension, this analysis uses the Worldwide Governance Indicators (WGI) of the World Bank. The indicator Government Effectiveness captures key aspects of administrative performance, including the quality of public services, the quality and independence of the civil service, the quality of policy formulation and implementation, and the credibility of government action. It ranges from -2.5 for weak governance performance to +2.5 for very strong performance.

**Figure 2: Government Effectiveness Index 2024**

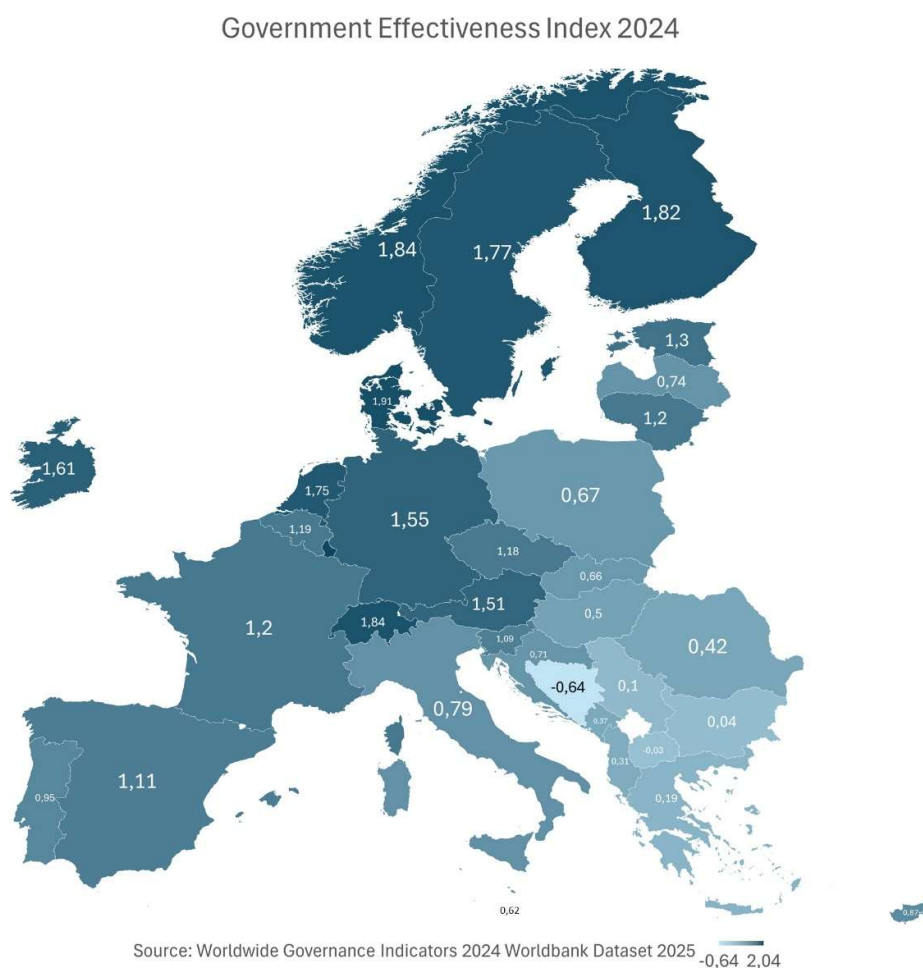


Figure 2 shows substantial differences in government effectiveness across Europe. Even within the European Union, the spread is wide, ranging from +0.04 in Bulgaria to +2.04 in Luxembourg. The map shows a clear west-east and north-south divide, with the highest effectiveness levels concentrated in Western and Northern Europe, while lower scores are more common in Eastern and Southeast Europe.

This pattern is also visible in the Western Balkans. The countries of the region remain below most EU Member States in terms of government effectiveness, although there are differences within the group. Montenegro (0.37) and Albania (0.31) record the highest values among the Western

Balkan accession countries, followed by Serbia (0.10). North Macedonia (-0.03) is slightly below zero, while Bosnia and Herzegovina (-0.64) shows the weakest result in the region. These figures underline the continuing governance gap between the Western Balkans and much of the EU.

## 4 Costs of Government Effectiveness

A key question for public administration reform is whether higher expenditure is associated with better performance. By combining data on final consumption expenditure of general government with the World Bank’s Government Effectiveness indicator, it is possible to compare the financial costs of public administration with its institutional outcomes. This provides a broader perspective on how resources and performance are related across European countries.

**Figure 3: Costs of Government Effectiveness**

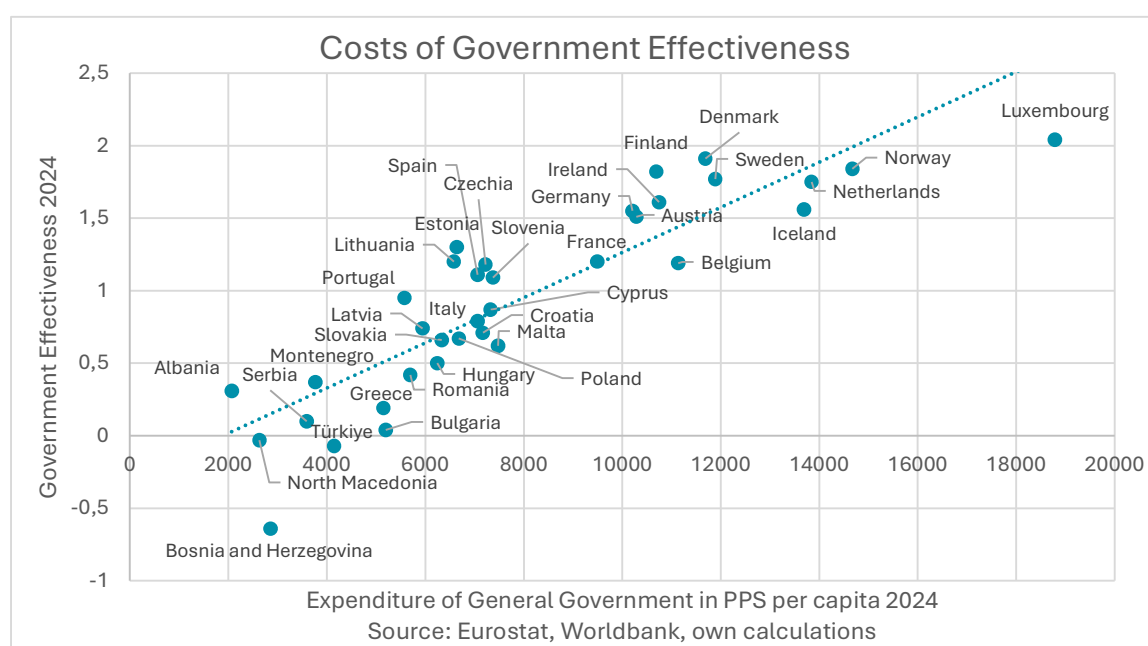


Figure 3 shows a positive correlation between public administration costs and government effectiveness. Countries with higher expenditure per capita generally achieve better governance outcomes, reflecting stronger administrative capacity and service quality. At the same time, clear regional disparities persist, with Western and Northern European countries combining high spending and effectiveness, while Southeast Europe clusters at lower levels of both.

This highlights that administrations operate under unequal conditions and that, particularly in Southeast Europe and the Western Balkans, the key challenge is not only increasing resources but improving effectiveness through targeted reforms and more efficient use of limited funds.

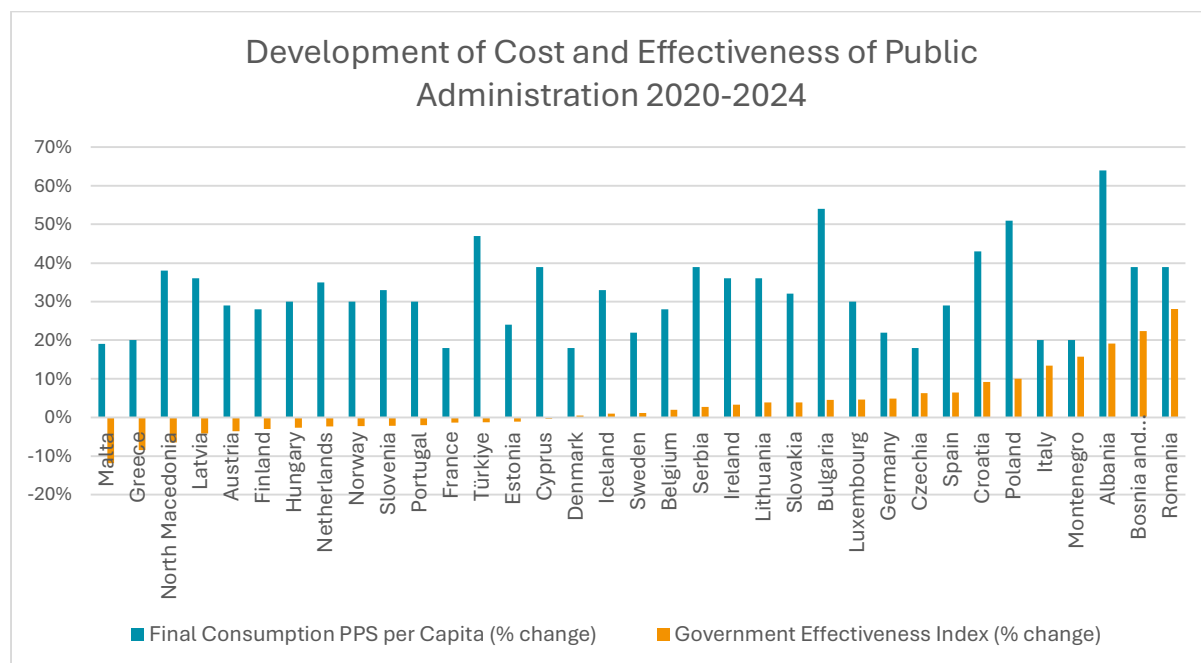
## 5 Diverging Developments in Costs and Effectiveness

Between 2020 and 2024, public administration costs increased in almost all European countries, while improvements in government effectiveness were generally much more limited. Figure 4

compares the percentage change in final consumption expenditure per capita in PPS with the percentage change in the Government Effectiveness Index, ranking countries by their effectiveness results. It shows that, while costs frequently increased by between 10% and 40%, improvements in effectiveness were often modest and in several cases absent or negative. Countries such as Serbia and Bulgaria stand out for strong expenditure growth without corresponding governance gains, while Latvia, Türkiye, and North Macedonia even experienced negative or near-zero effectiveness changes despite rising costs. The overall picture is one of increasing imbalance. In recent years, higher expenditure has not systematically translated into better public administration outcomes.

The figure also shows that some of the strongest improvements in government effectiveness were recorded in Southeast Europe. Romania achieved the highest increase, with +28.1%, followed by Bosnia and Herzegovina with +22.4%, Albania with +19.1%, and Montenegro with +15.7%. This is noteworthy because three of these four countries are EU accession countries. The data therefore suggests that several Southeast European countries, especially in the accession context, combined increases in public administration spending with comparatively strong improvements in government effectiveness.

**Figure 4: Development of Cost and Effectiveness of Public Administration 2020-2024**



Source: Eurostat, Worldbank, own calculations<sup>1</sup>

The chart underlines that higher cost growth did not reliably produce higher effectiveness growth. For the EU countries, the main pattern between 2020 and 2024 is a broad-based increase in public administration costs. This increase may reflect not only structural spending needs, but also, at least in part, the fiscal effects of the COVID-19 pandemic and other crisis-related measures. By contrast, improvements in government effectiveness remained limited and highly uneven. This

<sup>1</sup> Number of inhabitants for Bosnia and Herzegovina available for 2019

suggests that, during this period, higher expenditure was a common development across the EU, but it did not lead to a similarly consistent improvement in administrative effectiveness.

**Table 1: Costs and Effectiveness of Government**

Country	Final Consumption (Purchase Power Standards) PPS per Capita			Government Effectiveness Index		
	2020	2024	2020 - 2024 % change	2020	2024	2020 - 2024 % change
Belgium	8 701	11 138	+28,0%	1,12	1,19	+1,9%
Bulgaria	3 367	5 198	+54,4%	-0,07	0,04	+4,5%
Czechia	6 143	7 223	+17,6%	0,96	1,18	+6,4%
Denmark	9 930	11 689	+17,7%	1,89	1,91	+0,5%
Germany	8 357	10 206	+22,1%	1,36	1,55	+4,9%
Estonia	5 359	6 638	+23,9%	1,34	1,3	-1,0%
Ireland	7 889	10 745	+36,2%	1,48	1,61	+3,3%
Greece	4 292	5 152	+20,0%	0,44	0,19	-8,5%
Spain	5 468	7 064	+29,2%	0,89	1,11	+6,5%
France	8 025	9 494	+18,3%	1,25	1,2	-1,3%
Croatia	4 998	7 169	+43,4%	0,44	0,71	+9,2%
Italy	5 865	7 060	+20,4%	0,4	0,79	+13,5%
Cyprus	5 257	7 326	+39,4%	0,88	0,87	-0,3%
Latvia	4 370	5 944	+36,0%	0,88	0,74	-4,1%
Lithuania	4 842	6 581	+35,9%	1,06	1,2	+3,9%
Luxembourg	14 470	18 787	+29,8%	1,84	2,04	+4,6%
Hungary	4 808	6 244	+29,9%	0,58	0,5	-2,6%
Malta	6 294	7 477	+18,8%	1,04	0,62	-11,9%
Netherlands	10 293	13 844	+34,5%	1,85	1,75	-2,3%
Austria	7 981	10 286	+28,9%	1,66	1,51	-3,6%
Poland	4 411	6 681	+51,5%	0,38	0,67	+10,1%
Portugal	4 306	5 578	+29,6%	1,02	0,95	-2,0%
Romania	4 109	5 694	+38,6%	-0,22	0,42	+28,1%
Slovenia	5 545	7 374	+33,0%	1,17	1,09	-2,2%
Slovakia	4 795	6 334	+32,1%	0,54	0,66	+4,0%
Finland	8 327	10 693	+28,4%	1,95	1,82	-2,9%
Sweden	9 779	11 890	+21,6%	1,72	1,77	+1,2%
Iceland	10 265	13 693	+33,4%	1,52	1,56	+1,0%
Norway	11 323	14 674	+29,6%	1,94	1,84	-2,3%
Montenegro	3 143	3 768	+19,9%	-0,02	0,37	+15,7%
North Macedonia	1 908	2 630	+37,8%	0,14	-0,03	-6,4%
Albania	1 263	2 068	+63,7%	-0,14	0,31	+19,1%
Serbia	2 592	3 592	+38,6%	0,03	0,1	+2,8%
Türkiye	2 813	4 145	+47,4%	-0,04	-0,07	-1,2%
Bosnia and Herzegovina	2 050	2 860	+39,5%	-0,98	-0,64	+22,4%

## 6 Conclusion – From Higher Spending to Better Outcomes

The analysis confirms a clear but not automatic relationship between the costs and effectiveness of public administration in Europe. Countries with higher expenditure per capita generally achieve better governance outcomes, indicating that an adequate financial base is an important precondition for administrative capacity and service quality. At the same time, significant territorial disparities persist, with Western and Northern Europe combining strong resources and performance, while Southeast Europe and the Western Balkans operate under more constrained conditions.

Developments between 2020 and 2024 show that higher spending alone does not guarantee better results. In most countries, public administration costs increased substantially, often without corresponding improvements in government effectiveness. This highlights that the link between resources and performance remains uneven and depends on how effectively funds are used.

At the same time, a more dynamic picture emerges in Southeast Europe. Several countries, most notably Romania, Bosnia and Herzegovina, Albania and Montenegro, recorded some of the strongest gains in government effectiveness alongside rising expenditure. As three of these are EU accession countries, this indicates that reform dynamics in the accession context can translate increased spending into tangible performance improvements.

The key policy implication is that while sufficient resources are necessary, the decisive factor is their effective use. Public administration reforms should therefore focus on strengthening institutional quality, improving service delivery and enhancing implementation capacity. Especially in countries with limited fiscal space, maximising the impact of available resources remains the central challenge for achieving better governance outcomes.