

20.

Administrative reforms and New Public Management modernization of (local level) public administration in Germany

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Introduction: local government level in focus

In discussing administrative reforms and New Public Management inspired administrative modernisation in Germany the article focuses on the local level because, in Germany's intergovernmental setting made up of the federal, the regional State (*Länder*) and the local levels, the local government level plays a crucial role in implementing public policies and functions. Consequently the local level has been the key arena of administrative reforms and modernization. Thus, while not leaving the federal and *Länder* levels out of sight, the article will focus on the local level.

Within Germany's intergovernmental system the federal government level is institutionally made up of the federal ministries and federal upper agencies, while the federal level is constitutionally barred from having field offices of its own at the regional or local levels (for this and the following see Wollmann and Bouckaert, 2006: 21 ff.; Wollmann, Baldoni et al., 2010: 15 ff.; Kuhlmann and Fedele, 2010: 52 ff.). Thus, the federal personnel is largely involved in the conduct of ministerial and corresponding policy formulation and coordinating functions with almost no administrative (executive) functions proper. Accordingly only about 10 percent of the entire public sector personnel are employed by the federal level.

Furthermore the regional States (*Länder*) that comprise about 50 percent of entire public sector personnel are involved, besides ministerial and related *Land* governmental functions, particularly in education (teachers) and police while the number and share of those who are engaged in administrative functions proper are limited, because the *Länder* have relatively few field offices on the local level and many of its public tasks are "delegated" to the local authorities.

Finally, in line with Germany's local government tradition the some 12.600 municipalities (*Gemeinden, Städte*) and 320 counties (*Kreise*) are characterized by a multi-functional model. Besides "genuine" local government tasks they are in charge of carrying out functions which are "delegated" to them by the upper government levels. Thus, the local authorities carry out up to 80 percent of the pertinent legislative provisions enacted by the federal and the *Land* as well as by the European Union and about three quarters of the entire public capital investment is handled by them. More than 30 percent of the entire public sector personnel are employed by them.

Since within Germany's government system the local authorities bear the lion's share of administrative (executive) functions proper they have been more intensively and also earlier than the other levels faced with the challenges of reforming and modernizing their administrative structures and personnel. In coping with this challenge they have found themselves in an ambivalent and contradictory situation.

On the one hand, the municipalities and counties have the competence, within their constitutionally guaranteed right to exercise "local self-government" (*kommunale Selbstverwaltung*), to settle, in their own responsibility, also the matters of their internal (administrative) organisation and re-organisation. On the other hand, in Germany's two layer federal system the local government level is constitutionally regarded as integral part of the *Länder* to which it falls to pass legislation on the legal frame of the local authorities (such as local government statutes etc.) and their territorial structure, in the last resort, by binding legislation.

Reflecting this ambivalence, the constitutional and intergovernmental stage of local government is, on the one hand, set for having the local authorities autonomously initiate and pursue their individual administrative reform strategies and projects which gives them a distinctly "bottom up" profile. On the other hand, the decision-making of the local authorities on their administrative reform course is influenced by the legal and territorial frames set by the upper government levels. Although the European Union has no competence to directly interfere with the administrative organisation of the local authorities in its member states it can, for instance in promoting its market liberalisation policy, have an indirect impact on local government modernisation and re-organisation.

After 1945, following the defeat of Nazi Germany the local authorities were the only institutional level which survived the national catastrophe while the national (*Reich*) level and its institutions were dissolved and also the existing regional States (*Länder*) were dismantled. Thus the local government level was the first to re-introduce democratic government and to cope with the unprecedented war destruction, social misery and housing shortage that was exacerbated by millions of refugees pouring in from Eastern provinces. In the further course of the 1940s new *Länder* administration was built up (in the three Western Zones) within redrawn boundaries and finally, in 1949, the Federal Republic as the new upper level (federal) government was founded. During this process of upper level institutional

building the local authorities bore the main burden of (West) Germany's post-1945 democratic, physical, social and economic reconstruction. In hindsight this was a "heroic" period of local government which, sinking into its "collective memory", has probably fed into the reputation which local government enjoys.

In its institutional structure post-war local administration (as well as public administration in general) largely followed the organisational blueprint that existed prior to the Nazi seizure of power in 1933 and in turn largely dated back, in all but "path-dependent" continuity, well into 19th century, marked by the Rule of Law (*Rechtsstaat*) tradition and by the ("Max Weberian") model of legal rule-bound hierarchical administration public administration (see Wollmann, 2000a: 7). In the following two major waves of administrative reforms will be identified which Germany's public administration has experienced first in the 1960's and then since the 1990's.

Administrative reform wave since the 1960's: in the context of the advancing welfare state

Since the late 1960's in (West) Germany public sector modernisation has been pushed particularly on two scores (see Wollmann, 2000b for details).

For one, pushed by the Social Democrats led federal coalition government under Chancellor Willy Brand that took office in 1969 (West) Germany embarked upon a "policy of domestic reforms" which aimed at further advancing the welfare state particularly through the expansion of social and infrastructural policies. This policy drive fell in line with other countries, first of all with the USA where since the mid 1960's, under President Johnson, significant social policy reforms were tackled.

Second, overall public sector modernisation was declared to be an integral component of the "policy of domestic reforms" in order to enhance and ensure its capacity to implement such wider scope of welfare state responsibilities.

In conceptualizing the public sector modernisation the earlier development in the US served as an example, particularly in its attempts to render policy making and policy implementation more "rational", if not more "scientific" by introducing in its most ambitious, albeit short-lived attempts PPBS (Planning, Programming, Budgeting System) in US civil ministries and by making policy evaluation as a crucial analytical and "feedback" procedure in policy formulation and implementation. The guiding underlying concept hinged on the "policy cycle" or "management cycle" based on the sequence and triad of policy formulation (planning, setting of objectives, "management by objectives"), implementation and evaluation (see Wollmann, 2003b: 126 ff.).

In (West) Germany the wave of public sector modernization that gained momentum since the late 1960's was evidenced by the creation of planning, information and

evaluation capacities, administrative units and personnel on all government levels, including the local government level. In fact, the latter took a lead due to crucial role it was to play in the implementation of the expanded reform policies. The “management cycle” with its components of “planning/setting of objectives” (“management by objectives”), implementation and evaluation provided the crucial underlying conceptual guidance. At the same time, the “social experiments” which were conducted and evaluated in a number of controversial policy fields hinted at the degree of “scientification” which, drawing on the pertinent practice in the US, made its entry into policy making and implementation in that period as well (see Hellstern and Wollmann, 1983). In sum, during this period (West) Germany proved to be one of the European frontrunners in public sector modernisation as well as policy evaluation (see Derlien, 1990; Wollmann, 2003a: 2).

In order to improve the territorial setting of the local authorities for fulfilling their expanded tasks the *Länder* turned, during the late 1960's and early 1970's, to territorially consolidate the municipalities and counties by way of large-scale amalgamation (see Wollmann, 2004b for details and references).

However, the reform wave was short-lived, since, triggered by the first oil price hike of 1973, Germany as other industrial countries slid into a lasting recession with mounting budgetary woes that quenched the reform mood. So, in the Federal Republic, too, the “planning euphoria” and “pro-active” reform optimism gave way to planning phobia, reform scepticism and re-active crisis management. The reform projects, not least those on the local level, were sized down or phased out (Wollmann, 2003b: 127).

The balance sheet of the first wave of public sector modernisation is mixed. On the one hand, the essentially “legalist” and (Max Weberian) “hierarchical” blueprint of Germany's public administration remained largely unimpaired. On the other hand, the first modernisation wave left significant lasting institutional and mental traces. Although a good deal of the information and evaluation-related institutional structures and personnel that sprang into existence during heydays of the reforms have been reduced or dismantled the basic message has been retained that information and evaluation as well as pertinent qualified personnel are of crucial importance for adequate policy making and policy implementation. In fact policy evaluation has become and remained a “standard operation” in policy making to this day (see Wollmann, 2003b: 128).

While the “management cycle” and “management by objectives” lost the conceptual and practical attraction, the basic idea that the “output”-orientation should be a guiding principle has become accepted and retained in political and administrative thinking.

Thus, notwithstanding the setbacks the first modernisation wave has suffered the institutional and well as conceptual ground has been laid for a long term learning process that could come to fruition when the next round of public sector

modernisation occurred.

Since the 1990's wave of New Public Management-guided administrative modernization

Well into the 1980's, Germany's public administration stayed remarkably aloof from the internationally then already dominant NPM debate – for a number of reasons (see Wollmann, 2003b: 118 for details).

In some key areas of public administration, for instance in the delivery of social services, “outsourcing” to outside providers has been widely practised, under the subsidiarity principle, long before it was postulated by NPM (see Bönker et al., 2010).

In general Germany's public administration, not least local level administration was regarded by many (not least international observers) as performing remarkably well by international standards, particularly with regard to legal correctness and operational reliability; so urgent modernization need was not perceived.

The “rule of law” (*Rechtsstaat*) tradition as well as the (“Max Weberian”) administrative tradition posed a legal and cultural barrier against an easy entry and transfer of private sector-derived “managerialist” principles to the public sector (see Wollmann, 2000a).

Several reasons account for the abrupt shift which occurred in the discourse on public sector modernisation in the early 1990's (see Wollmann, 2003b: 120 ff.).

Since the beginning of the early 1990's the squeeze on the budgets of all levels of government dramatically increased the wake of the enormous public expenditures incurred in the process of German Unification. The NPM message and promise to cut costs and to render public administration more efficient at last attracted growing attention across political party lines and on all levels of government.

The self-confident belief in the comparative merits and quality of the German administrative model, hitherto widely shared among practitioners and academics, was shattered by the results of an international competition which, initiated and funded by *Bertelsmann Foundation* in 1992, was meant to identify the most innovative modernisation examples among major cities around the world. When the cities of Phoenix (Arizona, USA) and Christchurch (New Zealand) came out on the top of the list of best performers, while the German candidate cities ended at the bottom (Bertelsmann Stiftung, 1993), this came as a blow and shock to the German professional and academic community in questioning accepted beliefs.

Decisive actors in piloting and engineering the downright rupture in the modernisation discourse were KGSt and its then director *Gerhard Banner*. While

until the late 1980's the organisational recommendations which over the years KGSt put forward were basically rooted in, and propagated the traditional legal round-bound ("Max Weberian") hierarchical model of public administration, in 1991 KGSt performed an all but radical turn-around (Banner, 1991; KGSt, 1993). In joining international NPM discourse and in drawing, more specifically, on the NPM-guided modernisation concepts put in place in the Dutch (middle-sized) town of Tilburg, KGSt presented its "New Steering Model" (*Neues Steuerungsmodell*) as the German NPM variant (see Kuhlmann and Fedele, 2010: 57 f.).

In order to characterise the various (somewhat incoherent) components of the NPM/NSM message it is useful to distinguish those addressing the "internal reorganization" of public administration from those pertaining to its "external re-organisation".

Internal re-organisation.

In a nutshell, the key components of NSM relating to internal re-organisation are the following (see Kuhlmann and Fedele, 2010: 57 ff.; Wollmann and Thurmaier, 2011).

First, in line with NPM thinking, NSM is directed to overcome the intrinsically hierarchical logic of the traditional ("Max Weberian) bureaucracy by the devolving ("decentralising") responsibilities from the intra-organisational upper levels to the middle and bottom ones ("decentralised resource management", *Dezentrale Ressourcenverantwortung*). In accordance with NPM, NSM hinges on the concept that the responsible actors on the middle or bottom level of administration should be allowed to decide themselves ("let managers manage") on how to mobilise and employ the relevant resources (money, personnel, organisation) instead of being directed from above. Hence the ("Max Weberian") top-down hierarchy as an instrument of intra-administrative control which typically focused on legal compliance is to be replaced with (intra-administrative) indicator-based performance management and information loops essentially designed to identify and feed-back the "costs and achievements/outputs" of ongoing operations.

Second, another crucial component of NPM/NSM is to replace the previous "input"-orientation of public administration (through legal provisions and budgetary allocations) with an "output"-orientation (through the definition of objectives, basically laid down in the budget, which public administration is in charge to achieve). Hence, such "output"-orientation is meant to "economise" public administration by emphasising (cost-efficient) performance instead of the legal(ist) compliance.

Third, more explicitly than in the NPM discussion, NSM exhibits a *political* dimension as it proclaims to strengthen the influence and control of the elected council over the local administration, particularly by reshaping the budgetary process. Different from the traditional "input"-oriented and in detail itemised

budget, the new output-oriented and “lump sum” (global) budget is meant to direct the political attention of the elected council on the “big” decisions in local policy making (instead of being absorbed by trivial and minor matters).

Girded with the undisputed authority which KGSt possessed and thanks to which promoted in an almost missionary and campaign-like fashion, NPM inspired NSM spread among local governments “like a bush fire” (Reichard, 1994: 5) and triggered modernisation activities in a growing number of localities, at first in West Germany and, with some delay, also in East Germany.

According to a recently conducted in-depth evaluation of “ten years of New Steering Model” (see Bogumil et al., 2007; Kuhlmann et al., 2008) virtually every German local authority with more than 10.000 inhabitants (92 percent) has pursued modernization since the 1990's, 80 percent of them guided by the NSM concept. Despite the conceptual and discursive predominance which NSM has gained on the local level reform agenda, the actual implementation of reform presents a mixed if not disappointing picture (for the following see Kuhlmann and Fedele, 2010: 59).

Although NSM protagonists have often emphasised that the NSM reform package needs to be implemented in a comprehensive (holistic) manner, only a small minority (15 percent) indicate that they have done so, while most of them (66 percent) have adopted only selected elements of the concept. After more than ten years of NSM modernization in Germany, no single element of the NSM has been implemented by a majority of German local governments. Only 22 local authorities (2 per cent) can be considered “NSM hardliners,” claiming to have implemented seven core NSM elements throughout their entire administrative structures. Measured against the normative call for holistic and comprehensive NSM-reform, there is a distinct implementation gap.

The introduction and application of NSM concepts have encountered a number of serious hurdles:

The elaboration of ‘products’, that is the definition and specification of functions and tasks which are designed to serve as the crucial reference of performance indicators and thus as the conceptual and instrumental hub of the NSM's performance management has often ended in an “impasse” (“*Sackgasse*”, Reichard, 1998), both for technical and financial reasons, not least because the financial, personnel, investment etc. costs required to install, update and operate such elaborate ‘product’-based system often proved to be prohibitively and counter-productively high (see Grunow, 1998: 3). Similar problems have been encountered in the implementation of the much hailed cost-achievement-accounting (*Kostenleistungs-Rechnung*) which often turned out as “tooth-less tiger... and an expensive statistics tool”, as was noted by Gerhard Banner (see Banner, 2001: 287) who was the early advocate, if not inventor of NSM.

Vis-à-vis the mounting fiscal problems the local authorities have been facing the in-

roduction of NSM's new ("output"-oriented) budgeting has understandably been a favourite reform theme. It was essentially expected to usher in a transition from traditional cash accounting to a resource-based accruals accounting system. The afore mentioned evaluation study shows that new budgeting systems have been introduced in about a third of municipalities while in another third they have been implemented in certain service units. However, in most cases, the local authorities have retained the traditional basically "input"-oriented method of budgeting; only a small minority indicate to work with measurable ("output") objectives and (indicator-based) performance targets (see Kuhlmann and Fedele, 2010: 59). By and large NSM has "in essence become a finance management system" (Banner, 2001: 289) with the one-dimensional purpose to economise and to cut costs instead of promoting multi-dimensional reforms.

By the same token, strengthening the scrutinising power of the elected councils over the local administration and the mayor particularly by means of output indicator-based budgeting and controlling reports seems in most cases still a far cry. The elected local councils as well as the local citizens at large have been, to a significant extent, bypassed and left out in the New Steering Model-related modernisation projects. So it should come as no surprise that, as recent surveys suggest, the members of the local councils have become disenchanted with NSM modernisation (Grömig and Gruner, 1998: 586).

Although in its practical application NSM has fallen behind the early high-flying promises and expectations there can, however, be no doubt that, as a result of the intensive debates in a multitude of local arenas and among a great number of local actors, the NSM-guided reform movement has generated and left significant traces in the institutional setting, operational procedures and (perhaps most important) in the administrative culture, that is, in the problem perception and mental frame of mind of the local personnel concerned. Not least the concept of performance measurement has made its entry into the local level institutions, for instance in the form of "benchmarking" (see Kuhlmann et al., 2004) and into the thinking of local practitioners.

It should finally be highlighted that, as has been indicated by evaluation studies (see Jaedicke et al., 2000; Kuhlmann et al., 2008), NSM-guided modernisation initiatives have fared and performed best when and where NPM/NSM-inspired managerialist and cost-efficiency-pronetools and procedures were merged and "amalgamated" with traditional ("Max Weberian") administrative structures as well as with reform concepts that were pursued in the earlier reform wave of the 1960's and 1970's.

External re-organization

The NPM debate and underlying neo-liberal policy belief aimed at the "external re-organization" of the public sector particularly in two dimensions (see Kuhlmann and Fedele, 2010: 52 ff.; Wollmann and Thurmaier, 2011).

First, in attacking the advanced (“Social Democrat”) welfare state for its expanded policies and public bureaucracy the neo-liberal critics aimed at cutting it back to a functionally “lean state” profile and to replace its quasi-monopoly in the provision of social and public services with an “enabling” function which limits the public sector to ensuring and facilitating service provision; instead, the delivery of the services should be left to non-public (non-for-profit or for profit) providers.

Second, in criticising the public sector quasi-monopoly for its operational rigidity and lack of competition it advocated replacing the delivery of the services by public administration (“in house”) proper with having them rendered by (preferably non-public) providers by way of competition. The “classical” example of this strategy is the Compulsory Competitive Tendering (CCT) legislation which was adopted in the UK under the Thatcher government in 1988 in order to oblige the local authorities to “outsource” service provision by way of competitive tendering.

In EU member countries market competition in the field of public services has been also pushed by the European Union which, since the late 1980’s, pursued a policy of EU-wide market liberalisation. Focused on the goal to establish a “single market” for service, capital and persons and to consequently do away with national, regional and local “protected” markets the EU’s market liberalisation policy also addressed “services of general economic interest” which particularly include public services and utilities, such as water, sanitation, waste and energy (see Wollmann and Marcou, 2010a: 2 ff.).

For assessing the impact which NSM, as the German variant of NPM, and the EU market liberalisation policy has had on the external re-organisation of the municipal sector two dimensions should be analytically distinguished (see Grossi et al., 2010): “Formal (or organizational) privatization” or “corporatisation” takes place when institutionally (and financially) self-standing organisation is created which remains in public/municipal ownership and which is designed to carry out functions that have so far been conducted directly (“in house”) by the public/municipal administration. The creation of private law companies/corporations, by way of formal privatization has been labelled “corporatisation”. Such private law companies lend themselves to form “mixed companies” or, in recent terminology, Public Private Partnerships (PPP) with public/municipal and private shareholders; By contrast, “material (or asset) privatisation occurs when public/municipal facilities (assets) are sold to private sector investors, be it entirely or partially (the latter variant ushering in a “mixed company”).

Formal (organisational) privatisation/corporatisation

The organisational forms in which local government acted in the past, particularly in the field of public utilities (in German called *Daseinsvorsorge*) traditionally exhibited a wide scope of organisational variants comprising (“in house”) units inside administration, operative units organisationally and financially closely linked with municipal administration (so called *Eigenbetriebe*) and municipally

owned organisationally and financially self-standing organisations (so called *Eigengesellschaften*), most of the latter existing as private law corporations in the variant of “limited companies” (*Gesellschaft mit beschränkter Haftung*, GmbH) and few in the form of “joint stock companies” (*Aktiengesellschaften*).

Most of the some 1.000 municipal multi-utility companies called “city-works” (*Stadtwerke*) which play a crucial role in the provision of services of *Daseinsvorsorge* (water, sewage, waste management, energy, etc.) are organised as private law limited companies.

The considerable organisational variance which the local authorities thus traditionally already possessed has gained additional dynamics since the early 1990's with the advent of NSM as the German variant of NPM. Along with its postulate that local government should abandon its internal traditional hierarchical organisational the NSM demanded that should become more flexible, economic and competitive by “hiving off” as many as possible functions to outside (publicly/municipally owned) organisations. The major motive behind such “at arm's length” scheme is to provide more flexibility and competitiveness, but also to avoid certain legal (e.g. civil service law) and budgetary restrictions which are geared to “in house” organisation (Grossi et al., 2010: 223)

Over the last two decades, German local government has experienced a strong expansion of “formal privatisation” and corporatisation. The role of corporations in local government has conspicuously grown. About 50 percent of the entire municipal workforce are by now employed in municipal corporations while another 50 percent are in core administration (Richter, Edeling and Reichard, 2006: 61). It is estimated that are about three quarters of these corporations are organized as limited companies (*GmbH*) and only about 5 percent as joint stock companies (Grossi et al., 2010: 223). The numerical growth has taken place mostly with limited companies.

A good deal of them are “mixed economy companies” (*Gemischtwirtschaftliche Unternehmen*) or, in recently prevalent terminology Public-Private-Partnerships, PPPs) with public/municipal as well as private shareholders (see Bogumil and Holtkamp, 2006: 93 ff.).

Furthermore, drawing on the private business sector with its “corporate group” (*Konzern*) concept the idea has become attractive to local politicians and practitioners that local government has should be tailored on the “corporate group” concept with the administrative units and their operational functions treated as (semi-) autonomous “holdings” (*Beteiligungen*) and profit-centres (see Bogumil and Holtkamp, 2006: 93 ff.; Grossi et al., 2010: 222 ff. with references).

The progressing “corporatisation” of local level activities and functions has resulted in a multiplication of organisationally and financially self-standing units and “holdings” (*Beteiligungen*). In this process has been a “satellitisation” (Huron

and Spindler, 1998) of local government and has called even an “atomisation” (Dieckmann, 1999) of the local level. As many of the “corporations” and “satellites” are typically “single-purpose” organisations which are bound to pursue their own individual objective and dynamics, the local authorities, premised on the traditional model of elected multi-functional government and on their mandate to advocate and make prevail the “general interest” of the local communities, encounter serious problems to cope with the single-purpose driven centrifugality and dynamics of their “satellitised” institutional environment and to make the “general interest” prevail. In order to retain or regain some political control over centrifugal dynamics of the “corporatisation” process the local authorities have often resorted to creating new “steering” structures, be it within local administration, be it with the local councils), called “steering of holdings” (*Beteiligungssteuerung*).

Material (asset) privatisation

“Mixed economy companies” (*Gemischtwirtschaftliche Unternehmen*, in current terminology public private partnerships, PPP’s) has traditionally been part and parcel of Germany’s “communal economy” (*Kommunalwirtschaft*) (see Püttner, 1999) as cooperation and partnering between the local authorities and private sector investors. Thus, already in the past (minority) shares were often held by private investors in municipal corporations, not least in “city works” (*Stadtwerke*). Since the 1990’s the presence and share of private capital and investors in local level companies has greatly increased as many local authorities were ready to sell their assets, entirely or partially, to private sector companies. Particularly two factors have driven this development.

For one, the EU market liberalisation policy, paralleling the competition-prone NPM message, in aiming at breaking up the hitherto “protected” local markets, in the field of “services of general economic interest”, and open them for outside competitors (see Wollmann and Marcou, 2010a: 2 ff. for references) to outside competitors, has impacted on the operations of local companies, particularly “cityworks” (*Stadtwerke*) which previously possessed a quasi-monopolist position in the provision of public services in the respective local markets. Being now faced with market competition by internationally operating big companies which were keen to get access to the local markets the municipalities were induced to either sell their local companies wholesale to them or to sell (minority) share to them. In the latter alternative the municipalities and their companies also saw a chance to attract additional private capital and to acquire entrepreneurial know-how and expertise.

Second, under the financial squeeze caused by the budgetary consequences of German Unification many municipalities felt compelled to cash in on their assets, including their companies and *Stadtwerke*, in order to attain short-term liquidity. As a result, in the course of the 1990’s the survival of *Stadtwerke* appeared to be at stake, be it that municipalities chose to sell them to private investors or that they succumbed to the pressure from outside competitors. In the public debate “the

death of the *Stadtwerke*" (*Stadtwerkesterben*) was already predicted (see Wollmann and Marcou, 2010c: 249) foreboding another serious blow to the traditional local government model (see Wollmann, 2002).

However recently a remarkable "turn-around" and "reversal" of this trend has gained momentum as municipalities have increasingly begun to "purchase back" ("remunicipalise") companies or shares thereof that they previously sold to private sector companies. This development has picked up speed particularly in the energy sector. Germany's energy market has been dominated by the (internationally operating) "Big Four" energy companies (E.ON, RWE, EnBW and Vattenfall) which, well into the early 2000's, managed to strengthen their market preponderance by purchasing further shares of *Stadtwerk*, thus pushing them as independent municipal companies further out of the market. Yet, recently the picture has dramatically changed, as local authorities and their *Stadtwerke*, by repurchasing from the Big Four shares they previously sold to them and by establishing new *Stadtwerke*, have surprisingly ground and market shares in the grid-based transmission and distribution, but also in the generation of electricity (see Wollmann and Baldersheim et al., 2010: 177 ff.. For details and references, see also Wollmann and Marcou, 2010c: 249 f.).

A number of factors have triggered and fostered this remarkable "comeback" and "remunicipalisation" of local level service provision:

- The assumption and promise, at the core of NPM and EU market liberalisation policy, that (material) privatisation along with market competition in service provision would lead to lower prices and better quality have been seriously questioned if not shattered in the light of the sobering experience made after privatisation as this often was followed by price hikes, lowered quality and deteriorating working conditions of the employed;
- The municipalities have re-appraised the political and financial advantages of providing public services themselves in terms of additional budgetary revenues or of "cross-subsidising" other (financially deficient) service sectors (such as public transport);
- The "city works" have learned to cope with the competitive environment and to stand up successfully to out (and be internationally operating) competitors;
- After in the energy sector the municipalities and the "city works" already in the past manifested a considerable strength in renewable and alternative energy generation their potential has conspicuously grown in this sector in the wake of the federal government's recent decision to terminate atomic energy generation by 2022;

In order to increase competition on the energy market the European Union as well as the federal government have given increased importance to the local authorities and their *Stadtwerke* as arenas and actors apt to counteract and challenge the market dominance of (internationally operating) big companies, while

they have stepped up their pressure on the Big Four to “sell back” their recently acquired shares in *Stadtwerke*.

Finally it should be noted that the pressure from the European Union to promote and enforce the “single EU-wide market” principle in the field of “services of general economic interest” has been explicitly mitigated by the Treaty of Lisbon of December 2009¹ which has acknowledged the “wide discretion” which national, regional as well as local government (sic!) may exercise in “organising services of general economic interest”.

Summary and Comparative Perspective

The summarising remarks shall be conceptually framed in the *government-governance* debate in which (local) *government* is identified with elected politically accountable (local) *government*, while (local) *governance* is conceived as consisting of actor networks that essentially operate outside (local) *government* proper (see Rhodes, 1997 for his seminal discussion of “governance”, see also Wollmann and Marcou, 2010b: 257 ff. for further references). Looked at through these conceptual lenses the development points at a contradictory as well as complementary modernisation trajectory.

Although the NPM/NSM-driven modernisation has distinctly remained behind its original aims and rhetoric it has strengthened the operational capacity of the administrative structure and personnel of *government* by inserting managerial efficiency-oriented principles and thinking. As the “management cycle” with the triad of objective-setting/output-orientation/management by objective, implementation and evaluation/monitoring which has driven the NPM-inspired modernisation is largely identical with the one that underlay the modernisation wave of the late 1960s (see Wollmann, 2003b: 126) a trace of remarkable conceptual continuity becomes visible which points at the possibility and potential of a long ongoing organisational and personal learning process. In a similar vein NPM-inspired modernisation measures appear to have been most successful when and where NPM-typical managerialist principles were “amalgamated” with traditional “Max Weberian” administrative structures as well as with earlier reform concepts not related to NPM proper (see Jaedicke et al., 2000; Kuhlmann et al., 2008). In moving towards what has been labelled a “Neo-Weberian” profile public/municipal

1 - ' Protocol to the Treaty of Lisbon: “The shared values of the Union in respect of services of general economic interest within the meaning of Article 14 of the Treaty on the Functioning of the European Union include in particular:

- the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organizing services of general economic interest as closely as possible to the needs of the users;
- the diversity between various services of general economic interest and the differences in the needs and preferences of users that may result from different geographical, social or cultural situations;
- a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights” (bold letters by me, H.W.).

administration has apparently enhanced its operational potential and performance. At the same time, NPM/NSM, parallel with EU market liberalisation policy, has prompted the further “corporatisation” (Grossi et al., 2010) of local government operations and “satellitisation” (Huron and Spindler, 1998) of local actors that operate outside “core” local government. Drawing on the “governance” debate this progressing multiplication and differentiation of (as a rule single-purpose) organisations and actor networks can be interpreted as the emergence of a local level *governance* structure. On the one hand, such expanding *governance*-type actor networks can be assessed as instilling operational flexibility, entrepreneurial dynamics and financial resource mobilisation into local level activities – in line with NPM/NSM concepts. On the other hand, however, the emergence of such *governance*-type networks of actors with a single-purpose-driven centrifugal dynamics makes it ever more difficult for traditional local government to influence and hold them politically and to fulfil its political mandate to act as the advocate and steward of the “general interest” of the local community. In the tension, contradiction and “trade-off” between enlarging the operational potential and dynamics through *governance*, on the one hand, and achieving coordinated politically accountable action through *government* the latter appears to have been losing ground to the point lose **ground and** **In the contraction** and trade-off between of more achieving flexibility and retaining that the “end” of “traditional” local *government* has been foreboded (see Wollmann, 2002; Wohlfahrt and Zühlke, 2005).

At last, the EU’s market liberalisation policy, parallel with NPM/NSM concepts, has further prompted local authorities to sell (privatise) their assets, particularly their *Stadtwerke* entirely or partially to outside companies, for instance in the energy sector to internationally operating private sector energy companies. Hence, the local authorities have been increasingly weakening their traditionally strong position in the provision of public utilities (*Daseinsvorsorge*). Again a crucial realm of the traditional multi-functional local governments was about to be threatened. However, recently a “reversal” of this trend is gaining momentum as municipalities show to be interested and ready to “buy back” and “re-municipalise” assets, first all *Stadtwerke* or shares thereof, which they previously sold to private sector investors. This applies particularly to the energy sector in which the local authorities are taking the lead in the generation and provision of renewable and alternative energy (see Wollmann and Baldersheim et al., 2010; Wollmann and Marcou, 2010). So a remarkable “comeback” of the municipal sector and local government activities seems to be under way.

Putting Germany’s (local level) modernisation trajectory in a comparative perspective (see Pollitt and Bouckaert, 2011; Wollmann and Thurmaier, 2011; Kuhlmann and Fedele, 2010; Wollmann, 2008) divergent as well as convergent tracks can be observed. In a remarkable divergent feature Germany’s local level trajectory has been characterised by its basically “bottom-up” movement with almost no direct involvement or intervention from upper government levels. This stands in stark contrast, for instance, with the UK where indicator-based performance management has been imposed by central government, but also with Italy where

decisive modernisation impulses came from national legislation as well. In substance Germany's (local level) modernisation course with a ("Neo-Weberian") mix of (rule of law, *Rechtsstaat* – embedded) Weberian elements and NPM principles distinctly differs from the Anglo-Saxon administrative modernisation pattern, but shows convergence with other Continental European countries which are rooted in similar legal, administrative and cultural traditions (see also Kuhlmann and Fedele, 2010: 67).

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