

# LOCAL PUBLIC MANAGEMENT REFORMS IN GERMANY

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This article, part of a sequence of comparative articles on local government reforms in The Netherlands, Switzerland and Germany, describes and analyses the recent public management reforms at the local level of Germany. After an overview about the constitutional framework of local self government and the reform waves of the last decades, the paper concentrates on the 'new steering model' as the German variant of NPM. The article shows the short history of this reform movement, describes the main elements of the reform concept and explains some of the causes, forces and actors of implementation. It goes on to discuss the present status of implementation, explains several shortcomings of the concept, and presents the – very limited – empirical evidence of achieved results. Finally, the paper draws some conclusions from a comparative view on the similarities and differences of local management reforms in Germany and the two other countries.

## INTRODUCTION

It has been only ten years since public management reforms were first launched within German local government. Many conferences and articles have sought to balance and analyse the states of implementation and their achieved results '10 years after...'. This article seeks to describe some of the steps and elements of recent German reforms, to comment on some of the achieved results and to assess these with a comparative focus on local government reforms in The Netherlands and in Switzerland. Comparing reforms within these three countries offers the prospect of an interesting and informative analysis because of the cross-country similarities in the reform processes. Both Germany and Switzerland borrowed certain reform elements from Dutch municipalities, particularly from the city of Tilburg. Furthermore, Germany and Switzerland – both being (in the case of the latter at least partly) German-speaking countries – took a similar path towards reform and were able to exchange a significant degree of their experiences with elements of this reform.

## CONTEXT AND POLITICO-ADMINISTRATIVE BACKGROUNDS OF LOCAL GOVERNMENT REFORMS IN GERMANY

Local government is the lowest of three levels of the administrative system within Germany (federal, state (*Länder*) and local levels). Local government itself is subdivided into counties (*Kreise*) and municipalities or communes

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(*Gemeinden*). Altogether the communes consist of 439 counties (including non-county municipalities) and roughly 14 000 municipalities. The total workforce at the local level is 1.5 million (33 per cent of total public employment), with most of these being public employees and only a few employed as civil servants (*Beamte*).

Local government in Germany has a comparatively strong constitutional position. According to article 28 of the Federal Constitution, communes enjoy local autonomy (the right of local self-government; see Knemeyer 2001 and Wollmann 2000a, p. 917ff. for further details), and neither federal nor state government is allowed to intervene within this sphere. Upper tiers of government have successfully infiltrated local autonomy, however, primarily by delegating more and more duties to the local level without adequate funding and by substantially reducing the levels of government grants. Local authorities are furthermore under state oversight with respect to these delegated tasks and find themselves suffering from the narrow restrictions of state regulations and standards.

Local authorities in Germany have a broad and important portfolio of responsibilities and services. They implement about 75 per cent of federal and *Länder* legislation, although – due to the well-established subsidiarity principle – they employ in return mainly private nonprofit organizations. These are mostly welfare associations such as the Red Cross or Caritas and are employed to deliver services in the field of social services, child, elderly or health care. Their revenues are derived primarily from taxes, government grants for delegated services, and user fees and charges. Because most of the tax revenues are distributed in a revenue-sharing arrangement (*Finanzausgleich*) between all levels of government, the share of locally and independently generated income (primarily land and local business tax, fees and charges) of local governments in Germany is comparatively low (about 44 per cent of total revenues), thereby significantly limiting local autonomy.

Local authorities are governed by an elected local council and by a mayor (and in counties by a county commissioner [*Landrat*]) as the monocratic head of local administration. As a result of changes in electoral laws enacted a few years ago, mayors in the municipalities of all *Länder* are now directly elected by their local constituents (the so-called ‘South-German mayors’ constitution’).

All local government activities are governed by the general public law, which in most cases is legislated at the federal level. The federal framework legislation is a severe hindrance for local reforms, particularly with respect to civil service and budgetary laws. Local initiatives to experiment with innovative forms of human resource management or with new budgeting or accounting instruments are constrained by the strict and nearly unmovable regulatory framework that operates in all parts and levels of public administration within Germany.

German local government, then, has experienced severe pressure for about 10 years: on the one hand it is confronted with steadily growing

responsibilities and service portfolios (not least because of long lasting unemployment ratios) and with the demands of its citizens. On the other hand financial resources have been shrinking over the years and any room to pursue local policies has more or less disappeared. Thus it is not surprising that initiatives to reform public management have started primarily at the local level.

## REFORM WAVES IN GERMAN LOCAL GOVERNMENT OVER THE LAST DECADES

Looking back at German administrative reforms in general, we can identify roughly four large waves of reform ([Seibel 2001](#)):

1. early phases after the Second World War, primarily dealing with equalization of post-war burdens and with strengthening administrative capacities (1950s and early 1960s);
2. reforms under social-democratic influence: public finance reforms, civil service law reforms, territorial reforms, reorganization of ministries, introduction of planning and management concepts like PPBS or MBO (late 1960s and 1970s);
3. reforms to deregulate and 'de-bureaucratize' public administration and to focus more on the needs of citizens (1980s);
4. reforms focused on slimming-down the administrative apparatus ('lean state') and being concerned with 'new public management' (NPM) types of reform (discussed in the next section), but also all the many reforms related to "rebuilding the East" (transformation of public administration in the former GDR after reunification) in the 1990s.

While the reforms during the 1950s to the mid-1960s were not particularly intensive, reforms in the 1970s – and also the ongoing reforms since the mid-1990s – were both comprehensive and vigorous. The 1970s' reforms have partly been grouped under the label of the 'active state' due to reformist efforts at both departing from old bureaucratic styles of administering and managing the public sector and at finding a new, more active style of policy making and governing within the framework of the growing welfare state. Nevertheless, most of the many reform activities of the 1970s have not been sustainable over time, partly due to party political shifts, partly because of economic crises and faulty implementation strategies.

Having a closer look at the local level in Germany, we once again observe several reform waves offering some similarities to the general reform movements in the German public sector ([Seibel 2001](#); [Wollmann 2000a](#), p. 920ff.). These were:

- territorial reforms (*Gebietsreform*) in the 1960s and 1970s that led to a remarkable amalgamation of counties (425 → 237) and municipalities (24.000 → 8.500); furthermore, there were some activities towards task devolution from state to local level (*Funktionalreform*);

- several attempts at strengthening citizen participation, for example, in local planning procedures, and at introducing more comprehensive concepts of city development planning (again mostly in the 1970s);
- some more incremental and adaptive changes in the 1980s to increase customer-orientation (*Bürger Nähe*; for example, the introduction of one-stop-offices, the training of employees in customer-oriented behaviour) and to review local duties (*Aufgabenkritik*);
- the transformation of local government in the new German *Länder* after reunification in the early 1990s which was not a reform primarily but a text book export of traditional administrative models and concepts from the West to the East (see Reichard and Röber 1993);
- introduction of the 'New Steering Model' (NSM) as the German variant of NPM since the early 1990s (see below);
- local constitutional reforms in several *Länder*, for example, dealing with abolishing the town clerk model, introducing direct election of mayors, local referendums and recall procedures, thereby strengthening direct democracy at the local level in the 1990s.

In general, it must be said that the majority of administrative reforms have not been particularly successful in Germany (for deeper insight into German reform processes, see, for example, Benz and Goetz 1996; Löffler 1997; Seibel 2001; Wollmann 1997). While territorial reforms or attempts to strengthen citizen participation or customer orientation have been at least partly successful, most other reform activities – apart from the ongoing NPM-type reforms which will be discussed later – did not have significant midterm or long-term effects. Most managerial reforms in the last decades have been concerned with perfecting bureaucratic structures instead of searching for other methods for co-ordination and control; reforms largely maintained the *status quo*.

Last but not least, we have to consider that there are still some remaining 'iron pillars' of more or less non-reformable elements of the German politico-administrative system: this is the dominant legalism, the mode of steering by regulation on the one hand, and the traditional civil service system (*Berufsbeamtentum*) on the other. Both pillars seem to be substantial impediments to reforming the German public sector.

## **'NEUES STEUERUNGSMODELL': THE GERMAN VARIANT OF NPM**

### **Retrospection and schedule of reforms**

Since the mid-1980s there has been a growing sense of dissatisfaction among German city managers with the manageability of municipalities within the framework of traditional concepts and instruments of 'old' public management. The German *Kommunale Gemeinschaftsstelle* (KGSt) – an association of municipalities for managerial reforms and a think tank for renewing local level management – was the major forum to meet and debate over new means and approaches for managing local authorities (for an overview,

see: [www.kgst.de/english/set\\_publications0.htm](http://www.kgst.de/english/set_publications0.htm)). KGSt formed a working group consisting of practitioners to elaborate on primary recommendations for a 'new steering', which were published in 1991 (KGSt 1991). Since then, KGSt has been extremely active in elaborating on more detailed concepts and instruments for a new doctrine of local government management labelled '*Neues Steuerungsmodell*' (NSM=new steering model). More than 30 reports on NSM have been published by KGSt since 1991.

Soon after the conceptual design phase, the first experiments in medium and large size municipalities began (for more details about reform phases see Reichard 1994 and 1997, 63ff). Most of the pilot municipalities concentrated on a few elements of NSM and experimented within a comparatively small number of departments. Among other such municipalities, three well-known pioneers of the first experimental phase were Hanover, Nuremberg and Cologne. From 1993, numerous communes – primarily large and medium-size cities, but also smaller municipalities and county administrations – began experimenting with elements of the NSM. The basic doctrine of NSM in fact disseminated like a bushfire.

After a while some ideas of the NSM filtered through into the upper levels of Germany's public sector. Several *Länder* administrations started reforms that were similar to the NSM but not as comprehensive, concentrating primarily on certain instruments like cost accounting, budgeting or personnel management. Apart from the three city-states of Berlin, Bremen and Hamburg – which more or less followed the KGSt approach – *Länder* like Baden-Württemberg, Schleswig-Holstein and Nordrhein-Westfalen have been particularly active reformers. Yet with the exception of some efficiency measures, cost accounting activities and debates over new means of 'activating' and empowering citizens, very limited reform activities along NSM lines are visible at the federal level (see Jann and Reichard 2001 for details).

Not surprisingly, after nearly a decade of intensive reform activities, the enthusiasm of undertaking NSM reforms has declined, and some signs of disenchantment have begun to surface. For the last three years, NSM discourse has been broadened to encompass new and additional topics, among them citizen empowerment and participation (*Bürgerkommune*) as well as e-government.

### **Causes of reform, its driving forces and major actors**

During the 1980s, Germany remained largely unimpressed by the international NPM debate and began its reform processes some 10 years later, a relatively late start in comparison with leading NPM reformers such as the UK or New Zealand (Schröter and Wollmann 1997, pp. 190ff.; Reichard 1997, pp. 60ff.). There was no particular financial pressure, at least not until the mid-1990s. Administrators and politicians were still convinced that German administration was functioning well compared with international standards, particularly with regard to legality and reliability of its services. The specific administrative culture of German bureaucracy with its highly

law-based tenets added another degree of restrictions. Finally, the language barrier between the English-language NPM discourse and the comparatively weak willingness of bureaucrats in Germany to participate in this debate was another reason for the comparatively late start on public management reforms.

As in most other countries, public management reforms in Germany cannot be seen as the impact of merely one factor but rather of a variety of aspects (Reichard 1997, p. 63). As already stated, fiscal stress was not a major initiating factor; most municipalities were in a relatively stable financial state through to the mid-1990s. Cuts in the budgets first became a major factor after 1995, as most of the local governments began to suffer from the growing fiscal crisis that to some extent was influenced by the immense costs of German reunification.

One of the main driving forces in the initial phase of NSM was the growing dissatisfaction of city managers with the traditional way of managing local authorities. For decades, these authorities (like all other public sector organizations within Germany) had been managed on a pattern of highly-centralized authority for resource allocation. This authority was concentrated in specialized central service departments (treasury, personnel department, and so on). Consequently, no manager was really responsible for the 'end result', covering tasks as well as resources, and the whole system carried a distinct air of 'organized irresponsibility' (Banner 1991, p. 7). The local managers experienced more and more difficulties in steering their authorities according to this pattern. It was believed that the high degree of centralization of decision-making competencies, an unclear distribution of responsibilities among departmental sectors, and a lack of transparency and adequate steering instruments were the main reasons for these difficulties. Thus, the first impetus for reform was concentrated within the intra-administrative executive level of municipalities and did not originate from politicians, citizens or external forces such as central government.

The NSM reform was largely a reform from the inside, from below and from the practitioners' front. It was initiated by chief executives and heads of finance or general administrative divisions of numerous municipalities, primarily medium- and large-scale ones. More specifically, these manifestations originated predominantly within the states of Nordrhein-Westfalen and Niedersachsen, both of which were under the rule of the British-based town-clerk-model, with its complex and conflictious decision-making structures (a model which was, however, actually abolished a few years ago). There was no pressure from the state or federal level to introduce NPM-type reforms in German local government. Instead, it was a completely voluntary process; communes could initiate or leave the reform process of their own free will. A relatively incremental strategy was also pursued, with long and quite cautious experimental phases. Furthermore, at least at the beginning, there was not much push from either academia or the consultancy industry. Both academics and consultants first joined the already-running reform

train several years later. This also reveals that theoretical and ideological influences in Germany – for example, from Public Choice Theory or from the New Right movement – were rather unimportant in comparison with those in countries such as the UK, New Zealand or the US.

As already mentioned, KGSt was a strong supporting force throughout the period of innovation. Not only did it effectively design the NSM model, it succeeded in disseminating its conceptual ideas through numerous avenues (publications, congresses, seminars, own consultancy company, networking with communes, and so on). It remains true that the 'victory' of NSM would not have taken place without the extremely intensive missionary activities of the KGSt during the last decade.

However, implementation of the NSM is also the result of several more supportive factors. First, public management reforms found positive reception by all major political parties: the social democrats recognized the NSM as a countermeasure against massive privatization (strengthening local services instead of privatizing them); the conservatives were satisfied because of its call for neoliberal efficiency; the Greens supported the NSM development because they expected progress in the fields of customer-orientation, participation and empowerment. Furthermore, the public sector unions were strongly in favour of the reform movement, expecting a positive move towards securing workplaces.

NSM emerged in the 1990s, primarily driven by German local government. Contrary to the broad exchange of views and experiences that took place in the Anglo-Saxon world with respect to NPM, the German NSM experienced a much more isolated development. The international mainstream of the NPM discourse had only limited influence on the design and implementation of NSM. This was partly due to language barriers, but also because of reluctance among German bureaucrats to study foreign reform developments. The highly restrictive participation of German federal government officials in the Public Management (PUMA) division of the OECD over the last decade is a striking example of this reluctance. Local government associations such as the KGSt and some foundations like the Bertelsmann Foundation nevertheless tried to set up and support the international exchange of public management experiences at the local level, by both sponsoring international conferences (see Banner and Reichard 1993 as an example of conference proceedings) and bestowing 'best practice awards' (for example, the Bertelsmann Prize for best practice in local management from 1993; see Naschold and Pröhl 1994).

### **The influence of the Tilburg Model on reforms in Germany**

In contrast to the NPM mainstream, there was a considerable transfer of knowledge from The Netherlands to Germany during its initial period of development within Germany. One Dutch city had a particularly pronounced impact on the German NSM: the city of Tilburg. In the early 1980s, it developed an approach to the organization and management of city administration fashioned very closely upon the corporate-management

structures found in the private sector (see the article of Hendriks and Tops in this volume for details).

The KGSt 'discovered' the reform model initiated in Tilburg around 1988. However, the question arises as to how KGSt-officials leaned toward adoption of the Tilburg style, in spite of the fact that a broad range of other 'models' – both foreign and Dutch – also existed. Put rather simply, one reason was the relative proximity of Tilburg to Cologne, the seat of KGSt. Secondly, the marketing activities of the Tilburg reform professionals were remarkable (see again Hendriks and Tops and also Shrijvers 1993; Dopatka 1995); in addition, KGSt experts were impressed with the stringency of the Tilburg model. Third and foremost, the concept of Tilburg did seem to fit extremely well into the first ideas and features of the NSM.

The KGSt decided to elaborate on the 'Tilburg Model' as a master case study for the further design of the NSM. In 1992 KGSt published a report about the Tilburg Model which found broad recognition within the German local government community (KGSt 1992). Furthermore, Fons Shrijvers, the former general manager (*secretarie*) of Tilburg, played a highly influential role in consulting with KGSt and numerous German cities. During the initial phase of the NSM, the Tilburg Model became something of a synonym for modern local management in Germany. It is in fact quite plausible that the Tilburg Model garnished greater support and prominence in Germany during the early 1990s than in The Netherlands itself.

KGSt borrowed the following ideas in particular from the Tilburg case:

- the product approach (i.e. describing all outputs and services of a municipality as 'products');
- the integration of responsibilities for services and resources and the decentralized assignment of these responsibilities to semi-autonomous units (responsibility centres);
- the perception of a city organization – with all of its entities and corporations – as a holding structure;
- the output- (product-) oriented budget and the comprehensive reporting system based on performance indicators;
- the distinction between the strategic role of the council and the operative role of the administration;
- the internal contract management, i.e. formulating targets and budgets for certain products in an agreement between the top management and the different units.

It is of considerable interest that very few in Germany realized that the city administration of Tilburg changed its basic managerial orientation in 1995 from its 'old' conceptualization of interest within the German debate to a 'new' style incorporating a more strategic, citizen-oriented and development-focused approach (see again Hendriks and Tops for details). Yet the 'old-style Tilburg Model', with its output-oriented structure and its intraorganizational and managerialist bias, remained influential in the German reform



discourse up to the mid-1990s. Thereafter, some commentators considered that it might be dubious to transfer findings from a Dutch municipality onto German administrative systems due to the rather divergent framework conditions within the two countries. As a result, the Tilburg Model slowly disappeared from the German reform scene after about 1995; its basic ideas nevertheless still remained within parts of the NSM.

### **Conceptualization of NSM**

From its inception, NSM focused primarily on several key issues (see Reichard 2001, pp. 546ff.). It was foremost concerned with strengthening accountability by integrating the formerly divided responsibilities for resources and policy issues. This was narrowly related to internal contracting, that is, to establishing contractual relations between different units of a local authority. Another issue was global and output-oriented budgeting, which sought to strengthen accountability through other means. Global spending levels for the different sectors were set by the local council, which were then free to manage their financial resources within the set parameters. Budgeting itself was linked to new forms of accounting, that is, introducing internal cost accounting techniques and reforming the general local government accounting system from predominantly cash to accrual accounting. Furthermore, local managers developed new, more comprehensive concepts for monitoring and evaluating the costs and performance of the different units.

According to this general outline, NSM in its early years – henceforth called ‘NSM 1.0’ – mainly consisted of the following elements (KGSt 1993; Reichard 1996):

- detailed product descriptions;
- internal management contracts based on defined products and on flexible budgets;
- integrated decentralized responsibility for results and resources;
- flexible and product-based budgeting;
- cost accounting (usually still based on cameralist bookkeeping style);
- monitoring and evaluation of results and related costs (in Germany usually called ‘controlling’).

After several years of practical experience, this first version of NSM showed a number of shortcomings. KGSt and the leading reform communes thus decided to extend the concept to include additional elements within the original NSM framework. Some of the major elements of the second generation NSM (‘NSM 2.0’, from about 1998 onwards) were:

- experiments with some tools of quality management (customer surveys, etc.);
- (limited) experiments with concepts and instruments of human resource management (e.g. with recruitment and evaluation methods, personnel development concepts, performance-related pay, etc.);

- limited experiments with strengthening market forces and competition, based primarily on non-market competition (in few cases on market testing of internal services).

### Implementation of NSM

Local authorities usually implemented NSM reforms based on the recommendations of KGSt. In most cases they undertook a relatively slow and cautious process of change, testing several elements of NSM in a rather isolated fashion in selected pilot units (departments or even smaller units). The following standard sequence for the implementation of NSM elements can be observed:

- elaboration of product descriptions and formulation of highly detailed 'product catalogues';
- introduction of flexible and globalized budgeting, usually following the 'input-budgeting'-type using lump-sum budgets;
- introduction of cost accounting, particularly for calculating the costs of products and cost centres;
- establishment of performance monitoring systems ('controlling');
- restructuring of internal organization, particularly with the establishment of centres of responsibility, internal service providers, central planning and monitoring units (*Steuerungsdienst*);
- introduction of contract management between top management and units.

Local governments – particularly during the first phase of NSM-implementation – concentrated to a large extent on the 'hard facts' of NSM, that is, on budgeting, cost accounting and monitoring. They neglected the rather 'soft elements' such as organizational change, human resource management or quality management. Most municipalities spent (too) much time and energy on the elaboration of product descriptions. They set up highly detailed 'product catalogues', consisting of precise descriptions of services, the activities behind them, legal regulations, as well as the costs and qualities to be achieved. Although the basic rationale here is rather positive (knowing more about the services to be produced and using data for benchmarking), the accuracy of such cataloguing seems to be in some manner 'typically German', influenced more from the 'spirit of bureaucracy' than by the 'spirit of managerialism' (Reichard 1998).

Though empirical data about implemented reform elements within Germany is lacking, the implementation status of NSM elements at present can be described as follows. According to bi-annual surveys conducted by the German Association of Cities (DST), implementation during the years 1996 to 2000 made remarkable progress (Grömig and Thielen 1996; Grömig and Gruner 1998; Grömig 2001). German municipalities claim to fully engaged in introducing the NSM: from 83 per cent of municipalities in 1996 and 89 per cent in 1998 to 92 per cent in 2000 municipalities have reported

that they are modernizing their administration according to the NSM. It appears doubtful, however, that these figures actually mirror reality. Some subjective impressions show that there are big differences between the rhetoric of municipalities and the reality of implementation. The surveys also show that the core instruments of NSM – cost accounting, budgeting, controlling – are the dominant elements being implemented. Additionally, some activities geared towards better training and development of personnel and several organizational restructuring measures are on the list of implemented reform elements.

One of the rare empirical surveys on the implementation of NSM, focusing on construction, housing and the environment, has found that budgeting techniques have been widely implemented, but while product catalogues play a major role, the use of cost accounting is rather limited in practice (Jaedicke, Thrun and Wollmann 2000). Furthermore, in the restructuring of some local authorities (flatter hierarchies, larger spans of control, some established service and result centres), experimentation with contract management and process re-engineering has been observed. However, it should be noted that a deeper look into these local structures sometimes reveals merely 'Potemkin's Façades' and the renaming of already existing ('old') units.

There is clear evidence that communes in the new German *Länder* – in the former GDR – are somewhat lagging behind in the reform process. Innovations in local management have seen greater success in the old part of the republic (Wegrich *et al.* 1997). Possible reasons for this reluctance in pursuing reform are rather unclear. To some extent it can be attributed to existing deficits in personnel qualifications that still prevail within the new *Länder*, to the expected implementation of the 'old' Western system of administration and also partly to extremely critical financial situations. This nevertheless fails to explain the whole problem (Reichard and Röber 1993).

With regard to the process of change, empirical studies provide some evidence that local authorities experience specific problems (Reichard 1997, pp. 70ff.) outlined as follows:

- lack of a clear project management concept including proper project schedule and change strategy;
- weak participation and involvement of personnel in the change process, frequently causing de-motivation and poor acceptance of reform issues (for example, nearly 50 per cent of local employees have been found to be sceptical about the reform process; Grömig 2001, p. 17);
- weak involvement of politicians (members of the local council) within the entire process of change;
- unsolved conflicts between cost saving (downsizing) and managerial reform as dominant targets of the reform programme.

German local governments have invested large amounts of human and financial capital into reforming their managerial structures and concepts

based on the NSM. After nearly 10 years of implementation, they are still 'on the way'; the implementation process is nowhere near its final stage. The basic structure of local government still remains the same, but some corrections with respect to planning, steering, accounting and supervising have been made. Reforms have been undertaken solely by the local authorities, together with wide-reaching assistance from consultancy firms. Local authorities received comparatively little support from the state level. Unlike NPM-implementation in the UK and in some other countries, the design and implementation of NSM was the sole responsibility of municipal and county administration within Germany. State authorities gave only limited assistance, for example, by unlocking regulations (that is, introducing experimental clauses in the local constitutions) or by awarding reform innovations. The academic community did not take much notice of the NSM developments. In its first years, the NSM debate was exclusively driven by practitioners. With few exceptions, neither political/administrative science nor (business) management academia contributed fundamentally to the development of NSM. This situation changed only 3 to 4 years ago; certain parts of the scientific community at least are now participating in discourse on modernizing (local) government (see Reichard and Wollmann 1996; Grunow and Wollmann 1998).

After 10 years of hectic and ambitious reform activities the main actors are now rather less enthusiastic and possibly more sceptical (Röber 2001). Several factors that have possibly contributed to a rise in 'reform exhaustion' are quite evident, as follows:

- reformers failed to realize that expectations for strong budgetary recovery hastened by the implementation of NSM were to some extent misguided;
- reforms lost their strength due to the one-sided focus on intra-administrative restructuring as well as the exclusion more or less of local politicians, customer aspects and competitive forces;
- staff has been given mostly a symbolic role in the reform process, with very little substantial value or impact.

### **Evaluation of the present status of NSM reforms**

As in other reforming countries around the world, it is not particularly easy to analyse the measures initiated in German local government. Though NSM-type reforms have already been in place within Germany for a decade now, it is still difficult to assess their results and effects. After 10 years of reforms, there are not many visible results; too much is still moving and is 'on the way'. Furthermore, the generally existing lack of empirical data for identifying NPM results (see Pollitt and Bouckaert 2000 with their rather sceptical diagnosis of the results and effects of international NPM reforms) is particularly true for Germany. Apart from a few case studies dealing with single municipal reform cases and the already mentioned bi-annual survey conducted by the German associations of cities, there is nearly no serious

evaluation of the NSM-reforms that is based on empirical evidence (the only exception here is Jaedicke, Thrun and Wollmann 2000). On the part of the reforming local governments, there has been no demand for independent evaluations; no municipality has seriously wanted to know about how their reforms were assessed by others. In addition, the public administration-related research community in Germany showed little engagement in undertaking comprehensive evaluation studies. Although we are confronted with challenging problems of measurement and attribution if we seek to relate certain reform measures to the observed results or impacts, it is hard to understand that neither academia nor bureaucracy in Germany have been interested in learning about the results of their reform efforts.

Despite the lack of empirical evaluation, in the case of the German municipalities there is some evidence of limited cost-cutting effects after the introduction of NSM. Savings are primarily the result of global budgeting, of more flexible financial management and of introducing competitive mechanisms. Some limited efficiency effects are reported from restructuring (flatter hierarchies, merging departments, agencification and contractualization). Yet some doubts have to be raised around transaction costs: new contractual arrangements such as internal management contracts, purchaser/provider split, agencification, contracting-out, and so on, probably cause considerable transaction costs, and it must be assumed that these costs are not recorded in a consistent and reliable manner.

Although the NSM-type reforms have focused on the internal structures of local government and were without much relevance for the general public, it can be assumed that local management reforms have had some positive effects on customer satisfaction. This is partly because numerous municipalities have introduced one-stop-offices or have extended their service portfolios and/or their opening hours. Another result of NSM implementation was a streamlining of decision-making processes, resulting in shorter waiting times for citizens applying to receive permits, and so on. Last but not least, citizens observe that the behaviour of public employees is more consumer-friendly, something which could at least partially be caused by the NSM. A few customer surveys over the last few years show evidence that the general satisfaction of citizens with local services has increased compared with data from the early 1990s.

With reference to impacts of NSM reforms on the effectiveness of policy making or of service delivery, there is no clear evidence here. On the one hand it can be assumed that a clear output or outcome focus in local management might improve the quality of policies or services. On the other hand, there is reason to believe that NSM-type reforms might have some unexpectedly negative side effects. The following arguments are the subject of frequent academic debate about NPM and are also relevant in the German case:

- the politics/administration divide may cause new co-ordination problems (principal/agent conflicts);

- the one-dimensional, self-interest guided, efficiency-driven values which are part of the NPM doctrine may cause simplification of complex policy issues and may end in one-sided solutions;
- decentralization of decision-making responsibilities may cause greater fragmentation within local authorities, more sector-orientation of actors and less integrative 'whole-of-government' thinking;
- performance-based NPM rationale together with agencification and corporatization may cause accountability problems.

Not surprisingly, the effects of reforming local government are thus far rather mixed. There might be some positive effects on efficiency and responsiveness but also quite mixed results with regard to the quality and effectiveness of policies and services. If we come to a final assessment of the present status of NSM reforms, it can be said that 'NSM 1.0' was a rather narrow and technocratic approach, based heavily on internal restructuring and thus neglecting constituencies and stakeholders in local government (particularly citizens, the political forces, public and private competitors, etc.). It has had some positive impact on efficiency and has furthermore probably contributed to the necessary change of administrative culture in Germany (more managerial flexibility, entrepreneurial attitudes, cost-conscious thinking, and so on). Yet most observers agree that it is time to develop NSM into a more open and 'softer' version that fundamentally includes elements of the constituency of the local governments.

### ACTUAL TRENDS AND PERSPECTIVES FOR THE FUTURE

German municipalities have started to modernize their administration along the doctrinal lines of NPM in the early 1990s. With the assistance of the KGSt, they developed at first a rather managerialist and intra-organizational 'model', 'NSM 1.0'. Since about 1998, a growing number of local governments within Germany have realized that the implementation of the first generation of NSM has not been completely successful, failing to meet all its expectations. They have therefore begun to enlarge NSM by adopting several additional elements such as TQM, HRM, strategic management, process re-engineering, market-type mechanisms, and so on (see p. 389, above). Their aim has been to conceptualize a more comprehensive, less technocratic second generation of NSM ('NSM 2.0').

However, in addition to a 'rearmament' of the existing NSM various 'new' topics have come to the fore:

- programmes dealing with enabling and activating citizens, with devolving local services from administration to voluntary associations or self-help groups (for example, several empowerment activities under the label of 'Bürgerkommune', following the vision of the 'activating state' of the present federal government);
- hybridization and pluralization of institutional arrangements and of governance structures (for example, trends to PPP, establishment of

local service networks combining public entities, third sector organizations, private companies cooperating in planning and delivering services to local citizens);

- e-government activities: local authorities offer an increasing number of services via the Internet; sometimes they cooperate through an IT-based mode with other public and private service providers within 'multi-functional service stations' in rural areas (Lenk and Klee-Kruse 2000);
- new accounting concepts: a 'revolution' in the field of local government accounting and budgeting is underway in Germany. Local authorities are in the initial phases of replacing the antiquated cameralist book-keeping method – which is still in use in all German public sector organizations – with a modern resource-based, accrual accounting and budgeting system (Reichard and Bals 2002).

Currently, these topics are being discussed – and partly tested – in a number of communes alongside ongoing NSM innovations. However, at least some local authorities try to amalgamate existing NSM elements with selected 'new' issues. This may in the future lead to a new orientation of the whole reform concept that is less internal and less technocratic. What we can expect is a more advanced generation of the NSM which goes beyond the managerialist focus of the extended version of 'NSM 2.0'. In fact, there is considerable room for debate as to whether the 'NSM' label is still appropriate for such future conceptualizations or if it should not be replaced by the more encompassing term 'local governance'. Such a 'model' ('NSM 3.0?') should provide the framework for managing the entire 'municipal holding', with the core administrative units and all subordinated entities, including corporations, utilities and companies. Additionally, however, it should give room for the development of sector-specific steering concepts with very particular requirements, for example, in schools, social services, hospitals, construction, housing or other public utilities.

### **LOCAL PUBLIC MANAGEMENT REFORMS IN GERMANY, THE NETHERLANDS AND SWITZERLAND: A COMPARATIVE ANALYSIS FROM A GERMAN PERSPECTIVE**

There are obviously several similarities between the three countries compared in this volume. Germany and Switzerland gave considerable attention to the Dutch model (the 'Tilburg Model') during their initial phases of reform. Furthermore, both Germany and Switzerland have shared a continuous exchange of reform conceptualizations and experiences, not least because of their common language and shared existing networks. Looking back at the flow of innovative ideas, there is a clear sequence observed: NL → D → CH. The Dutch municipalities began their NPM-type reforms in the mid-1980s. The basic concept was subsequently transferred to Germany and with very little delay also to Switzerland. In the late 1990s, Germany again 'imported' some ideas from Switzerland, for example, the outcome-orientation, the

TABLE 1 *Comparison of similarities and differences in public management reforms within Germany, Switzerland and The Netherlands*

	Similarities	Differences
<b>Context</b>	<p>Limited influence of Public Choice theory, strong influence of managerialism</p> <p>Less ideological and dogmatic orientation of reform doctrine compared with some Anglo-Saxon countries (neo-liberal thinking, New Right)</p> <p>No strong financial pressure at the beginning (CH and D)</p> <p>Relatively strong local government position in the constitutional context</p> <p>Broad and influential third sector (= plural institutional arrangements)</p> <p>Institutional conservatism (actors preferring stability over institutional change)</p>	<p>NL: more open to NPM mainstream and to reform 'fashions'; local government faster at responding to 'wind of change'</p> <p>D and CH: strong focus at <i>Rechtsstaat</i>; particularly with D=strong legalistic focus</p> <p>NL: different timing of reform issues because of different contextual challenges: efficiency pressures in the 1980s and democratic challenges in the 1990s (CH and D)</p> <p>CH: very specific polity structures (direct democracy, consensus structures)</p>
<b>Contents</b>	<p>Common NPM elements: product approach, contract management, concern-division model with decentralized responsibilities and managerial instruments (such as output-budgeting, cost accounting, controlling, reporting, internal pricing, etc.)</p> <p>Emphasis on internal restructuring, neglect of marketization and strengthening competition</p> <p>Relatively uniform 'master model' for local reforms (NL: BBI; D: NSM; CH: WOV)</p>	<p>CH: more emphasis on outcome measurement ('<i>Wirkungsorientierung</i>')</p> <p>D and NL: primarily output focus</p> <p>CH: unique orientation toward 'political contracting'</p> <p>D: significant efforts for financial management reforms (particular accounting), already done in CH and NL</p>
<b>Implementation</b>	<p>Dominant bottom-up innovations (in CH: cantonal level also important)</p> <p>Informal and voluntary reform cooperation among communes, no central pressure for reforms</p> <p>Administration as major driving force, politicians passive (at least in D and NL)</p> <p>Broad support from political actors, unions, etc.</p> <p>Municipal think tank as driving force in D (KGSt) and NL (VNG)</p> <p>D and NL: late involvement of academic community in reform discourse</p> <p>Strong influence of consultancy firms</p>	<p>NL: early starter (8 years before D and CH)</p> <p>NL: support from central government (BBI-project, different national reform policies)</p> <p>D: much less pragmatism compared to CH and NL</p>



mid-term global budget, some contracting tools, and so on. However, it does not seem that there has been any substantive transfer of reform elements from Germany or Switzerland to The Netherlands. The Netherlands seem rather to rely more dominantly on Anglo-Saxon, mainstream developments.

Table 1 describes some similarities and differences between public management reforms in the three countries (see also the discussion in the other two articles in this volume). There are of course a lot of dissimilarities: the three countries have quite different political structures and local government regimes. They rely on divergent political and administrative cultures and are furthermore different with respect to their size. Nevertheless, if we take a somewhat deeper look at public management reforms of the three countries in the last 10 years, we can identify a number of similarities. Reforms have been based – at least partly – on some common doctrines and visions, and there has also been some exchange of concepts and experiences.

## CONCLUSIONS

With regard to NPM, Germany was a late and relatively hesitant reformer. While federal and *Länder* governments moved relatively modestly from traditional to 'new' models of public management, local government in Germany has been quite active and invented the 'new steering model' as the dominant plan for local management. Though not well-known in the rest of the world, there has been some progress in its implementation and some lessons – both positive and negative – to be learned. As in most other cases, however, there is no clear picture of the achieved results and effects in Germany. Due to much rhetoric and poor empirical data, the scope and impact of local management reforms in Germany is not very apparent. In the last few years, reformers have slowed down their NPM-type reform programmes and have opened up the originally narrow reform concept to include several 'beyond-NPM' issues such as citizen participation and empowerment, e-government or new public governance structures.

Although Germany has – at least at local levels – moved from its previous pattern of a strict, bureaucratic steering philosophy by taking some steps towards the 'NPM-world', it nevertheless 'manifests a significant institutional continuity' and an evident tendency toward path-dependency (Wollmann 2000a, p. 932). It certainly maintains a strong tradition based on rule-of-law and its classical reliance on values such as legality, equality and reliability. The NSM provides some relaxation of the usual managerial patterns but does not present a paradigmatic shift.

Looked at as a whole, this series of articles about The Netherlands, Switzerland and Germany seems to clearly demonstrate that local public management reforms have some commonalities – particularly with respect to content and implementation strategies. Yet while there was considerable transfer of knowledge from The Netherlands to Germany and Switzerland in the initial stage of NPM development, reforms within the three countries are clearly discernible from each other. Yet it still remains to be seen to what

extent public management systems and styles within these three countries – moreover within Europe as a whole – are actually converging (Pollitt 2001), thereby turning into some clear and discernible form of common European administrative space.

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