ACCOUNTABILITY ACROSS LEVELS OF GOVERNMENT: EXPERIENCES FROM LÄNDER AND MUNICIPAL GOVERNMENT IN GERMANY

Accountability in Public Organisations
Meeting of the Performance Management Network
Paris, 24-25 November 1997

These two papers discuss the results of municipal modernisation competition in Säarland Germany known as “a modern approach close to the citizen”. The papers offer insight into creative partnerships between levels of government and send a strong message that even where national and state governments have no direct possibilities of influencing accountability and modernisation in municipal authorities, they can still find ways of supporting municipalities and improve the operations of democratic, efficient and citizen-friendly government.

Participants are invited to raise comparisons to accountability relationships between levels of government in their countries. Participants are also asked to discuss how future PUMA work in the area of “Managing Across Levels of Government” might be developed.

For additional information, you may contact Christine Lidbury in the PUMA Secretariat: Tel (33 1) 45 24 89 92; Fax (33 1) 45 24 87 96; E-mail address: christine.lidbury@oecd.org

58596

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format
# TABLE OF CONTENTS

ACCOUNTABILITY AND THE POSSIBILITIES FOR GERMANY’S LÄNDER TO INFLUENCE MODERNISATION PROCESSES IN MUNICIPAL ADMINISTRATIVE AUTHORITIES. Saarland’s Answer: “A Modern Approach Close To The Citizen: A Competition Among Saarland Municipalities”
*by* Dr. Herbert Mandelartz Ministry of the Interior, Saarland

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

MODERNIZATION OF A MIDDLE-SIZED LOCAL ADMINISTRATION IN THE FEDERAL REPUBLIC OF GERMANY: THE EXAMPLE OF EPPELBORN IN THE SAARLAND METHODS, OBSTACLES AND OPPORTUNITIES
*by* Hermann Josef Schmidt Community of Eppelborn, Germany (Saarland)

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
</tr>
</tbody>
</table>
ACCOUNTABILITY AND THE POSSIBILITIES FOR GERMANY’S LÄNDER TO INFLUENCE MODERNISATION PROCESSES IN MUNICIPAL ADMINISTRATIVE AUTHORITIES.

Saarland’s Answer: “A Modern Approach Close To The Citizen: A Competition Among Saarland Municipalities”

by

Dr. Herbert Mandelartz
Ministry of the Interior, Saarland

Preliminary comments

Saarland

1. Saarland is one of Germany’s 16 Länder and its immediate neighbours are France and Luxembourg. Saarland has an area of about 2,570 km² and a population of about 1.1 million. For administrative purposes it is divided into 52 municipalities and 6 municipality associations. A so-called intermediate-level (district) authority does not exist.

Municipal autonomy

2. “Municipal autonomy” is used to mean the right and actual ability of municipalities to run all local affairs under their own responsibility. Municipal autonomy is upheld in the Basic Law and in the Länder Constitutions as an institutional guarantee (Article 28 of the Basic Law: “Municipalities shall be guaranteed the right to exercise control over all the affairs of the local community within the framework of the law and under their own responsibility. Municipality associations shall also have the right to autonomy within the scope of their statutory activities and in accordance with the law. The guarantee of autonomy shall also include the basic principles of financial autonomy.”).

3. Article 28 of the Basic Law is the starting point for any closer definition of the substance and scope of municipal autonomy. Municipal autonomy is also subject to the law; however, the latitude enjoyed by the legislative body is as a rule much less than is normally the case. This also applies to the question with which we are particularly concerned here, i.e. who has responsibility over municipal officials and procedures so that the priority, quality and substance of the specific duties to be discharged can be defined -- or in other words, who has the final say in organisation? From the constitutional perspective it is recognised that central government organisational regulations can be upheld, for example. However, the municipalities must share the responsibility for organising the ways they perform their duties, with the degree of their responsibility (i.e., are they acting autonomously or with duties delegated by the central authority). However, municipalities must in no case be deprived of their responsibility.
They must be given enough latitude to discharge the duties coming into their sphere. In particular, they must be able to react to particular local requirements through their own organisational measures.

4. This is the reason why a comprehensive, uniform modernisation strategy cannot be imposed on municipalities.

**Modernisation approaches at municipal level and attitude of the Länder**

**Basic situation**

5. At the start of the 1990s, the debate on “modernising the public management system” in Germany, especially at municipal level, was stepped up. The reasons for this were (and still are):

- the crisis in municipal budgets,
- changes in the public’s expectations,
- quantitative and qualitative changes in the range of activities,
- the wishes of public servants,
- local demand for “efficient and cost-conscious management”, and
- the development of information and communications technology.

6. As it was not possible to respond to these factors, some of which were diametrically opposed, with the traditional range of public management instruments, the municipalities had to take new approaches to resolving the problem.

7. The reform movement which was started in Germany in the 1990s as a result of these factors is focused mainly on the aspects involving the municipalities’ internal structures and can be summarised by the slogan “a new management model”. This model mainly features management instruments such as budgeting, auditing and cost-benefit calculations, the decentralisation of organisational activity and, lastly, the change in the relationship between the policy and management roles. The municipalities were the first to start on this modernisation process in the light of the above-mentioned factors, but in the meantime the Länder and Federal Government have followed suit.

**Attitude of the Länder to the municipalities**

8. Basically the Länder had two possibilities at the start of the reform movement:

   a) to act as passive spectators of the municipalities’ efforts, or

   b) to assist the municipalities in their efforts.

9. In the initial phase one Land or another certainly opted for the first possibility of behaving as passive spectators. Most Länder, however, opted for the second possibility and tried to support the municipalities’ efforts at modernisation. As explained in the introduction, however, support for the municipalities could only be proposed. The Länder therefore provided specific incentives in order to persuade the municipalities that it was in their interest to accept the proposals.
10. Most Länder provided financial as well as practical assistance for various pilot municipalities, although the emphasis was on the financial side.

11. In these pilot municipalities, the modernisation of public management was to be stimulated so that other municipalities would follow the example of this modernisation process. Thus various municipalities served as models in the Länder, while the vast majority of municipalities remained quite unaffected by this reform movement.

12. In addition, an assessment of the activities in these pilot municipalities shows that the modernisation of the public management system was almost exclusively limited to the introduction of management instruments. An attempt was simply made to improve the administration of municipalities from an economic viewpoint.

**The Saarland approach**

13. As a result of the initial situation which was described at the start of the report and which also applied to the Saarland municipalities, the Saarland regional government sought a new approach which could actively accompany and support the municipalities’ efforts at reform.

14. For this reason the Saarland Minister of the Interior Friedel Läpple set up in early 1993 the Committee for the Advancement of Municipal Autonomy and instructed this Committee to work out proposals for the reinforcement of municipal management autonomy in the light of the threats and challenges to it in the closing years of the 20th century. Its task was also to see whether the efficiency of administrative activity could be improved by introducing new forms of administrative or resource management. The Committee submitted its report at the end of March 1994 and made many recommendations for changes to municipal regulations. Among other things, the Committee unanimously considered that the municipal management system had to be further developed. It regarded the ideas expressed on the new management models which were then being discussed as an appropriate basis for such further development. Moreover, it took the view that the conditions for a suitable type of reform could be created by amending -- if necessary -- the relevant section of the law.

15. The first contacts with the Bertelsmann Foundation also came about in connection with the Committee’s work. These contacts resulted in the joint project -- "A modern approach close to the citizen -- A competition among the Saarland municipalities" -- which was launched on 1 June 1994. This initiative was until then the only attempt -- and as we can say after the end of the competition at the start of this year, the only successful attempt -- at boosting and assisting the modernisation efforts made by the municipalities in a Land, since 52 of the 58 Saarland municipalities and municipality associations took part in the joint programme.

16. The support provided by the Saarland Ministry of the Interior had three main characteristics that also clearly showed the differences compared with the approaches taken by other Länder:

   a) Support was provided for municipalities throughout the Land.

   b) In addition to the introduction of managerial instruments, the democratic constitutional system was to be further developed.

   c) There were no specific financial grants, but the incentive for municipalities to take part was a competition with a prize for the winners.
The project for “A modern approach close to the citizen: A competition among the Saarland municipalities”

The target model

17. With the project known as “A modern approach close to the citizen -- A competition among the Saarland municipalities”, the Bertelsmann Foundation and the Ministry of the Interior intended to stimulate efforts at modernisation in the municipalities and help them to modernise their management system. The project which was approved for this purpose took the form of a two-year competition, at the end of which the municipalities that came closest to the model of a democratic, efficient and citizen-friendly municipality were awarded a prize. This model reflected the following criteria, each of which is briefly explained.

- Performance under democratic control
  Democracy and performance must be equally important in a modern municipal authority. The public must be kept informed of decision processes and where possible involved in them.

- Citizen and customer satisfaction
  The municipal authority must see itself as a service enterprise that constantly adapts its services to the public’s needs. The focus must be on the interests of the community and on reconciling special interests.

- Co-operation between the Council and the administrative authority
  The elected representatives should set the objectives (including performance and financial targets) to be met by the administrative authority and supervise the authority. The administrative authority is required to help the Council to carry out these activities. And it must be possible for the administrative authority to achieve independently the objectives defined for it and without detailed political oversight.

- Budgeting and decentralised responsibility for resources
  The new division of responsibility between the policy and management sides and between the various management levels must be based on continuous delegation of responsibility and on monitoring the achievement of objectives by means of an efficient reporting system.

- Controls and reporting system
  The decentralisation and delegation of responsibility laid down in the preceding criterion require efficient planning, co-ordination and control measures.

- Staff potential
  The personnel is the most expensive and most sensitive resource with which the municipal authority work. If the staff’s possibilities are to be fully used, the management must be constantly attentive to the staff and their development potential.
• Ability to change and innovate through competition

Performance comparisons between municipalities (competition) and public reports on their results are appropriate ways of triggering the self-management processes which should guarantee the administrative authority’s ability to change and innovate.

18. We shall not enlarge on this model at this point. However, it should be pointed out that with “performance under democratic control”, a substantive factor is highlighted. The approach by the Ministry of the Interior and the Bertelsmann Foundation therefore did more than simply introduce a number of management instruments. The aim was to develop the democratic constitutional system further and, independently of whether services were provided by the authority itself, a municipal enterprise or a private firm, to guarantee democratic control. The difference in approach is to be seen particularly in this respect between Saarland and the other Länder.

Organisation of the project

19. The project for “A modern approach close to the citizen -- A competition among Saarland municipalities” also included quite different interest groups in the organisation of a project.

20. The project leaders, the Saarland Ministry of the Interior and the Bertelsmann Foundation, were assisted by an Advisory Board, that provided back-up for the measures taken in the form of ideas and practical inputs. In addition to the Ministry and the Foundation, the various trade unions concerned -- the OTV, the DAG and the KOMBA -- were represented on the Advisory Board. Also on the Board were representatives of the Chambers of Commerce and Industry, the Labour Offices and Chambers of Handicrafts, the Speyer School of Administration, the Saarland Town and Municipality Council and the “Land” District Council. Finally, the “Democracy Foundation” which is close to the SPD, and the “Union Foundation” which is close to the CDU, were also represented by a Board member.

21. By bringing in the different interest groups, it was possible to turn the project into a Saarland community initiative that was universally approved and supported.

Substantive assistance for the municipalities in connection with the competition

22. It was clear from the start that the project could not be successful without substantive back-up. On the basis of our ad hoc further training programme, we organised more than 150 events for the heads of municipal administrative authorities, personnel committee chairmen, the heads of departments and agencies, and the leaders of political groups. These events which were held up to the end of the project were attended by about 4 300 participants. The figures prove that we succeeded in our aim of taking a wide-ranging approach to modernising the management system.

23. The series of events were divided into three phases:

a) In the introductory seminars, which provided an overview of municipal authority management, the aim was to bring the problem home to participants and encourage them to try to modernise the management system in their municipalities. These introductory seminars were provided for all target groups.
b) In the second phase the basic seminars which built on the introductory seminars covered the following subjects:

- development of a management model,
- products,
- budgeting,
- decentralised responsibility for resources,
- controls and reporting,
- personnel management and staff motivation.

c) The basic seminars, which gave the participants an insight into the various subjects, were followed in the last phase by advanced seminars -- e.g., on “educational projects”, “educational budgeting”, “conflict management” or “discussion leader training”. The advanced seminars were supplemented by special events in response to topical concerns.

24. The rates for attendance at the events ranged between 30 and 90 per cent. The satisfaction rate, which was obtained by means of a questionnaire at the end of each seminar, fluctuated between 1.6 and 2.5 on a sliding scale of 1 to 6.

25. Another major aspect of the work in the advanced phase was the change in relationship between the Council and the administrative authority and the greater involvement of Council members in the modernisation process. For this reason the project team invited the leaders of political groups as well as the heads of administrative departments to roundtables at the start of the advanced phase.

26. A number of special events were held in addition to these further training seminars:

- A joint event with the Chamber of Industry and Commerce, at which interesting approaches to modernisation in the public and private management sectors were compared.

- A meeting at federal level to discuss whether greater emphasis had to be given to placing women and men on an equal footing in the modernisation process, an issue that had thus far been neglected.

- A joint event with the Saarland universities.

- An event which focused on the inclusion of staff in the modernisation process.

We provided information on the programme of events and on progress with the project itself in the eight issues of a publication entitled, “Municipal Management in Practice”.
**Results of the competition**

**Selection of the prizewinners**

27. The project team worked out a technique, described briefly below, so that the Saarland municipalities’ modernisation results would be comparable and the panel set up to judge them would be able to identify the prizewinning municipalities.

28. The seven main criteria mentioned above were first of all given an operational bearing. To get away from the abstract level of the main criteria, the first step was to define sub-criteria. These were reproducible characteristics which could be examined in all administrative authorities.

29. Lastly, it was possible to obtain a mark of 100 for each major criterion, for a total of up to 700 points. Each criterion was given the same weight in the assessment, meaning that a municipality’s success in no way depended on the main component in its modernisation efforts. On the contrary, the breadth and depth of the modernisation process was decisive for the final classification.

30. At the end of the competition period on 30 June 1996, the participating municipalities were required to submit their supporting material evidence for the competition. They were requested to answer a detailed questionnaire on modernisation activities that was to serve as a guide and kept to the list of sub-criteria. In addition to answering questions, the municipalities were also requested to include proof of their activities.

31. The municipalities were visited by experts who evaluated their activities on site. The experts were briefed beforehand at a two-day seminar so that all of them were familiar with the assessment standard which was to be applied uniformly to the municipalities’ modernisation activities.

32. The panel met twice to reach a decision. It finally selected the three prizewinners at a secret session which was, obviously, not attended by any members of the project team. The winners were Eppelborn (municipality), Bexbach (town) and Saarlouis (district).

33. Of the 58 Saarland municipalities, 52 entered the competition and 47 ultimately sent in their supporting material. These figures also show that the plan to take a wide-ranging approach was perfectly feasible. This applied not only to the quantitative aspect but also to the quality of participation by the municipalities, as reflected in the range of supporting material provided by them.

34. On average the participating municipalities obtained a quarter of their points in the criterion on the “ability to change and innovate through competition”. They focused to much the same extent on the criteria relating to “performance and democratic control”, “citizen and customer satisfaction”, “decentralised management” and “staff potential”. However, “controls and reporting” and “co-operation between the Council and the administrative authority” were much behind with, respectively, eight per cent and six per cent of the total marks.

35. The results for the individual criteria are discussed briefly below.

**Performance under democratic control**

36. It was found that the Saarland municipalities organised many public meetings in addition to those required by statutory provisions. Another important component of the democratic control process
was seen in reporting to the public. On this point it was noted that while municipalities generally kept the public informed, the actual reporting was not as detailed as it should have been according to the standards. This was clearly illustrated by the fact that information papers usually contained no operating ratios.

Citizen and customer satisfaction

37. While only a few municipalities had defined a model for their administrative authority and put it in writing, some had set up a Citizens’ Office that provided a package of services for the public. Many of the participating municipalities also provided customer services that did not come under the administrative authority’s basic responsibilities. For example, these included employment initiatives, “one-stop shop” agencies and the marketing of land for the disposal of materials.

Co-operation between the Council and the administrative authority

38. In this case (as was expected), the municipalities were awarded the lowest marks. For example, the evaluation showed that no contractual management agreement had so far been concluded in writing between the Council and the administrative authority in any of the participant municipalities.

Decentralised management

39. Generally speaking it can be said that the results for this criterion were highly polarised owing to the grading of the sub-criteria. This meant that a municipality which had shelved budgeting for the time being also received only very low marks for the following sub-criteria, such as “decentralised responsibility for resources”.

Controls and reporting system

40. During the competition only very few municipalities had started to define products. Not that this is surprising, if it is considered how time-consuming this operation is. A working group was therefore set up at the end of 1996 to produce a standard product catalogue for Saarland.

41. The vast majority of participating municipalities had not set up an internal reporting system as, owing to their size, the administrative cost would have often exceeded the benefits. Only the area of cost-benefit analysis appeared in a positive light in many municipalities.

Staff potential

42. Here a marked convergence between the quality and extent of activities was noted, i.e. only a few municipalities were outstanding as regards this criterion or came far behind the majority. All in all, many municipalities did not yet have a systematic and strategic approach in the personnel field, even if some initial steps had already been taken.
Ability to change and innovate through competition

43. In this connection, it is to be noted that computerisation was extremely widespread in the participating municipalities. In many of them, virtually all workstations were equipped with a computer. In addition to the actual extent of computerisation, a wide range of computer applications were also noted in quite a few municipalities, meaning that the municipalities used a great variety of software for their various management activities. In some cases unique solutions were used for this purpose, while in others local networks had also been set up.

44. The sub-criterion “creative attitudes to cost-cutting requirements” also had an extremely important place. For example, it covered forms of co-operation where a number of municipalities pooled forces for the purchase of specialised equipment (i.e. equipment not used very often). It also included activities that were carried out by civic-minded members of the public, although the activities were originally the responsibility of the municipal authority.

45. The results for the two sub-criteria which focused specifically on the concept of competition were quite different. The participant municipalities thus far had made, more or less, no use of, for example, performance comparisons between municipalities. However, especially those municipalities that had introduced a cost-accounting system over and above the statutory requirements had already compared the costs of supplying their own services with those of private suppliers.

IV. Other Ministry of Interior Activities

The situation to date

46. In most municipalities, the period following the competition was marked by some signs of fatigue. This was obviously connected with the heavy extra workload due to the competition. Quite apart from the competition itself, the Ministry of the Interior had already provided support for the idea underlying the project and will continue to do so as far as it possibly can. In this connection the following examples can be given:

- The introduction of an “experimental clause” in the Municipal Autonomy Act.
- The introduction of an “experimental clause” in our Municipal Budget Ordinance in order to make budget legislation more flexible.
- The amendment to the Municipal Budget Ordinance so that budgets can be implemented on a more flexible basis will shortly be signed.
- The acquisition of the “Land” licence for the Nessi-P software for computer-aided product development and management as part of the process of gearing municipal budgets to products.
- The creation of the Working Group on the Saarland product catalogue to work out a common recommended product plan for the Saarland municipalities. The plan will very soon be completed.
Further action

47. In addition to these measures, the Interior Ministry is now planning to set up associations for performance comparisons between municipalities. The aim in this case is to define a system for co-operation between the Municipal Management Streamlining Agency, the Bertelsmann Foundation, the Ministry of the Interior and the Saarland municipalities.

Conclusion

48. This report is intended to show that even if a Ministry of the Interior can simply ensure that municipal activity complies with the law and accordingly has no direct possibilities of influencing the modernisation process in municipal authorities, it can still find ways of supporting the municipalities in this process.

49. But it is perhaps precisely because there was no legal possibility of intervening that the Saarland Ministry of the Interior turned to this innovative instrument of a voluntary competition to which the municipalities were so responsive. Thus, it was possible to achieve and maintain wide acceptance in the Saarland municipalities and in all the interest groups concerned for the modernisation of the administrative authorities.
MODERNIZATION OF A MIDDLE-SIZED LOCAL ADMINISTRATION
IN THE FEDERAL REPUBLIC OF GERMANY:
THE EXAMPLE OF EPPELBORN IN THE SAARLAND
METHODS, OBSTACLES AND OPPORTUNITIES

by

Hermann Josef Schmidt
Community of Eppelborn, Germany (Saarland)

Introduction

1. In January 1997 the community of Eppelborn in the Saarland was awarded the first prize in the
inter-municipal competition “Modern & Close to the Citizens -- Communities of the Saarland in
Competition”. This competition was offered by the Ministry of the Interior of the Saarland together with
the Bertelsmann Foundation to all communities and districts in the Saarland. It ran from mid-1994 to
mid-1996. Awards were given to those communities which fulfil most satisfactorily the seven central
criteria of a modern citizen-friendly administration as they are acknowledged internationally.

2. At the award ceremony, the chairman of the selection jury said:

The community of Eppelborn achieved first place above all because of the exemplary
inclusion of its employees in the modernisation process. In addition the process of
organisational transformation was characterised by a constructive collaboration
between council and administration. It is exactly these two circumstances, I think,
which have to be underlined as especially laudable because they show that the
inclusion of the employees and the close collaboration between council and
administration really represent important factors in the process of organisational
transformation.

This meant that the community of Eppelborn took first place among all communities in three of the seven
central criteria of the competition: “Orientation towards Citizens and Customers”, “Cooperation between
Politics and Administration”, “Potentials of the Collaborators”.

3. Eppelborn is a rural residential community in the centre of the Saarland in the south-west of
Germany and has 19 000 inhabitants living in eight villages.

The Process of Modernisation

4. In the local administration of Eppelborn, the competition “Modern & Close to the Citizens”
spurred a modernisation initiative that sees the citizen as a customer and the administration with its
collaborators as an up-to-date service supplier. All persons concerned and involved were, and still are,
actively linked to the transformation process. These include, the local citizens, the parties in the local
council, the staff council, the collaborators and the mayor.

5. A strategy workshop was used to first draw up a model - i.e. a vision as to the future
development of the community of Eppelborn. The aspect of being connected, as a community, with the
image of a modern enterprise in the service sector, was explicitly extended to all local facilities. At the
Federal level, the New Steering Model developed by the Communal Bureau ("Kommunale
Gemeinschaftstelle") in Cologne pointed the way ahead for all the communities in the Federal Republic.
The theoretical approach was available that was then to be put into practice.

6. This Eppelborn model plans the gradual building up of a management and organisational
structure which is decentralised and similar to a private business.

7. In order to realise the modernization a Project Organisation was created that involved all the
participants and offered, especially to the collaborators, the possibility of contributing their knowledge
and experience. Since May 1995 more than half the employees, forming ten Project Groups with up to
twelve members each, have worked out propositions in the fields of:

- structuring of tasks and optimisation of process development,
- analysis, training courses, staff development,
- information / communication,
- orientation towards the citizens,
- product orienting,
- optimisation of the Building and Repair Service,
- information technology,
- budgeting,
- controlling and information service,
- introduction of a Technical Management.

8. The activities of these Project Groups was steered by a Control Group where all the propositions
came together. The Control Group co-ordinated, initiated, controlled and directed the realisation of
measures. While the Control Group was composed exclusively of employees, the Co-ordination Group
included all persons involved in modernization: the parties of the local council, the staff council, the
mayor and the employees. Only a few external advisers were consulted.

9. All persons involved in the new orientation have contributed in a huge effort to the realisation of
countless projects, for example:

- The local administration was decentralised and its organisation reconstructed (dissolution of
ten offices, and setting up of three departments and two service units). Decision-making
powers were delegated to the collaborators, responsibilities of the employees strengthened,
their financial competencies widened. Examples are the budgeting of the administration
finances and the pilot introduction of products within the frame of an existing general product
planning as well as the start of a contract management.
Control measures were initiated, a comprehensive internal and external information service was installed (business requirements, budgets, investments, activity of the service units and own businesses).

The cost accounting system comprising the whole financial planning was introduced.

Orientation towards the customers and close relationship with the citizens were analysed and put into the centre of local action. Citizen-friendly measures were realised (Citizens’ Unit and Citizens’ Information as central places to go in the town-hall, creation of parking-spaces for customers, moving of visitor-intensive working fields towards the entrances, new signposts within and round the town-hall, new opening times, questioning of the citizens and permanent "questioning of customers", etc.).

The technical equipment was completely replaced (interlinking of the town-hall, new software and hardware with appropriate facilities).

The individual working time independence of the employees was increased by a new service agreement with two individual time accounts. Further training and education of the employees were regulated by guidelines; the necessary funds were considerably increased and an annual internal qualification program was set up.

The Building and Repair Service was reorganised and the Technical Management was installed (as organisationally independent, responsible institutions).

The local council has unanimously approved the necessary financial means for the budget plans.

**Support for Modernisation across Levels of Government**

10. The Ministry of the Interior of the Saarland has accompanied the modernization process in an exemplary way. In co-operation with the Bertelsmann Foundation, a comprehensive training program was offered for two years.

11. Laws and regulations were generously interpreted in favour of the communities. Newly created experimental stipulations allowed differing regulations on the spot in particular cases.

12. From today’s point of view one can state that the current laws and prescriptions in the Federal Republic of Germany allow the modernization of a local administration with no comprehensive changes in the law being necessary. The leeways of the local responsible persons are immense. They must only have the courage to act energetically and with a high degree of their own social competence, and they must include many people in the individual modernization measures.

**Legal and budgetary systems: restrictions and opportunities for modernisation**

13. The following section offers an analysis of the legal and budgetary law restrictions which we had nevertheless to overcome when modernising the local administration of Eppelborn. For example, aspects of the administrative organisation, of the staff and payment law, of the customer-orientation and -- in more detail -- aspects of the public accounting system.
14. In principle, within the Federal Republic of Germany, the community law and the local budgetary law do not conflict with the introduction of new steering models. This is not so true, however, of the civil service and payment law.

The Communal Constitutional Law

15. Regulations of the communal constitutional law do little to impede the realisation of the reform measures necessary to administrative modernization. First of all, the communities can decide on the introduction of new steering models within the framework of their self-administrative autonomy on their own responsibility. On the basis of the communal constitutional law currently in force, the council has even now on a large scale, the power to choose whether it wants to mainly decide itself or to create, by delegating, the possibility to confine itself to an oversight role (i.e., giving guidelines, co-ordinating, settling contradictions and checking that regulations are observed). An obvious allocation of powers between council and administration, in so far as the council determines the aims and controls their observance and the administration bears the responsibility for its realisation, is in accord with the communal constitutional law currently in force. Only individual council powers contained in the exclusiveness catalogue which the council may not transmit to others for decision can prove to be a legal problem. For example, these include the setting up of the budget plan, confirmation of the annual accounts, borrowing money, or founding of or involvement in private businesses.

Local budgetary law

16. From the point of view of local budgetary law, many innovations can also be realised. Neither community laws nor local budgetary regulations forbid the introduction of the system of double-entry bookkeeping on a voluntary basis alongside the conventional budget system. It is true though that applying two bookkeeping systems at the same time result in an unnecessary expenditure. One could at most justify this for an experimental phase within a limited period. Neither does the introduction of cost and performance accounting system, of an information service, and of a control system does not conflict with any regulations. It is precisely these instruments that strengthen the council’s function of monitoring the administration. Moreover, double-entry bookkeeping for cost-accounting is not inevitably needed, as the costs of the administration can be determined by means of completing entries within the frame of “expanded cameralistics” -- expanding traditional budget processes. This can be seen in the practice of smaller and middle-sized communities, where a cost and performance accounting system on the basis of double-entry bookkeeping is rare. Instead, they attend to a greater extent to a cost and performance accounting based on traditional budget data.

Authority for pilot projects

17. On the basis of the budgetary law currently in force, the extension of the mutual coverability as well as substantial carry-over of budgetary balances onto the following year are legally inadmissible. Until possible changes of the law are enacted, the so-called “experimenting clauses” of some federal states can be used. That is, in order to further develop local self-administration, the “experimenting clauses” make exceptions from the organisational and budgetary regulations possible. In the Saarland, this possibility to experiment is provided in the communal law:
In order to test new steering models within local administration the highest communal supervision authority (established at the state’s Ministry of the Interior) can admit, upon request, exceptions from the regulations concerning the budgetary statutes, the budget plan, the job plan, the outgoings which exceed planning or are unscheduled, as well as annual accounting. Exceptions are to be limited to five years at most and can be permitted under conditions and obligations. (communal law § 126)

18. In addition, an “experimenting clause” was inserted into the communal budgetary regulation of the Saarland that permits the communities to ask the supervision authority for a dispensation from individual regulations in order to realise the experiments, carried out everywhere, in budgeting, decentralised responsibility of resources, and control systems. These exceptions are also limited to five years and can contain conditions and obligations.

19. When applying these experimenting clauses, the community of Eppelborn can use the following instruments for five years:

- The expenses of the administration finances, concentrated in budgets, can cover each other and can be transferred.
- The expenses concentrated in budgets within the overall budget, can also cover each other and can be declared mutually coverable with those of the administration budget within a budget in certain cases.
- Within a budget, additional revenues can be used to finance additional outgoings.

20. In this way the critical points of the traditional budget law, as with the time limit of one year, the lack of permeability between the outgoings for investment and for administration tasks, the narrow usability of funds and the lack of incentives for savings and for winning additional financial funds, can be compensated. By their new decision powers, the employees themselves have a stronger awareness of costs and responsibilities. For the members of the community council, budgeting means a higher degree of transparency.

**Product plans and a focus on outputs**

21. Control systems must not be confused with sheer control. Its purpose is rather to regularly provide information about the execution of administration in a generally understandable form and to give help for decisions. At the same time, it must become clear whether the aims set by the council were realised by the administration as to their contents and time limit.

22. Pre-conditions for this kind of a control system are the definition and description of products (outputs). In the new steering models, setting individual administrative performances as products where the costs arising from their creation are related in the sense of a comprehensive bill, is seen as an indispensable element of a cost ascertainment and cost control, of budgeting, of the intercommunal performance comparison as well as of the answer to the question whether administrative performances can be produced more favourably by other people.

23. Since 1 January 1997, the community of Eppelborn has had a **product plan** with approximately 150 products that are described in detail with responsibilities, legal foundations, aims, qualities and reference numbers within the pilot fields schools, child-care establishments as well as sports and multi-purpose halls. All subject costs, including those of office and business supplies, are related to the total
costs. Our employees note their working times in relation to the products in order to ascertain the staff costs. We hope that the Saarland, our governing state, will put at our disposal an integrated product catalogue valid for the whole state from next year on.

24. In addition, budgeting on the basis of the products defined as output quantities must be realised. In the budgeting, the given financial means are administered decentrally in the individual administration units on their own authority. Every domain (office, unit, department) has its own budget that it can dispose of within one year. For example, in Eppelborn, 43 budgets were formed in 1997 for the whole administration budget, among them eight budgets for the democratically elected representations in the villages of the community, and seven special budgets for cost-causing establishments. The volunteer fire brigade and our schools have their own "sub-budgets" which they administer on their own authority. Here the reward function of the budget becomes noticeable. In Eppelborn 70 per cent of the finances saved in 1997 remain in the individual units and only 30 per cent go to the global budget. In other communities the relation is 50 to 50 per cent or 60 to 40 per cent. Within the ordering service for the finances, the new competence means that a third of the employees working in the central administration independently have final signing authority to a graded extent.

Decentralisation and the new administrative organisations

25. Thus the responsibility of the resources is being decentralised. This finds expression in the new administrative organisation. Multifunctional units, as for instance for organisation and staff, were abolished or now have only quite specialised central tasks. For the staff administration this means that it realises only the central administering of the staff now, such as for payment of salaries or individual travel expenses claims. Multifunctional offices can also take on steering functions for the administration management as well as service functions for the departments. A comprehensive new "organisation guideline" describes this model with its steering instruments in detail. Special permission from the supervising authority was not necessary to set up these new organisations.

Public service and payment law -- barriers to facilitating a performance orientation

26. Differently from the communal constitutional law and the local budget law towns and communities can independently realise only a small number of reform ideas from the point of view of the public service and payment law. Many approaches of the new steering models can be realised only by changes in the law.

27. One of these approaches is the reflection of modifying the system of salary increases according to age, and of giving up the limits concerning the number of posts for officials. It is also left to the legislator to make the pre-conditions of promotion more transparent. This is also true of the allocation of fixed-term management positions, the embodiment of fundamental knowledge of business management in the training, the extension of the possibilities of part-time work and of changes in staff representation law.

28. Some of the topics realised up to now for the officials by the Bundestag and the state parliaments are among others the development and refinement of a performance-oriented assessment service, the formulation of a promotion practice which is more oriented towards the performances of an employee, the possibility of granting extra pay and bonuses and a greater permeability between careers. Likewise, the responsibility of acting can be delegated ever today to the individual member of staff, and the motivating incentive of specialised further training can be used.
29. Opposing legal obstacles, however, must be met by the creation of an experimenting clause in the administration law, in the pay agreements and laws including the law concerning the number of posts for officials as well as the staff representation law.

30. The efficiency of the administration is essentially determined by the motivation and the involvement of the staff which is active in it. The employees must be fostered by a higher degree of responsibility in dealing with their tasks. Care and attention must be lavished on the staff as the most important, but at the same time most expensive resource of an administration. This can be done, as described above, by delegating responsibility with subsequent performance control. In this way a higher identification with the individual task can take place which can lead to more satisfaction with the activity. By weakened hierarchies, by the creation of smaller units as well as by team work, decision paths can be shortened. Systems of performance incentives are of special significance. The interviewing of the staff carried out in the community of Eppelborn in 1995, has, however, neglected this approach because we exert no influence on its feasibility. In other communities, however, similar surveys have showed that monetary performance incentives have highest preference for the employees. In this respect, employers and employees in the civil service still have to do their homework.

31. In addition to the changes discussed above, essentially concentrated on the internal administration development, the communities are reorganising the external administrative activity related to the citizen. In future, the citizen will be conceived more than up to now as a “customer” who is treated in a courteous, correct and friendly manner. This can only be achieved by qualified staff. The community of Eppelborn spends one per cent of its annual staff costs on training and further education. The working times of the employees were made more flexible in order to suit the new opening times and the new working organisation. At the same time the individual time independence has increased. This demanded exceptional permission as to the working time regulation for civil servants which was given by the Ministry of the Interior and is valid until 30 June 1998.

**Concluding thoughts: continuous learning for modernisation**

32. The continuous improvement of the external performances for the citizen exists within the frame of a citizens’ satisfaction program, of a service marketing or a total quality management requires a higher degree of informing the citizen and above all of communicating with the customer. Regular citizen surveys -- our first one took place in 1995 -- short administrative handling times, good accessibility of the administration, availability by phone, comprehensive consultation during long opening times, central offices with short waiting times as well as understandable and plausibly formulated letters will raise the citizen’s satisfaction.

33. A satisfied citizen might be more prepared to take over responsibility in his or her community as for instance in public institutions and in neighbourhood programs. I was able to see this myself a few weeks ago in the “best run city of the world” -- Phoenix, Arizona in the United States.

34. The modernization of an administration, once started, is a continuous process. Towns and communities need much staying-power. The reform must be pushed ahead by silent, not agitated, continuous work which perceives the structural transformation as the task, but also the chance, of the century. We in the Saarland are well on the way. The Ministry of the Interior and especially its permanent secretary Dr. Mandelartz are dynamic initiators and promoters of communal reforms which they fully accept and positively accompany. The collaboration runs without any problems whatsoever. The starting position in the Saarland is excellent.