Overview

The New Public Management approaches pursued in New Zealand and the UK have evoked little interest in the central or federal governments of some major and successful economies, notably Germany and Japan. Public demand for service improvements in Germany was considerably less than in the UK and other New Public Management countries, arguably at least partly because the baseline of public service quality was perceived by citizens as higher. As a result, there was no real perceived need to engage in radical public sector reforms in Germany. Furthermore, the strong legalistic tradition of the German public administration, when taken together with the strong position of trade unions and staff councils and the decentralized structure of the German federalist system, also encouraged gradual reforms, and gradual reforms based on pilots and employee involvement.

In Germany, the public management agenda of the early 1990s was dominated by the Unification process and related public sector transformation policies that imposed the structure and principles of West German public administration on the new Laender, the former East Germany. Only later, with the fiscal crisis that resulted from Unification was there some wider interest in New Public Management approaches within the German public sector. There has since been a degree of bottom-up experimentation with certain elements of New Public Management reforms at local levels in Germany. Subsequently the Laender, as well as some Federal agencies, have shown some interest in pursuing managerial reforms. But given the more equal balance between the legislative, judicial and executive branches in the German system as compared to Westminster-system countries, the pursuit of managerial reforms should not have been expected to – and did not in practice – override the prevailing fundamental legal and political processes in the German system.

The sequence of reforms

The public administration reforms that have taken place in Germany have been "bottom-up" with no co-ordination between local authorities or levels of government. They have been shaped by the "New Steering Model" - a comprehensive performance management system that encourages public sector organizations to define their outputs more clearly, place unit managers on performance contracts, and show a customer orientation with more flexible resource allocation and greater reliance placed on outsourcing, contracting-out and privatization. Local authorities, in particular large cities, are most advanced with regard to the implementation of the New Steering Model. They are followed by the Laender. The former and present federal government have recently implemented some few elements of the New Steering Model.

There are many reasons for this 'bottom up' sequence of reforms. One major institutional obstacle for any constitutional reform of the civil service law is the situation in
parliament where more than 40 per cent of MPs are civil servants. Arguably, they have little interest in civil service reforms that could undermine their own job security.

Although some had expected this to provide a stimulus to restructuring, the move of the federal government from Berlin to Bonn did not in the end lead to any radical restructuring of federal ministries and agencies.

Some Laender governments such as Schleswig-Holstein started the reform process by developing a comprehensive mission statement based on wide employee participation. The mission statement guided the reform process and ensured the support of employees. Other Laender governments also sought agreements with trade unions or staff councils in order to ensure acceptance on behalf of the staff. The Laender and federal governments have published their reform programs on their respective websites; but administrative reforms on the whole are not an issue that engages much public interest.

**Reformers' concerns**

Following Unification, there was a strong political desire to reduce the combined number of federal employees as well as the number of employees at Laender and local levels in the former East Germany.

There was also – and to some extent, still is - interest in using pay to motivate better performance and in encouraging work flexibility within the civil service. Performance pay is used in the postal and telecommunications services, but recent provisions that would allow for performance-related pay at the federal and Laender levels have not been used to any significant extent. This is understood to be because of concerns that the performance appraisal systems might not be sufficiently robust to support the scheme, and because of concerns about possible consequential employee legal action. Currently, pay is centrally fixed through a seniority system.

Patronage is an acknowledged problem in public enterprises where party membership is the key qualification for management posts, but this does not appear to be a major political issue.

**Institutional starting points**

**Constitution/political system**

The Federal Republic of Germany is a federal state. Powers are distributed between the Federation, the 16 Laender (states), and local government. The Federation, as well as the Laender, have separate administrative structures. Each of the Laender has its own constitution, a democratically elected parliament, a government, administrative agencies and independent courts. Germany’s constitution and all Land constitutions guarantee the right of every local authority to govern its own affairs, on their own responsibility.

As Head of the Federal Government, the German Chancellor stands well above other ministers. The presidency, however, is a largely symbolic office.
Germany’s constitution states that ministers have the autonomy to lead their department within the "policy guidelines" defined by the Chancellor. The difficulties that may thus arise for "positive coordination" among ministries have received significant attention (Lehmbruch 1995).

The bottom-up style of administrative reforms in Germany is built into the public sector architecture of Germany. The implementation of policies and programs and the provision of the necessary administrative infrastructure are the constitutional responsibility of the Laender and to a large extent of local government. Thus, Germany’s federal government plays only a modest role in the administration of public services. Education and police are the responsibility of the Laender, which also implement the large bulk of federal legislation on behalf of the Federation. Local authorities extensively provide public services, including social services, which are based on federal and Land legislation. The role of the Federal Government in the administration of (social) services is largely limited to issuing regulations. Yet, the fact that the Federation controls most of the relevant public service legislation also implies that only the Federal Government, with Parliament, does have the power to build a new framework for facilitating administrative reforms in Germany.

The German Bundestag (Parliament) is the parliamentary assembly representing the people of the Federal Republic of Germany. It is elected directly by the people every four years. It may only be dissolved prematurely under exceptional circumstances, the final decision lying with the Federal President. The Bundestag’s main functions are to pass laws, to elect the Federal Chancellor and to keep check on the government.

The Bundesrat (Senate) represents the sixteen states and participates in the legislative process and administration of the Federation. In contrast to the senatorial system of federal states like the United States or Switzerland, the Bundesrat does not consist of elected representatives of the people but of members of the state governments or their representatives. Depending on the size of their population, the states have three, four, five or six votes, which may only be cast as a block.

The Bundestag has a number of parliamentary committees, whose meetings are not usually open to the public, and which undertake the extensive preparatory work for legislation. Similarly, it is in the committees that Parliament scrutinizes and controls Government activity. The Bundestag’s committees correspond to the Federal Government’s departments and range from the Committee on Foreign Affairs and the Committee on Labour and Social Affairs to the Budget Committee. Any citizen may directly address requests and complaints to the Petitions Committee of the German Bundestag.

From 1949 until the end of the 12th legislative term in 1995, more than 7,500 bills were introduced in parliament and 4,600 of these passed. Most bills are initiated by the Federal Government, the others coming from members of the Bundestag or from the Bundesrat. They receive three readings in the Bundestag and are usually referred to the
appropriate committee once. The final vote is taken after the third reading. A bill (unless it entails an amendment to the constitution) is passed if it receives a majority of the votes cast. Those which affect the functions of the states also require the approval of the Bundesrat.

Members of the Bundestag are elected in general, direct, free, equal and secret elections. They are representatives of the whole people; they are not bound by any instructions, only by their conscience. In line with their party allegiances they form parliamentary groups. Freedom of conscience and the requirements of party solidarity sometimes collide, but even if in such a situation a member feels obliged to leave his party he keeps his seat in the Bundestag. This is the clearest indication that members of the Bundestag are independent.

The relative strengths of the parliamentary groups determine the composition of the committees. The President (Speaker) of the Bundestag is elected from the ranks of the strongest parliamentary group, in keeping with German constitutional tradition.

Members of the Bundestag are paid remuneration ensuring their independence and reflecting their status as MPs. Anyone who has been a member of the Bundestag for at least eight years receives a pension upon reaching retirement age.

More than half of all bills require the formal approval of the Bundesrat. This applies especially to bills that concern vital interests of the states, for instance their financial affairs or their administrative powers. No proposed amendments to the constitution can be adopted without the Bundesrat’s consent (two-thirds majority). In all other cases the Bundesrat only has a right of objection, but this can be overruled by the Bundestag. If the two houses of parliament cannot reach agreement a mediation committee composed of members of both chambers must be convened, which in most cases is able to work out a compromise.

In the Bundesrat state interests often override party interests; voting thus may not reflect party strengths in the Bundesrat. This points to an active federalism. The Federal Government cannot always rely on a state government where the same party is in power to follow its lead in every respect, for each state has its own special interests and sometimes takes sides with other states who pursue the same aim, irrespective of the party they are governed by. This produces fluctuating majorities, and compromises have to be made when the parties forming the Federal Government do not have a majority in the Bundesrat.

The Bundesrat elects its president from among the minister-presidents of the sixteen states for a twelve-month term according to a fixed rotation schedule. The President of the Bundesrat exercises the powers of the Federal President in the event of the latter’s indisposition.

Overall, the federal system with its multi-level decision-making only allows for gradual changes in priorities.
**Structure of Government**

The Federal Government, the Cabinet, consists of the Federal Chancellor, who is chairman of the Cabinet and head of government, and the federal ministers. The Chancellor alone chooses the ministers and proposes them to the Federal President for appointment or dismissal. He also determines the number of ministers and their responsibilities. Certain ministries are mentioned in the Basic Law: the Federal Foreign Office as well as the Federal Ministries of the Interior, Justice, Finance and Defense. The establishment of the three latter ministries is a constitutional requirement. The Chancellor sets the guidelines for government policy. The federal ministers run their departments independently and on their own responsibility but within the framework of these guidelines. In a coalition government, the Chancellor must also take account of agreements reached with the other party in the coalition.

For this reason, the German system of government is often referred to as a "Chancellor democracy". The Chancellor is the only member of the government elected by parliament, and he alone is accountable to it. The German system does not assume ministerial accountability to Parliament in contrast to Westminster-type systems. The accountability of the Chancellor to Parliament may manifest itself in a "constructive vote of no confidence", which was introduced by the authors of the Basic Law in deliberate contrast to the Weimar constitution. Its purpose is to ensure that opposition groups who are in agreement only in their rejection of the government but not do not agree on an alternative program are not able to overthrow the government. A Bundestag vote of no confidence in the Chancellor must at the same time be a majority vote in favor of a successor.

Chancellors of the Federal Republic have often exercised the prerogative to reshuffle the cabinet and to redistribute administrative responsibilities. The present Cabinet of the Schroeder government comprises 15 ministries, including the Chancellery. The structure of government varies slightly between the _Laender_, partly depending on Coalition agreements. Most federal ministries also exist on the _Laender_ level.

**Box 1  German federal ministries and public agencies with administrative responsibilities**

<table>
<thead>
<tr>
<th>Ministry of the Interior</th>
<th>Responsible for civil service law, pay negotiations, collective bargaining for public employees and workers as the representative of state-employers and issues related to the information society.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance</td>
<td>Determines the administrative and program budget for the Federation and manages the financial relationships with the <em>Laender</em> and local authorities; also co-ordinates expenditure management with lower levels of government.</td>
</tr>
<tr>
<td>Federal Administrative Agency</td>
<td>Service center for all federal ministries.</td>
</tr>
</tbody>
</table>
In Germany there is a very clear formal distinction between civil servants (Beamte), who exercise public authority or state powers (around 40% of public employees), and the remaining state employees (Angestellte) and manual workers (Arbeiter), who are subject to private sector labor laws. Civil servants (Beamte) are regarded as agents of the State, and are accountable under public law. Non-civil servants are regarded as simply performing a profession in the public sector of the economy, or within the public services funded by the state budget. In practice, however, the boundaries between the two categories of service have become increasingly blurred.

However, the core elements of the German civil service are relatively uniform for public servants at all levels of government, with the term "public servant" (Verwaltungsmitarbeiter) being used as a generic term which includes civil servants (Beamte) as well as public employees (Angestellte) and manual public workers (Arbeiter). The Federation has the right to determine the legal status of all public servants according to article 75, paragraph 1 of the constitution, and to make decisions relating to pay and pensions for civil servants according to article 74a, paragraph 1 of the constitution. Unlike other federal states such as Canada and the United States, Germany has one single unified civil service. This is justified by the need to avoid destructive competition between vertical administrative levels as well as between Laender or local authorities.

The prevailing philosophy of the civil service is enshrined in the German constitution by "reserving to civil servants the right to act on behalf of the state" (article 33, paragraph 4 of the constitution) and by emphasizing the traditional principles of the professional civil service (article 33, paragraph 5 of the constitution). Some features widely seen as typical include lifetime occupation, an appropriate salary according to the "maintenance" principle (Alimentationsprinzip), impartiality, political neutrality and moderation, dedication to public service, no right to strike and accepting special disciplinary regulations.

The special status of Beamte is defined by the constitution, enshrined in a series of special codes known as the Beamtenrecht, not as employees but as civil servants of the German State. Under the ‘Leistungsprinzip’, Beamte take an oath of loyalty to the German constitution and in theory are not paid for the work they do, but given financial compensation for their duties to the State. Thus they do not receive a salary as such (nor are paid overtime) but receive a separate form of remuneration simply known as ‘Besoldung’ (or ‘pay’). The Beamte also have a protected employment status, with a series of specific rights under the ‘Alimentationsprinzip’. This provides for the maintenance of the civil servant from confirmation of appointment to death, including total security of employment to retirement age at which point Beamte receive a pension equivalent to 75% of their final pay. They are also exempt from paying social security contributions.

Beamte are also excluded from collective bargaining although they are allowed to join trade unions. There are some 45 special Beamte associations that recruit exclusively from this group and are affiliated to a central confederation, the Deutschen Beamtenbund.
(DBB). In contrast to *Beamte*, the *Arbeiter* and *Angestellte* groups of public servants have employment contracts like private sector employees; can join unions affiliated to the DGB (the main German union confederation) or the DAG (German White-collar Workers Union), and are allowed to strike.

Overall there is extensive trade union membership in the public sector. Union density is twice as high as in the private sector.

In the traditional German civil service system, a civil servant can only be appointed to the basic grade of one of the classes according to formal educational qualifications - for example an Abitur-examination (A-Level) and three or four years studies at a Fachhochschule (University of Applied Sciences) for the executive class. Subsequently, the civil servant can be promoted to the highest grade of the executive class, but in general not to a grade of the administrative class without further formal qualification (such as a university degree or a similar diploma as part of in-service training courses).

**Central agencies and reform management**

In contrast to centralized Westminster countries, public sector reforms in Germany cannot be executed from a Ministry or agency. In most cases, legal or even constitutional changes are necessary so that the Parliament (*Bundestag*) and the Senate (*Bundesrat*) have to be involved.

In 1995 the Federal Government issued a Cabinet Resolution to establish the "Lean State Advisory Council." The Advisory Council was comprised of experts of politics and economics from the Federal Laender and local offices. During its two years in existence, the Advisory Council submitted 15 resolutions on specific public management topics. With another Cabinet Resolution in 1996, the federal government targeted a number of federal facilities for dissolution, merger or reorganization.

**Politicization**

The upper levels of the federal civil service are extremely politicized. It is not uncommon for higher-level civil servants to leave their posts or take leave when a change in administration occurs (Pollitt and Bouckaert 2000).

**Reform activities**

**Summary**

At the federal level, German administrative reforms have been characterized by **incrementalism rather than fundamental change**. The federal government launched a "Lean State" initiative in 1995, which led to the elimination or reorganization of a few government agencies. When the current Social Democratic Party (SPD)-Green coalition government came to power in October 1998 under Chancellor Gerhard Schroeder, the "Lean State" slogan was replaced with the guiding principle of the "Enabling State."
change of label was intended to emphasize that the new government was opposed to the simple retreat of the State as a means for modernizing public administration.

The most notable management changes have taken place at the local level (Pollitt and Bouckaert 2000). With unification, the eastern part of Germany focused on enacting the rule of law, while in the western part, there were modest experiments with the New Public Management. The Joint Local Government Agency for the Simplification of Administrative Procedures (KGSt) launched a "New Steering Model" in 1991, which is a comprehensive performance management model characterized by a strong vision of customer orientation, flexible resource management and clear lines of accountability.

The elements of this "Steering Model" that local governments and some Laender have adopted are:

- Definition of outputs (products);
- Cost calculation of administrative products;
- Performance contracts for unit managers;
- More flexible resource allocation (carry-overs, transfers between spending categories);
- Reporting systems to monitor the achievement of goals (controlling);
- Customer orientation through perception surveys, one stop shops, complaint management; and
- Outsourcing, contracting-out and privatization.

Public administration reforms in Germany are typically based on pilots and experiments. This allows gradual reforms to be pursued and corrections to be made if necessary.

The entry point for many reforms has been at local government level. The successful marketing of the New Steering Model for efficient, effective and customer-oriented public service management by the KGSt encouraged a focus on performance management at the local and Land levels of government. The main pressure to introduce performance management in public authorities with a formal bureaucratic culture stemmed from increasing budget deficits after Unification. However, it proved difficult to sustain motivation for performance management as well-performing local authorities often suffered from further cut-backs or their Land government transferred additional tasks without the appropriate financial resources.

Since the budget laws of the Federation and Laender remain based on the principles of specificity and annuality, pilot experiments related to devolved resource management at local government level require waivers. By the mid-1990s, most Laender Parliaments granted individual local governments experimental clauses that enable them to depart from existing legal requirements for a limited period. During this period, they are under the control of the respective Land Ministry of the Interior. Although some Laender Ministries tend to handle the procedure in a restrictive way, the innovation has helped to test and evaluate alternatives and to prepare changes in the budget laws.
Local government modernization has had repercussions on some Land administrations. After a successful struggle with the federal government for deregulating the federal framework law regarding universities the Laender have now started to give their universities more autonomy and the same is expected to be likely to happen eventually in the case also of schools.

The introduction of a performance review system is now being piloted in several federal ministries. Based on defined and agreed targets, the performance of each organizational unit is defined in co-operation with its director. The results are determined by an efficiency assessment and quality measurements. If the results fall short of the defined targets, then corrective action will be taken and the organization will be subject to another review.

**Transparency and accountability**

Germany is lagging behind other OECD countries when it comes to increasing the transparency of the public sector. At present, no freedom of information law exists yet for the Federation but some Laender (Berlin, Brandenburg and Schleswig-Holstein) have recently passed freedom of information laws and other Laender (NorthRhine Westphalia) are likely to follow.

The Anglo-Saxon concept of accountability does not transfer easily to the German administrative system. So far, most internal and external audits still focus on probity issues even though some Audit Courts on the Laender level (e.g., Baden-Wuerttemberg and Hessen) also perform value for money audits. Many local authorities have established impressive performance monitoring systems but have been hesitant to make the performance data available to the public. The same applies to various benchmarking activities at the local level.

**Reforms to the organizational structure of government**

The new public management approach of creating special purpose semi-autonomous agencies is mainly to be found at the Laender and local levels since the latter are mainly responsible for service delivery. In Germany, it has long been normal for municipalities to transfer competences to communal enterprises with widely delegated tasks for such purposes as vehicle parks, cleansing, drainage, slaughterhouse and stockyards, museums and theatres or to joint municipal special-purpose organizations (Zweckverbände) for energy and other public utility and local passenger transport undertakings.

Because of the fiscal crisis after Unification, Laender governments reinforced the move to delegate services to local levels. Nevertheless, the principle of subsidiarity, a particular feature of German constitutional law, had always ensured that the bulk of federal and Laender programs were passed to local government for implementation. As a result, very few federal and only a limited number of Laender agencies have been established to take action at the local level.
The extensive delegation of tasks to local government has created a high interdependence between state and local government. On the one hand, local authorities enjoy wide freedom to shape local life and a sound bargaining position in their negotiations with the state that has to resort to local government in order to implement its policies. On the other hand, local government continues to be dependent on the state due to state regulation and supervision. Furthermore, a large proportion of local government revenue consists of state grants. In Germany, the local finance reform in 1969 marked the turning point from raising revenues through local taxation to a complex system of shared taxes between the federal, Laender and local level.

**Cutting back the programs undertaken by government**

The financial crisis of the 1990s increased the scope of contracting-out and privatization to health and social services. A form of compulsory competitive tendering has existed in Germany since 1932 in the form of regulations for the tendering of public services (VOL) and regulations for the tendering of building works (VOB) that create competition among private sector providers. The detailed regulations are compulsory for the federal and Land administration and are strongly recommended to municipalities. Even though the New Steering Model encourages market testing, only a few municipalities test their services in the private sector.

**Civil service and personnel reforms**

*Downsizing*

Following Unification, federal government staff was reduced from 652,000 in 1991 to 526,431 in 1997. Staff in local government has been reduced considerably. At the federal, Land and communal levels, cuts in staff having employee status are regulated by collective agreements. For civil servants, reductions of 1.5 % per year were achieved through attrition (PUMA 1998a). Civil servants’ work contracts cannot be broken as civil servants enjoy guaranteed lifelong employment.

**Table 1 Employment in the German public sector**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government</td>
<td>652,000</td>
<td>625,000</td>
<td>602,900</td>
<td>577,600</td>
<td>546,300</td>
<td>533,169</td>
<td>526,431</td>
</tr>
<tr>
<td>Laender</td>
<td>2,522,000</td>
<td>2,452,000</td>
<td>2,462,000</td>
<td>2,481,000</td>
<td>2,478,000</td>
<td>2,429,884</td>
<td>2,401,665</td>
</tr>
<tr>
<td>Communities</td>
<td>1,990,000</td>
<td>1,986,000</td>
<td>1,874,000</td>
<td>1,792,000</td>
<td>1,715,000</td>
<td>1,739,261</td>
<td>1,683,521</td>
</tr>
<tr>
<td>Total</td>
<td>5,164,000</td>
<td>5,063,000</td>
<td>4,938,900</td>
<td>4,850,600</td>
<td>4,739,300</td>
<td>4,702,314</td>
<td>4,611,617</td>
</tr>
</tbody>
</table>

Note: Figures exclude federal railways and indirect public service, include part time and full time staff

The size of the public sector in Germany is in the medium range compared to other OECD member countries. The policies of downsizing and employment freezes have already had the further effect that the average age of the workforce is increasing dramatically.

Pay reform

The traditional pay system for civil servants (Beamte) consists of a number of grades in each of the four classes of the career structure. Public employees (Angestellte) are located on the same pay scale, with the exceptions of magistrates and university lecturers. Each grade is related to a fixed basic salary plus increments every two years based on a seniority allowance. Other increments to the basic salary have only been provided for certain types of functions irrespective of individual results and performances. Similar regulations have been applied to public employees and workers.

Overall, the flexibility of traditional pay schemes is extremely low. As far as public employees and workers are concerned (as opposed to civil servants), collective bargaining between the Minister of the Interior, as the representative of state-employers, and the trade unions determines the national pay levels. German trade unions in the private and public sectors adhere to countrywide pay agreements with the result that there is no flexibility for agency-specific pay contracts. Decisions on pay increases for civil servants have to be agreed by Parliament and regulated by statute.

The Civil Service Reform Law of 1997 opened up the opportunity for the Federation itself and for the Laender to introduce financial incentives "for those staff members whose performance is higher than others". The principle of cost neutrality in relation to performance-based promotion systems implies that the faster promotion of some well-performing civil servants has to be compensated by the slower promotion of other civil servants. Interestingly, the Federation as well as most of the Laender are hesitating to introduce performance-related pay systems (PRP), either as bonus or as extra pay. They seem to be very uncertain about the validity of their appraisal systems. In practice these systems tend to lead to an inflation of the performance marks awarded.

Ethics

Due to the strong legalistic tradition of the German public administration there continues to be a strong focus on the prevention and fight against corruption through legal measures. A sophisticated body of disciplinary law supports this, with special provisions for high-risk functions such as customs and police. The competencies of the disciplinary courts have recently been transferred to the administrative courts.

Even though there has been a discussion about the implications of New Public Management for ethics in the public sector in the light of widely publicized corruption scandals in the City of Cologne, codes of conduct are not an issue in the German public administration. The introduction of codes of conduct at agency level would be inconsistent with a professional ethos that considers ethics as an issue for the public
service as a whole. In addition, codes of conduct could not remain at an informal level, and there would be pressure to ensure their consistency with the framework of civil service law.

**Budget process changes**

In Germany, budget reforms have focused on cost accounting and measurement of outputs. However, the definitions of the outputs of administrative activities are relatively undeveloped. In general, local authorities are much more advanced than the Laender and federal levels of government. Some local authorities started to integrate output information into their financial reporting in order to deliver better information about budget implementation to elected local politicians.

A cost accounting system for the federal administration was developed by the Federal Ministry of Finance (with assistance of an external consultant) based on the experience gathered in a large number of projects in the federal administration. The Budget Law also now makes mandatory the Federation’s use of cost accounting in all suitable areas. In 1998 Cost and Results Accounting (CRA) was introduced in more than 20 authorities or ministries.

In contrast to the moves to output-based financial reporting, budget formulation in the German public sector remains strongly input-focused. However, flexibility in budget execution has been increased through a significant reduction in the number of headings and relaxation on moving money between the headings within the "aggregate budgets framework".

Decentralized resource management is an important element of the New Steering Model. This implies the transformation of the sub-units of local authorities or agencies into "responsibility centres". In this transformation, the responsibility for the management of resources (essentially personnel and finance), which is traditionally vested in powerful central departments, is devolved to the business units of the public authority. Unit managers are given one aggregate budget in return for specified performance contracts.

In reality, however, a number of local authorities and agencies have moved to aggregate budgets at the same time as making overall budget cut-backs, so that overall de facto managerial flexibility decreased. Unit managers also claim that they cannot be held accountable for the increase of mandated public services over which they have no control. Thus, the establishment of sophisticated performance monitoring systems at the local, Land, and recently, federal levels of government, has brought about greater transparency but has not necessarily improved managerial accountability.

**E-government**

The federal government launched an e-government initiative in September 2000. The objective is to make all services of the Federation available on the Internet by 2005. This includes services for citizens, business and other levels of government. The Laender governments have launched similar e-government initiatives.
Reform outcomes

The principal outcomes of the "Lean State" exercise under Chancellor Kohl were a reduction and streamlining in the number of Federal authorities, a more flexible budget law, and a reverse in the staff increases brought about by Unification.iii

Despite the reductions in numbers achieved, the constitutionally guaranteed status of German civil servants remains unchanged; and performance related pay in the state administration has not to any significant extent yet been implemented.

Elements of the "New Steering Model" have been applied in a growing number of large cities and Laender. However, there are a number of indications that the enthusiasm for these reforms has waned considerably (Pollitt and Bouckaert 2000). Meanwhile, the managerialist New Steering Model is being complemented in German local governments by the new leitbild of governance-oriented models of local government as a community developer.

---

i Some of this material is from: (PUMA 1998a)
ii For a detailed description of the local finance system in Germany, see (Karrenberg and Münstermann 1994),
iii On the basis of the Cabinet Resolution dated 7 February 1996.