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#### **NEO-CORPORATISM IN FLUX: TAKING STOCK OF PUBLIC PRIVATE PARTNERSHIPS IN GERMAN LOCAL GOVERNANCE ARRANGEMENTS**

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## INTRODUCTION

Partnerships between the public and the nonprofit sector are nothing new in Germany and elsewhere in Europe. Quite the contrary: They have a long tradition in many European countries and play an important role in the production of public services (Branden/Munckhof 2007, see also various contributions to Evers/Laville 2004). In Germany these partnerships are backed and legally underpinned by two central concepts of state action, neo-corporatism and subsidiarity. These dictums of societal organization have put the nonprofit sector in a privileged position in numerous policy fields (Sachße 2004). Nevertheless those close co-operations between nonprofit sector and the state are not common in all policy fields. In fact there has taken place a division in a nonprofit sub sector which is closely connected to the state and another one which is rather remote from state action (Zimmer et al. 2005). Among the former are in particular the fields of health care and person based social services like nursing homes, welfare centres and child care facilities. In these fields of activity a small number of privileged welfare associations are holding the reins by order of the government and can invoke on guarantees which ensure the co-operation. Although influences like Europeanization, globalization and marketization have imposed pressure on these co-operations in the recent decades (for instance by the introduction of *Leistungsentgelte*, which means that the organization is exclusively paid for the service) the co-operations are not in danger. There is still a specific form of German etatism that resulted in a very special governance structure or public private partnership with nonprofit organizations, both traditional guilds and modern voluntary associations, working on equal footing or even replacing government entities in service provision (Anheier/Seibel 2001).

However, as accepted partners, the associations are thoroughly incorporated into the state-controlled government sphere, thus losing their civicness (Zimmer et al. 2005). These traditional partnerships of the state related nonprofit sector have been widely discussed in social sciences (see for instance Salamon 1995, Gazley/Brudney 2007, Rymasz/Zimmer 2004; for Germany in detail see Zimmer et al. 2005).

Relatively new is the research focussing on new forms of partnerships between state and nonprofit organizations in policy fields which are traditionally rather remote from state activities like for instance the fields of culture, sports, and the broad sector of leisure activities. It must not be ignored that the state has played a crucial role for many years, too, when it came to funding of these organizations. As the German study of the Johns Hopkins Comparative Nonprofit Sector Project impressively shows many of the organizations working in this sector are gaining important revenues from the public authorities (Zimmer/Priller 2001). But this is a co-operation on another level: While the co-operation between state and nonprofit sector in the field of welfare production is legally appointed, the co-operation between state and nonprofit sector in the rather remote sub sectors are not protected by law. They are optional state activities which can be easily reduced in times of limited budgets (Zimmer et al. 2005).

As already outlined the research on changes in the German welfare production is pretty far advanced. At the same time we do not know much about the changes of partnerships between nonprofit sector and state in the policy fields in which the state is not necessarily obliged to co-operate. Nevertheless it is obvious that in particular local municipalities are currently trying to rearrange their relationships with the nonprofit sector. They do not pursue a policy any longer that is based on a self-concept of a funding state which makes possible nonprofit activities by generously allocating subsidies to associations and other organizations from the nonprofit sector. In fact the state institutions are interested in keeping alive the broad activities

from the nonprofit sector but transferring risks to it (Budäus 2003).

In this context the term public private partnership has gained momentum and is discussed as a magic word. In contrast to the usage of the term we do not know much about the possibilities of those partnerships in the rearrangement of state nonprofit relations. Are they really efficient and effective tools for (local) governance? Or can they only play the role of a warrantor for the bankrupt state? What do these forms of partnerships cause for nonprofit organizations? What are the benefits?

This paper tries to give hints for answering some of these questions by presenting and analysing three exploratory case studies which have been carried out in the context of the CINEFOGO Work package "Partnerships – New Forms of Governance" (WP 17) in the Münsterland region in the Northwest of Northrhine-Westfalia, Germany. In a first step the paper briefly introduces the state of the art on public private partnerships and discusses the question how this concept which has originally developed for state – profit sector relations can be utilized for nonprofit research. That following the paper presents the results of the case studies and is deducing questions for further research. The case studies are presented in detail in an educational film the author has produced for the CINEFOGO network in co-operation with Astrid Sauermann at Münster University.<sup>1</sup>

## **1. PARTNERSHIPS BETWEEN STATE AND NONPROFIT SECTOR IN GERMANY**

The pole position of nonprofit organisations in Germany is backed and legally underpinned by the concept of subsidiarity (Sachße 2004), which is also used as a generic term in Germany and has until today been thoroughly geared towards the welfare production. Traditionally the principle of subsidiarity derives from the Catholic social doctrine. In 1931, it was officially inaugurated in the Social Encyclical "Quadragesimo anno" by Pope Pius XI pointing out that whatever the individual or small communities like families or local communities are able to achieve on their own should not be done by higher-ranking institutions. Larger units should only intervene when the smaller units are not able to deal with their tasks on their own and wherever it is possible the larger unit should support the smaller ones achieving affairs on their own (Sachße 2004). The principle was originally designed to protect individual rights against the two dominant powers of that time: Communism and National Socialism, both political ideologies with strong emphasis of a central state with extensive competences.

After the Second World War, the principle was redefined in favour of the *Freie Wohlfahrtspflege* in conjunction with the growth of the German welfare state (Pankoke 1998). More specifically in the 1960s, the privileged position of the welfare associations in social service delivery was incorporated into the social and welfare laws of the country underlining that government should abstain from providing social services as long as an affiliated organization of the Free Welfare Associations is able to provide the services (Heinze 1986). For instance according to the Federal Law on Social Benefits and the Children and Youth Services Act, government was and partly still is required to co-operate with the free welfare association when- and wherever it is possible, if there is a need for social service provision (Sittermann 2008). Additionally, government was and still is obliged to support the *Freie Wohlfahrtspflege* financially, while at the same time, they are acknowledged as independent corporate actors, involved in many policy fields. This means that they are in full charge of their organizational procedures enjoying independence from government interference. According to this very narrow interpretation of the principle of subsidiarity, state authorities had to give preference to member organizations of the welfare associations over public and commercial providers in the core welfare fields, thus guaranteeing the financing without

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<sup>1</sup> The film can be downloaded at <http://nez.uni-muenster.de>.

jeopardizing the organizational autonomy of the welfare associations (Sachße 2004). Along with the growth of the German welfare state, the welfare associations developed into important providers of social and health services employing more than one million full-time employees (Zimmer et al. 2005).

It has to be mentioned again that this narrow interpretation of the principle of subsidiarity is restricted to the areas of healthcare and social services. In other policy fields, such as sports, education, arts and culture, local governments are also working closely together with nonprofit organizations. However, these NPOs are not by law in the position to expect guaranteed public funding. Whereas funding of social services is compulsory in Germany and regulated by federal law, support of sports, cultural or hobby activities is an *ex gratia* payment by local governments (Zimmer et al.: 2004). Nevertheless the state and in particular local municipalities have a strong interest in co-operating with these associations since these play an important role in local societal life in Germany: In particular the voluntary associations are crucial: They are service providers, lobbyists and places of mutual aid (Anheier/Priller/Zimmer 2000). Only a very little number of nonprofit organizations totally abdicates public subsidies.

But in recent years more and more municipalities got problems to adhere to this traditional support of their local nonprofit scene. According to the *Freiherr vom Stein Society* (2007) almost 50 percent of the cities and municipalities in the state of Northrhine-Westfalia (the largest German state with more than 18 million inhabitants) have been deprived of their responsibility for the budget by the provincial government since they have a drastic budget deficit. They have to apply for all non-compulsory disbursements at the provincial ministry of finance and are obliged to save money rigidly. Currently, there are only two cities of more than 100,000 inhabitants in Northrhine-Westfalia which are sole responsible for their budget. For many town councils the situation is not better. That is why many municipalities are trying to find possibilities to rearrange their relationship with the nonprofit sector.

As one solution public private partnerships (PPP) as a new tool of (local) governance are currently discussed in Germany and Europe (Renda/Schreffler 2006). What is understood by this term and why is there so much interest in this concept?

## **2. TAKING STOCK OF PUBLIC PRIVATE PARTNERSHIPS**

Public Private Partnerships are increasingly being used across Europe as governance instruments for the delivery of public services that have traditionally been supplied or financed by public institutions (Budäus 2003). A trend seems to be developing in a number of countries notably the United Kingdom but also in France, Spain, Portugal and several other European countries towards increasing involvement of both the private and the nonprofit sector in public service provision on the local, regional, provincial, national and even European level (PriceWaterhouseCoopers 2005: 11; for Central and Eastern Europe see Brenck et al. 2005). Even though there is no hard and fast definition PPP can be described as forms of cooperation between public authorities and the private sector that aim to meet needs in the general interest. They result in the setting up of complex legal and financial arrangements involving private operators and public authorities carrying out projects or services of use to the public (Renda/Schreffler 2006). Commonly Public Private Partnerships are employed for the provision of various types of public services and infrastructure such as transportation (rail, local public transport, roads, bridges, tunnels), energy, telecommunications, water treatment and supply, waste management, healthcare, criminal justice (courts and prisons), education facilities (schools, dormitories, universities), cultural facilities (museums, theatres, operas), public administration, and environmental management

(Webb/Pulle 2002) but also in the provision of sports fields and cultural institutions which are original fields of activity for nonprofit organisations (Oppen/Sack/Wegener 2005).

Although PPP are widely discussed in the governance debate the number of successful and sufficient evaluated public private partnerships in Europe is still small and we do not know much about the pattern of PPP activity across the member states in particular when it comes to the evaluation of PPP with the involvement of nonprofit actors. In part, this can be explained by the widespread lack of understanding of what PPP are and where and how they can be best utilised.

As already outlined above Public Private Partnerships are currently a very *en vogue* concept. But a study of *PriceWaterhouseCoopers* (2005) on "Developing Public Private partnerships in New Europe" impressively shows that there is no widely accepted definition of the term. Many contributions seem to use PPP enthusiastically as a common solution of striking simplicity for reducing state expenditures by involving private or nonprofit actors in service provision. Anyway, there are some criteria which can be taken for developing a definition by approximation to the object.

According to Renda and Schreffler (2006: 1) "a Public Private Partnership is a contractual agreement between the public and private sectors, whereby the private actor commits to provide public services that have traditionally been supplied or financed by public institutions." And the European Investment Bank (2004: 1) adds: "PPP are a generic term for the relationship formed between the private sector and public bodies often with the aim of introducing private sector resources and/or expertise in order to help provide and deliver public sector assets and services." In a nutshell PPPs are best described by some typical features of a specific transaction between public and private actors. These can be summarised as follows (see also Renda/Schreffler 2006; Hall/de la Motte/Davies 2003):

- The creation and/or re-development of an asset by a private sector supplier. This can, for example, be a road, a bridge, a school or a hospital, normally using land and/or buildings which were publicly owned before the PPP;
- The use by the same private sector supplier of the asset created or re-developed to provide a new or existing service to the public over a defined period of time. This period is often longer (up to 30 years or more) than is customary in other public contracts;
- The payment of a periodic charge by the public entity to the supplier for the provision of the service using the asset. The periodic charge may vary according to the volume of service supplied;
- The absence of a commitment by the public entity to pay the periodic charge until and unless the asset is used in the provision of the service and
- The sharing of the risks and rewards of the outcome of the project by both partners.

But even this description of the features does not cover all the different options. There are several different models of financing and asset ownership (Carroll/Steane 2000). Concessions are also characterised by the European Commission (2004) as a form of PPP, so that the term can also be used to describe the exploitation by a private sector supplier of a right to provide a service where payments are made directly by the public as customer, payments which may or may not be partly subsidised by the public entity.

Renda and Schreffler (2006: 8-9) have identified five main models of Public Private Partnerships which have occurred during the last years in the member countries of the European Union:

*Service contracts* are agreements between a public agency and the private sector particularly suited for simple, short-term operational requirements. It is a very limited form of PPP, where the private party procures, operates and maintains an asset for a short period of time. Management and investment responsibilities remain with the public sector, which bears the financial risk and residual value risk, but benefits from the technical expertise of the private operator and obtains some cost savings, without transferring control over the quality of outputs. Service contracts are commonly used for toll collection services, for the provision and maintenance of vehicles or other technical activities.

*Operation and management contracts* are agreements in which the responsibility for asset operation and management is passed on to the private sector. The duration is generally short but can normally be extended. The private party is remunerated on a fixed fee basis or on an incentive basis with premiums linked to specific performance targets. The public party still bears the investment risk and the financial risk. This type of contract allows significant efficiency gains and investment in technological sophistication, as the private operator has a strong interest in improving service quality to reduce both overall costs and the demand risk during the operational stage. This type of agreement is particularly suited during transition phases that ultimately lead to privatisation. It can also be used to stimulate greater private participation in service delivery by setting the conditions for a greater involvement of the private sector in a secondary stage.

In *Leasing agreements*, the private party purchases the income streams generated by publicly owned assets in exchange for a fixed lease payment and the obligation to operate and maintain the asset. Since the commercial risk and the demand risk are transferred to the private sector, the private agent has an incentive to achieve operational efficiency. The private party indeed profits only if it manages to reduce operating costs while meeting the designated service level. On the other hand, the public party bears the risks related to network expansion (construction), capital improvements and financing. Leasing is particularly suited for infrastructures that generate independent revenue streams, as occurs in the case of public transport.

*Turnkey procurement or Build-Operate-Transfer (BOT)* is an integrated type of partnership in which the private party bears the responsibility of designing, constructing and operating the asset. The combination of these different responsibilities under a single entity fosters greater efficiency gains and removes important maintenance issues from the public budget. This integrated scheme obliges the private operator to take into account the cost of operating the asset during the design and operation phase and therefore stimulates a better planning and management of the service itself. Here again, the public party bears the financial risk; however, unlike what occurs in other types of PPP, the public party relinquishes its control on important phases of the life-cycle of the asset. Since the ownership of the asset generally remains with the public party, the specification of quality outputs is essential for achieving the desired results. The BOT scheme is considered to be particularly suited for water and waste projects, and can be declined in a number of variants (BOOT, BROT, BLOT, and BTO) according to the specific project needs.

In *Design-Build-Finance-Operate (DBFO)* schemes, the private partner designs the service or the asset according to the requirements set by the public entity, ensures and finances the construction/implementation of the asset/service following the design phase, and finally operates the facility. At the end of the PPP contract, the service or asset can be granted back to the public sector under the terms of the original PPP agreement; in alternative, the agreement is renegotiated. DBFO is the most complex type of PPP, since it guarantees all the implementation and operational efficiencies of the previous models, but also provides for new sources of capital. The most common model is the DBFO concession where the private

investor designs, finances, constructs and operates a revenue-generating infrastructure in exchange for the right to collect the revenues for a specified period of time, generally for 25-30 years. Ownership of the asset remains with the public sector. This model is particularly suited for roads, water and waste projects and generally for services where user charges can be applied. To the contrary, in a variant termed private divestiture, the asset is partially or entirely sold to the private sector, while the government only maintains a regulatory role aimed at protecting consumers from monopolistic prices and output restrictions. The divestiture can also be partial, if the government maintains the ownership of some portion of the asset to ensure a certain standard of service while transferring a substantial share of overall costs to the private partner. The DBFO model can be declined and adapted in multiple ways to respond to the peculiarities of the service provided.

### **3. WHY UNDERTAKING PUBLIC PRIVATE PARTNERSHIPS?**

The ultimate goal of PPPs which is declared in nearly all guidelines on the function of PPP for future governance is to obtain more "value for money" than traditional public procurement options would deliver (UN/ECE Forum on Public Private Partnerships 2000). Although the *ex ante* assessment of expected value for money is often extremely complex, in general a PPP can be said to generate value improvements whenever it achieves the following advantages (Department of the Environment and Local Government 2000: 3):

- Reduced life-cycle costs;
- More efficient allocation of risk;
- Faster implementation;
- Improved service quality; and
- Additional revenue.

Indeed a review of Public Private Partnership projects within the United Kingdom, conducted by Andersen (2000) for the Treasury Taskforce, identified six key sources of value for money in Public Private Partnership deals. The sources identified were: risk transfer, the long term nature of contracts (including whole life costing), the use of output specifications, performance measurement and incentivisation, private sector management skills, and competition. The review also confirmed that Public Private Partnerships are well established as a procurement method in the United Kingdom and that large and small projects have been successfully procured across a wide range of industry sectors. The long term operational benefits and hence value for money of these projects will take more time to establish, and will depend both on how well the private sector manages the risks transferred to it and on the success of the public sector in managing the contracts over time. However, the initial findings of the review which are confirmed by Grimshaw et al. (2002) suggest that better value for money can be obtained through the development of Public Private Partnerships.

From a theoretical point of view, the main justification for the adoption of a PPP is the possibility to exploit the management qualifications and the efficiency of the private sector without giving up quality standards of outputs, thanks to appropriate control mechanisms from the public party. But there are also other benefits which are assigned to PPPs in several European countries (PriceWaterhouseCoopers 2005; Webb/Pulle 2002).

Under Public Private Partnership arrangements, private sector contractors can become long term providers of services rather than simply upfront asset builders, combining the responsibilities of designing, building, operating and possibly financing assets in order to deliver the services needed by the public sector. As a result, central and local government agencies become increasingly involved as regulators and focus resources on service planning, performance monitoring and contract management rather than on the direct management and delivery of services Renda/Schreffler 2005: 14). Designed appropriately, Public Private

Partnerships can generate substantial benefits for consumers and taxpayers. The scope of potential benefit will, however, depend on the type of project being undertaken and the exact terms of the contract governing the Public Private Partnership.

Experience elsewhere in Europe suggests that the more significant potential benefits include an acceleration of infrastructure provision. Public Private Partnerships provide an opportunity for the public sector to translate upfront capital expenditure into a flow of ongoing service payments (PriceWaterhouseCoopers 2005: 23). This enables the public sector to proceed with projects at times when the availability of public capital may be constrained, thus bringing forward much needed investment. The allocation of design and construction risk to the other sectors, combined with payments linked to the availability of a service, provides significant incentives for the private sector to deliver capital projects within short construction timeframes. Public Private Partnership projects also often require the private sector to be responsible not only for constructing the asset, but also for maintaining and operating it over time. This provides the private sector with a strong incentive to ensure that it minimises cost over the whole life of a project, something that is inherently difficult to achieve within the constraints of traditional public sector budgeting.

A core principle of any Public Private Partnership is the allocation of risk to the party best able to manage it at least cost. (Renda/Schreffler 2005: 11). The aim is to optimise rather than maximise risk transfer, to ensure that best value is achieved. The ability to secure cost effective risk transfer is dependent on the scope of the services provided by the private sector and it is most likely where the private sector has clear ownership, responsibility and control of relevant risks. If the public sector seeks to retain many of the controls that go hand in hand with ownership and yet still seeks to transfer risk, then the private sector will simply increase its price and value for money will reduce or the project will become undeliverable.

Finally it is argued that PPP improve the quality of service. International experience suggests that the quality of service achieved under a Public Private Partnership is often better than that achieved by traditional procurement (Webb/Pulle 2002; Grout 2005). This may reflect the better integration of services with supporting assets, improved economies of scale, the introduction of innovation in service delivery, or the performance incentives and penalties typically included within a Public Private Partnership contract.

On the other hand it cannot be kept the secret that there is a lot of criticism on the concept of PPPs and that there is still a lack of long term evaluations. Some critics like Anderson (2000) argue that traditional forms of public finance are mostly cheaper than PPPs. And indeed it can be shown that British examples for PPP are usually 1-3% higher than public finance. Flinders (2005) is sceptic against PPP, too and shows that PPP often just postpone costs from one budget to one in the future. Other important criticism came from the trade unions who expect redundancies as a result of PPP policies. They also fear that the increasing number of Public Private Partnerships lead to a minimizing of social responsibility by transferring core public tasks to private actors. Finally they state that transparency and accountability are central to democracy, but Public Private Partnerships would undermine these principles (see e.g. Oppenheimer/MacGregor 2004). It is needless to say, that political science will have to keep in mind this criticism in the course of evaluating PPPs.

#### **4. CASE STUDIES**

The question which is arising from this brief state of the art report on public private partnerships is: Is it possible to adopt the idea of public private partnerships from the relationship between state and private (profit) actors on the partnership models between state and nonprofit sector? And if so: What are the options and limitations of PPP under involvement of nonprofit organisations and what implications are arising from these

partnerships for the organizations? How do they deal with the risk transfer and can they really achieve a reduction of cost for the public authorities?

Since there was not much research carried out on those questions in Germany as well as in Europe CINEFOGO Work package 17 did a exploratory study of several co-operations between state and nonprofit sector in the Münsterland region which have been labelled by the partners as a form of public private partnerships and which are listed in the database of the *Städtnetzwerk* a network of Northrhine-Westfalian cities which is providing best practice information on local governance for its members. As a research method open interviews with representatives of both partners – nonprofit organisation and public authorities – have been carried out. In the following the case studies will be presented and analyzed to which extend they are real public private partnerships in the sense of the definition presented above. The analysis also responds to the question how the partners see the advantages and dangers arising from the partnership.

#### **4.1. Case Study 1: Local sports facilities in Münster-Mecklenbeck**

Construction, maintenance and operation of sports facilities have been for a long time a typical task for local public authorities in Germany. Although there have been always sports clubs which were operating own sports fields, gyms and club houses, it has been the local government which usually was responsible for the initialization of local sports facilities. This particularly holds true for the broad sector of leisure sports. Typically the municipality hold the sports fields ready and rented them out to the registered sports clubs or even provided them without any reward. In addition local sports clubs are often financially supported by public authorities in particular when they offer youth attractions or other social supplies for instance in co-operation with schools.

According to German most local codes sports policy is a so called optional task of the local authorities. In contrast to other local services like garbage collection, water supply, emergency medical services the municipalities are not obliged to provide sport facilities for the citizens. Nevertheless almost every municipality is interested to provide these services to its inhabitants. Due to strong involvement of Germans in sports clubs (the German Olympic Sport Committee is the largest national sports organization of the world) this is not a big surprise: Local sports clubs are playing a prominent role in local politics and can easily organize protest against cutbacks. That is why many municipalities in Germany are currently searching for solutions to maintain the local sports opportunities and reducing the budget in times they are short of money. One instrument which is broadly discussed within local sports governance are public private partnerships between state, associations and sometimes business organisations.

The first case study is focussing on a Design-Build-Finance-Operate-Rent Partnership which has been introduced in the city of Münster in Northrhein Westfalia. A little outside of Münster are the grounds of the Sports Club Wacker (Mighty) Mecklenbeck. The club has almost 2,000 members active in 22 different sports and is among the ten largest leisure sports associations in the Münsterland region. It was founded in 1956 as a catholic youth sports club. At the end of the 1990s the local municipality decided to use the ground on which the sports facilities were located for residential buildings. Therefore it offered the club to take on the planning and managing of the relocation of the sport centre to its current place. In this context the club was also interested in building a new sports hall for offering tennis courts and other facilities for gymnastics, volleyball, badminton, dancing and some more activities. Together with the municipality the club was negotiating how the public authorities could get involved in the construction and operation of the building. Since the municipality was nearly bankrupt both parties finally agreed on a specific scheme of a public private partnership by signing a

contract which was codified the duty of the club to construct and maintain the sports hall for twenty years. In return the municipality contractually guaranteed to provide the building land for free and to hire the hall for sports activities of a school for a fixed rent. This agreement saved the municipality up to 30 percent of the budget it had to calculate in case it would have decided to build and operate the hall on its own. Heinrich Roevekamp, chairman of the club, describes how this was possible:

"Obviously this can only work with voluntary support. Our members help to repair and look after the sports facilities and join in as trainers or board members. That is why we do not have to pay salaries for ground keepers, janitors and cleaners. Everything is organised by us."

From this model a number of advantages are arising for sports club and the local authority. Roevekamp points out:

"It is much easier to make members see that if they damage something here, they harm themselves. With municipal facilities people feel more anonymous. Damages for vandalism are much lower in our model than we know from other places."

The club is also responsible for the contracting out of services. For instance it has rented a sports bar in the hall to a private carrier. That also appears to be the success of the system, although that is only maintainable if the distribution of costs stays as it is. Since if more is saved here, this unsalaried commitment would not at some point not be available nor affordable.

This example of a public private partnership is a good example for the potential of voluntary work in local governance. At the same time the representatives of the sports association are complaining about the very high transaction costs arising from this partnership. The contracting system is extremely time consuming and is bounding the club for 25 years which is very long time for a voluntary association. This leads to the situation that the club had to professionalize itself on a very high level. It had totally overworked its board structures and this led to conflicts within the associational life of the club and the interview partners are very much afraid that they are no longer able to find qualified board members. That is why the chairman admits:

"When I look back I would definitely say that we would not do this again. The partnership changed much in our associational life and we had high transaction costs to professionalize the administration of our club."

On the other hand the chairman is quite sure that even a bankrupt of the association would not harm the sports facilities in Mecklenbeck:

"At the moment the responsible in the city council are very happy that we took over the responsibility for the sports facilities. But we have to be honest: Of course everybody knows that in case we are getting bankrupt the local authority has to serve as a warrantor for the sports facilities. For sure we try to avoid this but it is good to know that it would not last to a total breakdown in case we are no longer able to manage it."

According to the introduced criteria of PPP we can characterize the case study on the basis of the interviews with the partners as following:

*Table 1: Local sports facilities in Münster Meckelnbeck*

<b>Type of Partnership</b>	Design-Build-Finance-Operate-Rent Partnership
<b>Reduction of Costs for Local Municipality</b>	Yes, approximately 30%
<b>Allocation of Risk</b>	Yes, but local authority still has to serve as a warrantor in case of a bankrupt of the association
<b>Improved Service Quality</b>	Yes, volunteer involvement reduces vandalism
<b>Influence on Organizational Life</b>	Strong influence

The second case study has been introduced under different circumstances.

#### **4.2. Case Study 2: Operation of an open air bath in Schwerte-Ergste**

The second case study was carried out in Schwerte-Ergste a city of 50,000 inhabitants in southern Westfalia. After the town closed a public open air bath in the late 1990s because of its threatening budget deficit the citizens of Schwerte collected more than 10,000 signatures and by petitioning for a referendum they managed to get the pool reopened. But the local municipality clearly pointed out that it was not able any longer to cover the costs of operation. That is why the body responsible for the pool was now no longer the local municipality but rather a specially founded public benefit limited corporation active citizens founded for operating the bath. In return the city leased the bath and the ground to the public benefit limited corporation for a symbolic rent of one Euro per year. A contract was disposed which clearly regulates the duties of the public benefit limited corporation and obliged the town to pay a small annual rent for the school swimming. This contract with the town gives security to the nonprofit organization, but the limited corporation bears all of the business risks. There is no doubt that the bath will be closed when the public benefit organization is getting bankrupt.

The public benefit limited corporation has been successfully running the civic pool for more ten years now and are often presented by politicians as a reference example for successful public private partnerships on the local level. Interestingly the chairman of the organization, Thomas Wild, would never label his work as a PPP:

"The idea to call the swimming pool a Public Private Partnership never came to me. This also does not reflect the history of the pool. It originates in the 90s after the town had shut down the swimming pool and the citizen protest began. This protest first of all procured the petition for a referendum and then after the town had found a solution, which granted the re-opening of the pool, they still made it hard for this to be realised. This is the context in which the pool came into being. So what this story was really about was a confrontation between the public actor and what was in the interests of the citizens, which was actively traced here. [...] Today it is actually a partnership but there would not have been the swimming pool and not in this form had the citizens not protested against the actions of the public power from the beginning. For many that was a reason to join the project, to show: ,we can manage something like this even without the help of the town."

Nevertheless the co-operation between the town and the public benefit limited corporation clearly fulfils all criteria of a public private partnership even if the town has to get urged by the petitioning of the citizens to agree on this co-operation. A service of use for the public which has been supplied by the local municipality before has been transferred to a private operator. There has taken place an allocation of risks and a detailed contract has been declared

which clearly regulates the duties of both parties. To put this PPP in the scheme of Renda and Schreffler it could be labelled as an Operation and Management type of a PPP.

Similar to the first case study the voluntary work is of great importance for the operation of the bath. The total sum can only be approximately estimated. Thomas Wild demonstrates:

"There must be about 70,000 – 80,000 € that we do not have to pay because the work is done voluntarily. All our pool attendants are working voluntary. The same holds true for the administration of the pool. We also try to do the necessary repair works on our own as long we are qualified to do them. That is obviously a huge sum. The voluntary work that we don't have to take into financial consideration is a very important point, but the meaning of the unsalaried labour is even deeper than that. It is not just a basis for financing. It is also a basis for our existence."

Some 3,000 annual tickets and 30,000 day tickets are sold by the citizen's swimming pool yearly. The proceeds from entry price form the financial cornerstone of the pool, along with the state subsidy, membership fees from the association, donations and sponsorship. Currently the public benefit limited corporation is able to hold up the operation of the bath without problems. Nevertheless there will be perspective a big challenge for the NPO: A public bath needs every 15 to 20 years a new circulations pump which costs about 300,000 Euro. Otherwise the bath is loosing its operations licence. This investment will be necessary in the upcoming years and at the moment the association does not know how to finance it. There is no doubt that the local municipality will discontinue the PPP in case the NPO is not able to allocate new resources.

Similar to the construction and operation of the sports facility in Münster (Case Study 1) this form of cooperation is an impressive example for the potential of voluntary work. It makes a service possible which would have been closed by the city otherwise. Furthermore we can see the professionalization effects from this example, too. The association bears all the risk of this model and it is clear that there are many critics who think that the state is giving up his responsibility for the services of public interest. Others would respond that in times of an extreme indebtedness of the German local municipalities this is the only possibility to keep those services alive. Table 2 characterizes the PPP.

*Table 2: Operation of an open air bath in Schwerte-Ergste*

<b>Type of Partnership</b>	Operation and Management Partnership
<b>Reduction of Costs for Local Municipality</b>	Yes, total abolition of operation costs
<b>Allocation of Risk</b>	Yes, local authorities totally back out of the public service
<b>Improved Service Quality</b>	Volunteers likely improve service quality
<b>Influence on Organizational Life</b>	Yes, Organizational life totally dependent on PPP

#### **4.3. Case Study 3: Supply of a local public transport system in Kevelaer**

Without voluntary engagement the wheels would also be standing still in Kevelaer, a small city of pilgrimage near the German Dutch border with 25,000 inhabitants. In the idyllic place there is a public bus network but the municipality in the early years of the decade were not able any longer to offer all bus lines. And the other buses went quite rarely and covered only limited distances. That was not sufficient for the residents of Kevelaer any more. When the

bus routes were altered in 2002 a civic voluntary bus association was established. Henceforth the association has been running its own bus line, together with the public services.

Today four civic buses run between the surrounding villages, which are also badly connected by public transport. A different civic bus association is responsible for each civic bus. According to the German Passenger Transport Act only transport companies are allowed to run local traffic routes. Therefore the public services took on the responsibility of the scheme. They also bear the financial risk for instance for insurances and maintenance of the busses. Here the civic bus differs from other partnership projects, whose hallmark is that the risks are transferred onto the private partner. A contract was concluded between the partners (town council, public services, and bus associations), that guarantees for ten years that the public authority maintains the busses and is covering the insurances. It also codifies a small subsidy for the operation from the town.

In return the associations are responsible for the management of the bus service. The contract regulates a minimum supply of daily rides which have to be offered by the associations. They compile the timetables and recruit drivers, who are unsalaried workers. The chairman of the civic bus association Kevelaer, Michael Toonen, and the corresponding colleague from the public services, Hermann Meier-Ebert, are happy with the cooperation. Toonen makes clear:

"The relationship is so organised that the public services are the transport company and the civic bus associations maintain the running of the service, that is to say they do the real work. [...] The relationship between the public services and the civic bus associations is a very harmonious one, the public services are also dependent/reliant upon the civic bus since without their work they would not be able to run the service, and, if needs, would have to be run by full time driver, which of course would lead to a cost explosion. Thus this project only exists because the drivers work voluntarily and don't receive any reimbursement or salary."

The citizens are using the civic bus more and more which can be seen by looking on the passenger figures, which have risen consistently since 2002. They started with 8,000 passengers. In 2007 they had almost 15,000 passengers and the ridership is still increasing.

For sure the unsalaried drivers have a rewarding task and in contrast to a local bus system the association has to work hard to keep alive the dense schedule of the bus lines. In particular in the tourist season, at Christmas and other national holidays the association sometime is not able to achieve this. Nevertheless the association tries to improve the service wherever it is possible. Together with the public services they have carried out modifications on the busses for disabled persons. At the same time they introduced a 'disco night bus' on Friday and Saturday nights to reduce the high accident rate caused by drinking and driving of young people. The association also tries to professionalise its members to make the service more efficient for instance by financing the driving test which are necessary to steer an omnibus of more than 7.5 tons.

For the local authority the civic bus service is an important voluntary contribution of the citizens to improve the local public traffic system. Hermann Meier-Ebert makes clear:

"Without any doubt this service is a great help for the public services. In times of a cutback of public subsidies we had no other option than reducing our supplies. Since no private company would be able to organize local public transport in such a sparsely populated region profitably the associations were our only remaining chance to keep the service alive."

He also adds that the partnership is currently not in danger. No relevant party in the town

council is questioning the co-operation. He believes that in times of increasing resources the council would even try to support the civic bus association financially since it was able to position itself as a case book example of ideal volunteering. At same time he gives into consideration that the partnership gives the local municipality the chance to reduce its responsibility for a task many would assign to the core duties of local municipalities. Several bus driver jobs have been cut. As long as the local authority still serves as a warrantor of the service he sees no problem. But in case the town would totally eliminate its responsibility he would argue against those partnerships.

Even there are still doubts about referring to the civic bus as a Public Private Partnership because not all of the criteria are met the civic bus can proof the options and limitations of co-operations between state and nonprofit organisations. Table 3 gives an overview of the characteristics of this partnership.

*Table 3: Operation of a public bus system in Kevelaer*

<b>Type of Partnership</b>	Operation Partnership
<b>Reduction of Costs for Local Municipality</b>	Yes, total abolition of operation costs; only repair and operations costs (insurances) for the busses
<b>Allocation of Risk</b>	Partly, local authorities back out of a public service but still serve as a warrantor in case the PPP can not be carried out by the NPO any longer.
<b>Improved Service Quality</b>	Yes, volunteers can more easily react to costumers wishes; introduction of new services
<b>Influence on Organizational Life</b>	Yes, Organizational life totally dependent on PPP

## CONCLUSION

Partnerships between state and nonprofit sector are based on two pillars in Germany: On the one hand we have traditional partnerships in selected policy fields in particular the broad fields of health care and social services. Here the state is obliged by law to co-operate with a few privileged nonprofit organizations the so called Free Welfare Associations (e.g. the Red Cross, Caritas, Diakonia etc.). These partnerships are backed and legally underpinned by the neo-corporatist setting as a central concept of state action in Germany (Zimmer et al. 2004). On the other hand there are partnerships between state and nonprofit sector which are not compulsory for the state but also with a long tradition arising from the principle of subsidiarity in particular in the fields of culture, sports and leisure activities. This particularly holds true for the local level. However against the background of decreasing budgets, the neo-liberal *zeitgeist* and ongoing marketization these traditional partnerships are oftentimes unsustainable. That is why many politicians as well as scientist are searching for new governance instruments which could keep the partnerships alive under new givens.

These exploratory case studies presented above have focussed on several forms of public private partnerships under involvement of nonprofit organizations.

As a preliminary result some preliminary conclusions can be drawn. What do Public Private Partnerships mean for local governance? From the perspective of the local governments these co-operations have for sure several advantages. They can initiate voluntary work and save money at the same time. All three examples are proofs for this. Oftentimes cities can keep alive their services which they would have to close otherwise. At the same time critique can be formulated: From a democratic perspective these forms of governance are on the one hand

good examples of participative governance. However on the other hand the state is signing contracts with its new partners that are bounding him for such a long time that no representative government is getting out of these contracts. It has to be also mentioned that those contracts do not have a plan B for situations when the association is getting bankrupt. From what we see from other examples usually it is again the state which has to absorb the risk. The example of the bath is an exception: The state totally absorbs the risk to the association and it is clear that there will be no more service available when the association fails. From the perspective of the nonprofit associations those new forms of governance have several chances. They get their own buildings and grounds and can operate them independently. They also profit from the cooperation with the state because of the long duration of the contracts and the planning reliability which is arising from this.

At the same time the associations have to be very cautious not to lose their voluntary standards. It can be shown that in all analysed associations of the case study there are conflicts within the members about the professionalization of the organisations. Many members do not accept that the boards have to professionalize and that the public administration is misusing for services that should be done by public actors. Furthermore the associations bear a very high economic risk from these partnerships which is bounding the association for many years to a contract. From a perspective of organisational democracy this is a big problem. So a conclusion can be summarized in this way: Public Private Partnerships that include civic associations, foundations and non profit organisations offer a range of opportunities but are also not without risks for the participating actors. In a time in which collaboration between the state and the nonprofit sector increasingly changes, such partnerships will nevertheless be established more and more. Research on those co-operations is still on an exploratory level. Further research should focus on the concrete circumstances under which PPP or involvement of nonprofit organizations can sufficiently work and under which not. Currently the concept of public private partnerships is still too vague for an unconfined transfer to the relationship between state and nonprofit sector and PPP are usually actions born of necessity not of a well prepared strategy to rearrange local politics. This has to be kept in mind when politicians use public private partnerships as a magic word for better and more efficient governance.

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