Inter-municipal collaboration in the district of Groß-Gerau. Shared services in a joint procurement centre.

"Less administrative burden, lower costs, more legal certainty."

The following case study examines the impact of inter-municipal collaboration (IMC) in the German district of Groß-Gerau on efficiency and red tape as well as the role of ICT in fostering or hindering the collaboration. We place a special focus on one specific project as it evolved from within the framework of the IMC: the shared services in an award-winning joint procurement centre launched in 2017. Its successful organisation has been described by the Ministry of Economy and Energy Affairs as an “innovative process” (BMWi, 2018) and was recently awarded the ‘Spar-Euro’ by the Taxpayer’s Association of Hesse and the Hessian Association of Cities and Municipalities (Der Kreis Groß-Gerau, 2019).

The case study methodology utilised desk research and semi-structured interviews for data collection. As the objective was to gain an in-depth understanding of the collaboration mechanisms applied to set up and manage the IMC, two interviewees with leadership positions from the steering group of the overall IMC and the procurement centre were selected to represent the two key entities involved in the collaborative procurement process.

Description of the collaboration

Against the backdrop of burgeoning public deficits and pressing infrastructural challenges typical of rapidly growing areas, the district of Groß-Gerau in the German federal state of Hesse considered inter-municipal collaboration (IMC) a key factor for sustaining the livability and prosperity of its 14 member cities and municipalities. The district of Groß-Gerau is situated in the Midwest of Germany in the federal state of Hesse, which consists of 422 municipalities and is relatively densely populated compared to other German federal states (Statistik.Hessen, 2020). As of 2019, the 14 district cities and municipalities ranged from about 6,000 to 66,000 inhabitants resulting in a total district population of about 275,000. In order to specifically
promote new activities to expand inter-municipal collaboration, in 2013 a comprehensive and systematic process was launched involving all of the 14 cities and municipalities and the district of Groß-Gerau itself. The cities and municipalities (i.e. exclusively public actors) joined the IMC on a voluntary basis with the prospect of benefitting from pooling knowledge and resources. Since then, the overall IMC has identified the advantages of centrally controlled collaboration and has succeeded in putting several project-based collaborations into practice. These projects cover a wide range of service areas, from e-mobility, sewage sludge disposal to the activation of living space potential or public procurement.

In this context, two sets of actors are particularly relevant: the steering group of the overall IMC and the various thematically focused collaborative projects that constitute the network. This includes an award-winning joint procurement centre, which is discussed in more detail throughout the course of this report.

All projects running within the framework of the overall IMC are handled by project groups consisting of employees from the participating municipalities and the head of the IMC steering group. The project work is carried out by the involved actors on top of their ongoing daily work. In the situation that municipalities involved in a project cannot or do not want to send staff to a project group, as is the case in the joint procurement centre, their departments are given regular updates about the course of the project from the IMC steering group. These include decisions surrounding the time frames of the projects or on the further processes after the interim project report and the final report have been presented by the project groups.

The (honorary) IMC steering group consists of five members and is composed of a head of staff, two mayors and one lord mayor as representatives of the municipalities as well as the chief executive of the district Groß-Gerau. The tasks of the steering group include the prioritisation and initiation of individual IMC projects in coordination with the service departments of the district municipalities. The steering group is also responsible for project management, including the preparation of the project mandate, the acceptance of project reports and the decision on project milestones. Furthermore, it is responsible for information management regarding IMC-relevant developments and the organisation of knowledge management throughout the overall process. Its role aims not only to inform political leaders and administration but also to utilise experiences from individual projects - technically, methodologically, with subsidy acquisition etc. - in order to ensure common learning from successes/failures. Based on this information, it organises advanced training for improved project management. In general, the steering group, which meets regularly, functions as the
elementary and standard-setting control unit of the overall IMC, as the primary contact for relaying progress reports, and as the body in charge of controlling/evaluation measures of the overall process.

One award-winning project that can be described as particularly successful in the context of the overall IMC is the establishment of a joint procurement centre, which was initiated as a pilot project in 2014 and has been centralising the procurement of 10 of the 14 collaborating municipalities since its official launch in 2017. The Centre was established under the premise of achieving “less administrative burden, lower costs, more legal certainty”. While the participation in the joint procurement was in principle open to all district municipalities, only 10 municipalities have so far decided to join.

For the remaining four municipalities, there were various reasons for non-participation. The largest district city felt that its own capacities were sufficient to organise its procurement independently. The smallest district municipality did not justify its decision, despite the steering group’s expectation that it stood to benefit significantly. For the two other non-participating municipalities, either the project was too expensive and the long-term gains were not apparent, or there was an urgent need in the short-term, hence, they did not have time to wait for the Centre to be established and sought support elsewhere. In the latter case, however, they are currently considering joining. Participation was thus based on a voluntary contractual agreement, and the number of partners is fixed until an additional municipality enters the collaboration.

Especially in the field of complex public procurement, there are numerous laws and regulations which are subject to regular changes. The large number of regulations places high demands on the competence of the employees responsible for tendering. The Centre, which is located in the district administration, therefore focuses on the centralisation and professionalisation of these tasks. As the Centre is structurally integrated into the apparatus of the district administration and not, for instance, into an arms-length agency, the management structure reflects that of a classical hierarchical administrative structure. The Centre is assigned to the district's Department of Construction, Economy and Environment, which in turn is subordinate to the district chief executive. Within the Centre, one departmental head is responsible for a small number of administrative employees. Therefore, the participating municipalities meet primarily through their representatives within the steering group.
Impact of ICT on collaboration

With regard to the impact of ICT on collaboration within both the Centre itself and its steering group, the interviewees underlined the positive aspects of ICT, provided they are understood as a complementary means.

In addition to everyday e-mail traffic and cloud use for data storage, which the interviewees rated as indispensable in order to cope with the complexity of joint workflows in the Centre, the commissioning of a digital procurement platform is particularly noteworthy within this context. The platform was introduced in 2018 as part of the legally required electronic procurement process and made available free of charge to all participating municipalities by the district administration. Without a joint procurement centre, each municipality would have had to introduce e-procurement in its own administration. And, as one interviewee described the situation, in complex organisations such as the district administration “with 1,200 employees, 16 departments, 45 schools and two municipally-owned companies, paper-based procurement processes generally reach their limits.” The introduction of the platform was described as a pragmatic means of upholding a legal requirement rather than an example of the inclusive decision-making typically linked to collaborative work.

In addition to the convenience of digital tendering, the platform helps the cities and municipalities to obtain the best possible purchasing conditions, thus promoting competition and transparency and acting in the interests of the Hessian economy, trades and freelancers. It further enables the local authorities to record their consumption of individual procurement goods and to obtain control data for future procurements.

Since its introduction, the Centre has published tenders for all participating municipalities in the Hessian Tender Database (HAD). The Hessian Public Procurement and Tariff Loyalty Act requires the publication of all national and EU-wide tendering announcements on the HAD, and examples of public tenders include requests for proposals and bids for the renovation of schools, kindergartens, sewage treatment plants, or pumping stations. Tenders also include services such as transportation services, procurement of EDP hardware and software, and cleaning services.

As some scholars suggest, this shift to purely digital public procurement has the potential to also shift the relationship patterns between civil servants and citizens or businesses (e.g. Roman, et al., 2018). Interestingly, the interviewees negated the question of whether the digital platform has led to social alienation by eliminating direct contact between civil servants and the bidders.
Rather, the platform was seen as a "great relief" and, from the Centre's point of view, as an overall gain rather than a loss of personal connection.

Even though the introduction of the platform has not ultimately had an impact on promoting or facilitating the collaborative exchange between the partnering municipalities, its centralised provision can still be understood as a cooperative concession in favour of strengthening competence and increasing the efficiency of the entire network.

Decisions on the introduction of ICT within the steering group, such as setting up the website or utilising digital tools to ease communication, were normally proposed by the central coordinator in the steering group. Communication tools that were regularly used include online conference platforms, online tools for scheduling meetings, and cloud-based systems for efficient data sharing. This resulted in the ability to contact different actors at the same time, and thus the acceleration of work processes. Interviewees pointed to this as being particularly beneficial. Focus was also placed on the potential savings on material goods procured through digitalised procedures.

The website is an essential component of the IMC in Groß-Gerau and pursues the goal of transparency and communication both internally and externally. Financed by the district administration, it was set up in cooperation with the same external IT provider which hosts the district’s official website. Its development is continuously updated by the central coordinator in the form of interim reports, press releases, and further information material, and aims to give insights into the work processes of the IMC. This way of providing information digitally i.e. once instead of several times is seen as a necessary step for the IMC’s central coordinator to meet the increasing number of external requests from a broad spectrum of stakeholders for detailed project information. At the same time, this form of external communication also has a feedback effect, as it has led to increased visibility and a resulting positive nationwide media attention, which in turn boosts the existing collaboration dynamics by giving them confidence. In this context, one interviewee stated that it was particularly relevant for the motivation of those involved in the IMC to be constantly reminded that the joint project has been economical and beneficial for citizens and that it has set standards beyond the district border. As a result of its success, several other municipalities have imitated the IMC’s set up.

In addition, an internal section of the website serves the digital supply of information within the numerous projects and working groups. It provides an overview of the IMC’s current and completed projects, the documents and materials of which are password-protected and only accessible to the members of the respective project groups. Participatory applications are not
integrated into the website. According to one interviewee, this is because the collaborative network can manage the final decision-making based on direct, personal contacts. For projects involving more complex networks with a larger number of members or procedures that require the involvement of citizens, however, integrating participatory tools was seen as a viable and worthwhile step. In order to satisfy the growing complexity of information accumulating over the course of the project, one interviewee repeatedly emphasised the relevance of a central, administrative figure. This figure holds exclusive administrator rights to populate and maintain the website.

As much as the interviewees emphasised the indispensability of the digital applications currently being employed, particularly in terms of saving time and materials, the interviewee involved in the overall IMC underscored the importance of “integrating ICT as an accompaniment.” This means that ICT was used to complement rather than to replace personal contact. This, as one interviewee noted, holds especially true for building relationships, understanding attitudes among employees and conveying points of view in negotiations throughout the collaborative process.

**Efficiency of the collaboration**

Although the effort has paid off, interviewees cited the high costs incurred in the initiation of the IMC. The overhead costs related to convincing partners to join were particularly emphasised. Not all municipalities in the district were convinced of the benefits of such an overarching, yet elaborate, collaborative process from the outset. According to one interviewee, the following applied: “If the advantages are visible at first glance, there is automatically a high level of interest and willingness in participating.”

The creation of a central steering unit consisting of committed key personalities deeply rooted in the municipalities has contributed significantly to ensuring a more systematic and efficient approach to mobilising collective action towards desired outcomes.

Since the IMC was established in 2013, numerous collaborative projects have been launched in various constellations of public actors, which in turn involved considerable time and resource expenditure. This resulted in process costs in the projects’ initiation and implementation phases. Not every existing service organisation in a single municipality benefits from collaboration, which is why each decision for or against a joint project is preceded by a comprehensive examination by the IMC’s steering group.
The basis of this project examination is in each case a written project order. The development of the project orders always takes place before the start of a project under the leadership of the head of the IMC steering group in cooperation with interested employees of the municipalities from the departments in the respective fields of activity. After completion of each project examination, which usually lasts about one year, the commissioning municipalities decide on whether the measures recommended by the project group should be implemented. The implementation is then usually carried out in a subsequent IMC project after being commissioned by the departmental management, as was the case with the joint procurement centre.

Additional process costs were incurred for one part-time and two full-time employees required for the Centre’s business processes and the implementation of the collaborative procurement procedures.

These initial set up costs were counteracted by defining a minimum contractual period of five years of the collaboration agreement for the participating municipalities, with an automatic extension of one year if the contract was not terminated. Longer-term project commitment increased the likelihood that the perceived high costs would be amortised over time once new structures and processes were successfully institutionalised and provide sufficient planning and security for all parties involved.

Additionally, a five-year term was also one of the prerequisites for receiving funding from Hesse for the implementation of the collaborative project. In 2017 Hesse granted the joint procurement centre 100,000 EUR due to its fulfilment of all funding requirements and its model character as an exemplary inter-municipal service provider. The entirety of this amount is earmarked for the general purpose of maintaining the Centre, with no proof of use required. Accordingly, interviewees perceived the funding specifications as “pleasantly relaxed”.

With these start-up funds from the state government, the initial set up costs of the centre were partially recouped in the second year under review. The increased efficiency of the centralised overall process also contributed to cost savings. Since then, the Centre’s running costs have been allocated to the participating municipalities according to a specific financing model: All municipalities must contribute a uniform base amount to cover 10% of the Centres’ costs and each municipality must pay an expenditure-related amount based on their number of inhabitants. Aside from the three positions required for the Centre, no additional personnel costs for leadership were required because the centre was linked to existing administrative structures.
One goal of the joint procurement centre was to manage the procurement procedure for all partnering municipalities and the district in a legally safe and economical manner, as well as to offer a central and competent contact to handle all questions related to tendering. In addition to the increased economic efficiency, a legally compliant tendering was essential to provide the legal protection of the bidders granted by law. Ensuring legally compliant tendering can also avoid follow-up costs in handling official complaints to the procurement supervisory committee. Finally, with regard to ICT implementation, the procurement platform saves the cities and municipalities considerable personnel costs, as time-consuming tasks such as searches to find the cheapest paper, correspondence with bidders, or personal purchases are no longer necessary.

The Centre’s success so far has been measured in many ways. The first is cost savings in the municipalities through joint procurements such as one-time centralised executions of procedures instead of umpteen individual procedures in the individual municipalities. Second, there have been savings through more favourable prices due to economies of scale. Third, there has been a better utilisation of existing employee knowledge which has led to a higher number of procurement procedures per employee. Fourth, moving the process in-house saved money on external service and consultancy contracts (e.g. consultants, law firms, architecture and engineering offices). Fifth, there is now a continuous guarantee of all services under public procurement law independent of individual municipal personnel capacities. As one interviewee noted, while the success of the first four points mentioned can be easily quantified, the aspect of increased legal certainty provided through the professionalisation of service is a non-monetary factor, the improvement of which is primarily expressed in the prevention of potential errors in the context of complex public procurement law.

In concrete terms, in the third reporting period alone, from July 2019 to June 2020, efficiency was achieved primarily through process optimisation (approx. 74,200 EUR), cutting costs for external service providers (approx. 192,900 EUR) and training costs (approx. 22,000 EUR), representing an increase of 45.7 % year-on-year. Overall, by 2020 – the third year since its launch – all participating municipalities had generated total savings of well over 600,000 EUR, a multiple of the annual investment of 100,000 EUR.

Red tape

The aspects of efficiency and ICT already outlined in this analysis are strongly interlinked with red tape and thus cannot be clearly separated from one another. In light of the strongly legalistic,
federalist German state which has frequently been characterised by a tradition of “negative coordination”, the “joint-decision trap” (Scharpf, 1988), and a strong commitment to departmental autonomy (Hustedt & Trein, 2020), the IMC in Groß-Gerau is rooted in a general administrative setting known for a high degree of red tape and its associated lack of efficiency. This considered, the centralised control unit, in particular, has had a significant effect on reducing several dimensions of administrative red tape by using a consistent overarching approach to cut down the large number of similar and parallel processes previously undertaken by individual municipalities. The website set up by the steering group provides additional support, especially with regard to communication and information red tape (Pandey, Coursey, & Moynihan, 2007).

The joint organisation of procurement management also reduces the administrative workload to a considerable extent. The Centre now carries out central procurement services for all its member municipalities. This means that services and goods such as paper and office material, sanitary articles, or landscaping must no longer be individually managed by each of the eleven district municipalities’ employees. This has saved the local authorities bureaucratic costs amounting to more than 600,000 EUR over the entire reporting period and has led to a 57% increase in the number of tendering procedures carried out over the second reporting period alone.

Despite the cost savings achieved from the centralised process, when asked about potential red tape, the interviewees rather referred to bureaucratic costs and described them as a necessary evil, especially with regard to the complex procurement system. Although the interviewees were aware of the downfalls of lengthy tendering procedures, they firmly asserted that important control mechanisms provided by the current public procurement law needed to continue to be upheld in the process of digital transformation.

In keeping with the existing legislative framework, the digitalisation of processes has in fact made an additional contribution to lessening the administrative burden for the Centre’s employees. Prior to its’ launch, there was no transparent overview of the different orders - including purchase price, processor and buyer - which led to repetitive checks resulting in redundant procedures. The centralised and largely digitally-based procurement has significantly helped in this regard.

Our analysis has shown that inter-municipal collaboration should not be seen as a panacea for budget consolidation but more as a strategy for sustaining municipal infrastructure and services in general. In light of the particular complexity of bringing about inter-municipal collaboration,
it requires not only the will but also a target-oriented strategy and centrally coordinated yet specialised activities and projects. These include a holistic approach to favour new, efficiently and legally compliant implemented collaborations. With this in mind, ICT can assist in transcending organisational boundaries and accelerating interactive processes. While the need for careful assessment remains of which services could ultimately benefit from collaboration, based on this case study it has become clear that public procurement proves very well suited for this purpose.