



Contents

Acknowledgements.....	5
Contents.....	7
List of Figures.....	10
List of Tables.....	11
List of Abbreviations.....	12
1 Introduction.....	13
2 Review of Literature.....	17
2.1 Fiscal Federalism and Local Governance.....	17
2.2 Intergovernmental Grants.....	20
2.3 Local Government Reforms.....	25
2.3.1 <i>Structural Reforms</i>	25
2.3.2 <i>Administrative Reforms</i>	27
2.4 Intermunicipal Cooperation.....	29
2.5 Methodological Remarks.....	36
2.5.1 <i>Contest Theory and Rent-Seeking Behavior</i>	36
2.5.2 <i>Measurement of Public Sector Efficiency</i>	39
3 Incentives and Influence Activities in the Public Sector: The Trade-off in Performance Budgeting and Conditional Grants (with Ivo Bischoff).....	45
3.1 Abstract.....	45
3.2 Introduction.....	46
3.3 The Concept of Performance Budgeting and Related Literature.....	49
3.4 A Model of Influence Activities in Performance Budgeting.....	52
3.4.1 <i>The Baseline Model</i>	52
3.4.2 <i>An Alternative Performance Measure</i>	62
3.4.3 <i>Performance Measures and Inter-District Inequality</i>	64
3.4.4 <i>Opportunistic Policy-Makers</i>	67
3.5 Discussion.....	68
3.5.1 <i>Model Results and their Implication for Performance Budgeting</i>	68
3.5.2 <i>Influence-Activities and Conditional Grant Schemes in Federal Systems</i>	71
3.6 Conclusion.....	72



4	What Drives Small Municipalities to Cooperate? Evidence from Hessian Municipalities	75
4.1	Abstract.....	75
4.2	Introduction.....	76
4.3	Related Literature	78
	4.3.1 <i>Theoretical Contributions</i>	78
	4.3.2 <i>Empirical Contributions</i>	81
4.4	Theoretical Considerations	85
	4.4.1 <i>Cooperation Demand Factors</i>	85
	4.4.2 <i>Cooperation Supply Factors</i>	87
	4.4.3 <i>Transaction Costs</i>	88
	4.4.4 <i>Public Choice Aspects</i>	90
4.5	Institutional Background	92
4.6	Data.....	94
4.7	Estimation Design.....	96
	4.7.1 <i>Dependent Variables and Estimation Method</i>	96
	4.7.2 <i>Independent Variables</i>	97
4.8	Results.....	103
	4.8.1 <i>Baseline Model</i>	103
	4.8.2 <i>Sensitivity Analysis</i>	106
4.9	Discussion.....	109
4.10	Conclusion	112
5	Does Intermunicipal Cooperation Increase Efficiency? Evidence from the Hessian Wastewater Sector (with Peter Haug)	115
5.1	Abstract.....	115
5.2	Introduction.....	116
5.3	Related Literature	118
5.4	Theoretical Considerations	121
	5.4.1 <i>Archetypical Arrangements of Service Delivery</i>	122
	5.4.2 <i>Organizational Arrangements and Technical Efficiency</i>	123
	5.4.3 <i>Organizational Arrangements and Scale Efficiency</i>	126
5.5	The Municipal Wastewater Sector in Hessen.....	127
5.6	Data and Method.....	131
	5.6.1 <i>Efficiency Measurement and Estimation Strategy</i>	131
	5.6.2 <i>Outputs, Inputs and Environmental Variables</i>	134
	5.6.3 <i>Sample Selection</i>	137
5.7	Results.....	140
5.8	Discussion.....	147



5.9	Conclusion	150
6	Conclusion.....	153
6.1	Contributions and Implications	153
6.2	Perspectives for Future Research	156
A	Appendix to Chapter 3.....	159
A.1	Proof that the Critical Threshold ($f^{X,t}$) Exceeds 0.5	159
A.2	Derivation of Units' Effort and Window-Dressing, Baseline Model...	161
A.3	Derivation of the Optimal Level of Conditional Funds, Baseline Model	164
A.4	Derivation of Units' Effort and Window-Dressing for the Performance Prize Scheme with the Output-Based Performance Measure.....	167
A.5	Derivation of Units' Effort and Window-Dressing for the Modified Objective Function following the Niskanen Tradition	168
B	Appendix to Chapter 4.....	171
B.1	Additional Tables and Figures.....	171
B.2	Questionnaire (translated).....	179
C	Appendix to Chapter 5.....	185
	References	189