

CHAPTER 6

CO-PRODUCTION OF PUBLIC GOODS IN SHRINKING RURAL REGIONS IN GERMANY: WHY DOES PUBLIC ACTION STILL MATTER?

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Co-production of Public Goods in Shrinking Rural Regions in Germany: Why Does Public Action Still Matter? / Chapter 6

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Abstract

Co-production has become a vital instrument for ensuring equivalent living conditions in shrinking rural regions in Germany. For many local authorities, it seems to be a strategy for dealing with changes in the delivery of public services. However, so far the academic literature has provided only limited insights into the specific nature of co-production in peripheral regions. Moreover, little attention has been paid to how co-production is facilitated by public economy organisations, such as public savings banks or municipally owned housing companies. The aim of this contribution is to fill these gaps. Based on a literature review, we first discuss trends and characteristics of co-production in shrinking rural regions in Germany. Second, we examine the contribution of public savings banks and municipally owned housing companies to public service provision and ask for their relationship to civic engagement.

Keywords: Co-Production, Municipally Owned Housing Companies, Public Savings Banks, Public Services, Shrinking Rural Regions

JEL-Codes: L30, H41, H70

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1. Motivation

Providing public services and goods¹ in shrinking rural regions in Germany is currently a determining socio-political issue (cf. *Commission on Equivalent Living Conditions set up by the German Federal Government in 2018*). Due to the consequences of the demographic developments, the aim of improving local living conditions is becoming increasingly important. Implementing this policy objective in times of austerity poses new challenges for many German local governments in rural regions, especially with regard to the question of the appropriateness of different organisational arrangements for fulfilling public tasks.

Previous analyses of demographic change and shrinkage have primarily focused on the implementation of different strategies in regional economic, social or structural policy in order to solve these problems (e.g. Pollermann, Raue & Schnaut, 2013; Böcher, 2008). In addition, the discussion about the distribution of public services is shaped by normative specifications in spatial planning and some empirical evidence in spatial research (Einig, 2015; Miosga, 2015; Kühn & Milstrey, 2015). Such perspectives often neglect questions about the organisational options for providing public services. With very few exceptions so far (e.g. Richter, 2017; Butzin & Gärtner, 2017; Steinführer, 2015), the following aspects have received little attention and – in contrast to other European countries (Bance, 2018; Bjärstig & Sandström, 2017; Kelly et al., 2019) – we observe a lack of conceptualisation and empirical evidence in Germany:

- the involvement of citizens in planning and providing public services in shrinking rural regions;
- the contribution by public economy organisations which probably play a major role in the process of service delivery;
- the relationship between public economy organisations and co-production.

These gaps are surprising, because we are dealing with two major administrative reforms in Germany. First, co-production deserves general attention in the light of the changing relationship between public administration and citizens. In times of demographic changes, decreasing public budgets and growing social needs, local governments generally tend to re-discover the benefits of involving citizens in the delivery of services (cf. Schlappa, 2017; international: Alford & O'Flynn, 2012; Banks et al., 2013; Macmillan, 2013). Co-Production, as one option of public service provision through a partnership between professionalised service providers, users or

¹ By this term we mean goods, services and institutions that are essential for citizens in a democratic society. In German, these services and goods are termed "*Daseinsvorsorge*" (*services of general interest*). This covers technical infrastructural facilities (traffic and transport facilities, gas, water and electricity supply, refuse collection, sewage disposal, telecommunications), social infrastructure like educational and cultural institutions, health care, hospitals, childcare, care for the elderly, young people and young adults as well as administration and jurisdiction (Böhnke et al., 2015).

other members of the community (Bovaird & Loeffler, 2012), takes place in different ways. We distinguish a range of activities, such as the determination of policy priorities and formulation of policies (*co-design*, *co-planning* or *co-governance*), the management of service delivery (*co-management*), arrangements where citizens produce, at least in part, the services and goods they need (*co-delivery* or *co-production*) or forms of *co-financing* and *co-monitoring* (Bovaird & Loeffler, 2012; Brandsen & Pestoff, 2006). In all these cases, citizens face local public sector organisations not only as customers and taxpayers, but also as active political principals and co-producers. In Germany, this development is discussed in the context of the broader subject “*Bürgerkommune*” (*Citizens’ Community*) (Bogumil & Holtkamp, 2004).

Second, it can be seen that in recent decades, the provision of public services has increasingly been transferred to organisations outside of the local core administration. Horizontal re-organisation or corporatisation (Friedländer, Röber & Schaefer, 2021) has resulted in considerable changes in the organisational landscape. Public services are no longer exclusively and directly delivered by units of local administrations, but also by municipally owned corporations, i.e. municipally owned enterprises which are completely or partially in municipal ownership (Wollmann, 2018; Wollmann, Koprić & Marcou, 2016). As a result, today more than 50 percent of all public tasks at the local level are performed by external or decentralised organisations (Hesse, Lenk & Starke, 2017).

Against this background, the paper focuses on the following questions:

- What are recent developments in co-producing public services in shrinking rural regions? How can we characterise co-production in these regions?
- What role do public economy organisations play? How are public savings banks and municipally owned housing companies contributing to public service provision? How are they facilitating co-production?

Based on a literature review of scholarly journal articles, other empirical research, and government reports, this paper provides a descriptive overview and an evaluation of the role that civic engagement, voluntariness, and public economy organisations play in delivering public services in shrinking rural regions in Germany. A single-country study on Germany is a relevant case to learn from, as it allows the broader academic community to reflect conceptual assumptions on the joint and co-production of public goods and commons.

2. Co-production in Shrinking Rural Regions in Germany

When analysing co-production in shrinking rural regions in Germany, two main analytical strands can be distinguished: On the one hand, the term means the participation of citizens in the process of local strategic planning and policy formulation. On the other hand, it is a matter of participating in policy implementation, i.e. in the performance or fulfilment of public tasks (Bogumil, Gerber & Schicketanz, 2013). In the following, we will mainly focus on the latter by describing and analysing current trends and characteristics of co-production in shrinking rural regions.

2.1. Some General Developments

Co-production seems to be in vogue. It has a long tradition in Germany. Influenced by Catholic social ethics, Germany is characterised by a strong tradition of “subsidiarity”. Local public sector organisations are allowed to provide welfare services if civil society, voluntary initiatives and welfare organisations are not able to do so on their own. For this reason, a large proportion of voluntary activities is nowadays organised in associations or other third sector organisations (Grohs 2014; Henriksen et al., 2016).

Civic engagement has recently increased in Germany. Commitment to the immediate environment, to one’s own neighbourhood and to community life has grown in rural regions and small municipalities since the end of the 1990s. It is to be expected that this trend will continue, particular in the areas of care for the elderly and integration of refugees (Federal Ministry for Family Affairs, Senior Citizens, Women and Youth 2014 and 2017; Steinführer, 2015).

In shrinking rural regions, a large number of services, like childcare, citizen buses, voluntary fire brigades or other leisure and cultural activities, are actually provided by citizens. If we compare rural and urban regions, the Forth German Survey of Volunteering points out that the share of people engaged in voluntary work is more widespread in rural (45,5%) than in urban regions (42,7%).² In rural areas, there may be a greater need, greater support or more opportunities to engage in voluntary activities alongside work and family than in urban areas. Furthermore, the proportion of younger people engaged in voluntary work is higher in rural than in metropolitan areas. It can be assumed that the structure of services in rural locations attracts mainly younger people (e.g. voluntary fire brigades). It may also be that the lower level of engagement of persons over 65 years of age can be explained by mobility restrictions in rural areas, because many villages have only limited public transport

² The information presented in this paragraph stem from the Forth German Survey of Volunteering, a publically financed survey with about 28,600 respondents; for methodological details see Simonson, Vogel & Tesch-Römer, 2016.

facilities (Simonson, Vogel & Tesch-Römer, 2016; Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, 2017).

When collaborating with public sector organisations, citizens can act individually and spontaneous or more formalised, for example as members (or users) of an organisation (Pestoff, 2012; Henriksen et al., 2016). In Germany's shrinking rural regions, we find a mix of both. Whereas, for example, sports and leisure activities take place in small voluntary groups or registered associations, huge welfare associations (*Wohlfahrtsverbände*) and their member organisations provide welfare services in rural shrinking areas in a more institutionalised manner. There are a considerable number of third sector organisations in Germany which are involved in various fields of delivering public services in shrinking rural areas. Furthermore, we observe a growing activity and dynamic of social entrepreneurship and its contribution to cooperative service provision (Grohs, Schneiders & Heinze, 2017; Richter, 2019; Türk, Herda & Trutzenberg, 2013).

2.2. Some Reasons of and Conditions for Co-Production

The mobilisation of civic engagement in shrinking regions can be explained on the one hand by the partial withdrawal of the state from its responsibility for the production of several public goods. Because of fiscal constraints, local authorities look (and hope) for new collaborative forms of service delivery to prevent shortages. On the other hand, it is a form of "self-responsibilisation" (Steinführer, 2015). Citizens in shrinking rural regions are increasingly expected to take responsibility for service delivery. People have an interest in ensuring their quality of life, improving local attractiveness and establishing volunteer structures (Loeffler et al., 2015). Advantages of co-producing arrangements result from the local identification of citizens, the possibility of a more target-oriented and demand-driven production of goods, including more acceptance of policy programs, and the activation and combination of knowledge and social capital adapted to the specific local conditions (Alford, 2002, 2009; Butzin & Gärtner, 2017; Bovaird et al., 2016; Fischer, 2000; Needham, 2008).

To give a recent example, in some German rural regions – like in the federal state of Brandenburg in eastern Germany – we observe a slight trend towards collaborative local housing projects by creatives and digital natives. Many of those who are moving from the Berlin metropolitan area are regarded as "pioneers of a new movement". Together with local professions, such as teachers and social workers, doctors or craftsmen, they develop innovative local housing and working models and engage in co-producing public and social services (e.g. a day-care centre for children or a coworking space) (Dähner et al., 2019).³ In light of the current developments that

³ The term "space pioneers" was coined in the early 2000s by the urban sociologist Ulf Matthiesen. In the 1990s, people from urban milieus had deliberately moved to shrinking rural regions in order to realise their individual life models and projects. Matthiesen describes these actors and regional networks as "incubators and a source of inspiration" (Matthiesen, 2004 and 2011).

we can observe on the housing markets in metropolitan areas, this trend is expected to continue.

The federal government promotes volunteer work (e.g. by the *Law for Further Strengthening Civic Engagement*). In policy documents, voluntary, civic or honorary commitment is regarded as a central endogenous resource in shrinking rural areas which should at least be maintained, and preferably expanded (Federal Ministry of Food and Agriculture, 2016; Federal Institute for Research on Building, Urban Affairs and Spatial Development, 2017). In order to facilitate possibilities for collaborating and volunteering in these regions, the federal government has established a number of activity and funding areas in recent years. The government's initiatives involve a variety of public services, like the promotion of cultural and sport activities, the foundation of civic centres or the implementation of mobility concepts (Federal Ministry of Food and Agriculture, 2016; Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, 2017).

Since 2006, the federal government has also been promoting the development and implementation of new approaches to organise public service provision using various more regionally oriented model projects. These programmes support the possibilities and prerequisites of local cooperation in order to solve the challenges of demographic change (Federal Ministry of the Interior, Building and Community, 2019). Overall, we are witnessing a wide range of initiatives that promote local collaboration between professionalised service providers, service users, or other members of the community. In addition to the federal programs, these initiatives include numerous funding programs by local governments, the German federal states and the European Union.

Nevertheless, the Forth German Survey of Volunteering shows that co-production can also pose many challenges. The involvement of citizens in the sense of voluntary work is not only distributed unequally in social terms, it also depends on the regional and spatial context in which people live. People with a positively perceived income situation and a higher level of education are more likely to get involved. The lowest rate of involvement is consistently found among people with a low level of education. Engagement of younger people tends to be more selective and on a less formal basis. More flexible, intangible and less time-consuming forms of voluntariness gain in importance. In addition, we are dealing with a "spatial dilemma". In regions with a comparatively high unemployment rate, the rate of engagement tends to be lower (Simonson, Vogel & Tesch-Römer, 2016; Butzin & Gärtner, 2017). This results in a kind of exclusivity of certain services and goods which carries the danger of a de-democratisation of public services. A unilateral targetting of service provision by small groups of citizens can lead to an overly high degree of specialisation which consequently excludes other groups of their benefits (e.g. certain cultural services). In addition, actors often do not remain continuously engaged and their engagement depends on a multitude of conditions, like available time, capacity and so on

(Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, 2014 and 2017; Butzin & Gärtner, 2017; Nadler, 2017).

All these factors make it even more relevant for citizens to be integrated into appropriate organisational structures in order to effectively translate individual or collective needs into strategies or the provision of tangible services (e.g. Alford, 2009). Under rather unfavourable spatial conditions, effective promotion by local politicians and public sector organisations is necessary to encourage motivated people to get involved in voluntary work (Simonson, Vogel & Tesch-Römer, 2016). Especially in an ageing rural society, local authorities must continue to activate the potential for participation and should offer further support – e.g., through contact points in local administrations, neighbourhood offices, senior citizens' offices or open advice centres (Bogumil, Gerber & Schicketanz, 2013; Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, 2017). In sum, both politicians and public sector organisations need to develop capabilities and competencies to engage in the joint production, management and governance of services (Schlappa, 2017). In this context, reference should be made to the role of a mayor whose support for such community projects may have a greater persuasive power when he or she has to convince the city council or other local public sector organisations of the benefits (Butzin et al., 2015; Friedländer, 2020).

Furthermore, it seems to be important that local organisations and actors cooperate more closely (Schlappa, 2017; Bogumil, Gerber & Schicketanz, 2013). A study of more than 100 local cooperative initiatives shows that, in addition to voluntary citizens, a large number of other professional organisations are involved in the collaborative provision of public services.⁴ This includes local authorities and their decentralised organisations, but also small and medium-sized enterprises in the local craft sector as well as associations, foundations, or community cooperatives and foundations (Butzin & Gärtner, 2017).

In general, the provision of public services is characterised by well-coordinated processes. These processes can benefit from a combination of knowledge adapted to the specific local conditions (Fischer, 2000; Bovaird et al., 2016). This requires the integration of technological, commercial or user and innovation skills which can be made accessible by involving actors with different competencies. Municipalities seem to be more resilient to crises and reforms where local enterprises and citizens are involved in the process of service provision and where all these actors take responsibility for their location. A pluralistic landscape of voluntary initiatives and voluntary or registered associations can usually have a positive effect on local living conditions and social life (cf. Jakubowski, 2013; Butzin & Gärtner, 2017; Kersten, Neu & Vogel, 2017). Studies of Kröhnert et al. (2011a, b) also demonstrate that the demographic stability of rural villages correlates with individual and collective voluntary action as well as the existence of intact voluntary association structures.

⁴ For methodological details, see Butzin & Gärtner, 2017.

3. Public Economy Organisations in Shrinking Rural Regions in Germany

Civic engagement is becoming increasingly relevant in the course of demographic developments in rural regions. Changed expectations of public services in times of austerity lead to supply gaps in peripheral areas; co-production attempts to partially close these gaps. In this context, however, great attention should also be paid to the contribution made by public economy organisations to (collaborative) public service provision and social cohesion in shrinking rural regions (Kersten, Neu & Vogel, 2017). In this section, some general developments on the relevance of public economy organisations are presented before we look at how municipally owned housing companies and public savings banks contribute to public service provision and co-production in more detail.

3.1. Some General Developments

According to calculations of the Federal Statistical Office of Germany, there are approximately 15,000 municipal corporations in total. About half of the public sector employees at the local level are employed in such corporations. Therefore, these enterprises are regarded as important local employers that generally play an active role in structural and labour market policy (Federal Statistical Office of Germany, 2014; Hesse, Lenk & Starke, 2017; Kuhlmann & Wollmann, 2019). To better understand the contribution of municipal corporations to public service provision in shrinking rural regions, the German Association of Local Utilities⁵ identifies a large number of cases in which municipal corporations act as important anchors for the provision of substantial but also innovative technical and social infrastructure, like digital health, electric mobility, fibre optic, broadband and smart home applications (German Association of Local Utilities, 2019). There seems to be growing awareness among these enterprises that digitalisation plays a crucial role in facilitating collaboration between citizens, public, third, and private sector organisations in rural regions (cf. Pestoff, 2012).

Looking at the past, the special role of public economy organisations in Germany's rural areas was already addressed intensively in the late 1960s and early 1970s. The aim of developing sparsely populated regions was described as major interest of public utilities, public sector financial institutions and public transport companies. Emphasis was placed on the fact that, in contrast to private commercial enterprises, the business policy geared towards the public and common good would treat more or less economically efficient groups and areas equally (Thiemeyer 1970 with further references).

Even though conditions and challenges of rural areas are certainly different and more complex today, it can be assumed that public economy organisations still have

⁵ The German Association of Local Utilities represents around 1,460 German municipally owned corporations in the area of energy and water supply, waste, wastewater, and telecommunication.

an essential function for these regions. With reference to the literature, it is worth taking a closer look at municipal housing companies and public savings banks which appear to be relevant actors in the provision of public services and whose business activities in shrinking rural areas seem particularly dependent on regional and demographic factors (for the latter, see: Conrad, Neuberger & Trigo Gamarra, 2009).

In Germany, the general importance of public economy organisations for service delivery has increased further over the last 20 years. Local authorities have increasingly become aware of the lack of influence on the supply infrastructure and regional development (for further reasons, see: Friedländer, Röber & Schaefer, 2021; Voorn, van Genugten & van Thiel, 2020). After decades of privatising public services, some municipalities in rural regions have terminated concession contracts that were awarded to external private suppliers in former times or in a few cases have bought back utilities (Bönker, Libbe & Wollmann, 2016). Between 2000 and 2013 the number of public funds, utilities, and enterprises has risen steadily (Hesse, Lenk & Starke, 2017). Although no general trend towards “re-municipalisation” can be observed, some evidence for the “renaissance” of publicly provided services is apparent in the local energy sector and in waste disposal. In both sectors, concessions have been taken over by municipalities or their corporations in recent years, municipal energy utilities have been newly founded, and sales revenue of these utilities and public waste disposers has increased (e.g. Monopoly Commission, 2013). A current study has identified 72 newly founded municipal energy utilities for the period since 2005 – most of them in smaller municipalities or rural regions (Wagner & Berlo, 2015).

Besides the obviously enhanced service delivery role for municipally owned enterprises, recent studies on their function within local policy processes show that they also have some influence on policy formulation and community governance. Here, we can speak of a broader role for municipally owned enterprises in facilitating processes of *co-governance*. Beside direct forms of joint policy formulation together with local politicians, citizens, non-profit organisations, and administrative units – like in projects on regional and urban development – most municipal corporations are also in close contact with their customers. Citizens’ needs – articulated through customer surveys or open days – are brought into the political perception by the management boards of these companies. In addition, managers of public enterprises are often involved in well-informed interest groups and networks where they obtain comprehensive information about innovative approaches and industry developments which they later put on local policy agendas (Friedländer, 2019).

3.2. Municipally Owned Housing Companies

Preserving social cohesion in urban and rural communities is closely linked to housing policy issues (e.g. van Kempen & Bolt 2009; Bolt, Phillips & van Kempen 2010). This is particularly true for municipally owned housing companies in rural regions in Germany whose public purpose includes not only the provision of adequate housing

in qualitative and quantitative terms but also other social, ecological and site-specific tasks (Deutscher Städtetag, 2020).

According to a study on local public housing in Germany by the Federal Institute for Research on Building, Urban Affairs and Spatial Development, about one quarter of the 1.6 million municipally owned housing units in Germany are located in rural areas. Of these, about 200,000 are located in sparsely populated areas (Franke et al., 2017).⁶ The volume of municipally owned housing stock is closely related to the municipality size. Municipalities with a population of less than 10,000 inhabitants have smaller stocks of fewer than 500 units. In municipalities and districts with up to 20,000 inhabitants, there are usually housing stocks with a volume of around 5,000 units (ibid.).

Municipally owned housing companies fulfil important tasks in social policy; in Germany, this is discussed in the context of the broader subject “*Stadt- oder Sozialrendite*” (*Return on Urban or Social Investments*) (e.g. Röber & Sinning, 2010). In addition to the construction and operation of social infrastructure facilities, age-appropriate housing or measures to avoid socio-spatial segregation, this role has become particularly clear in recent years with respect to the integration of refugees (for similar international research: Strokosch & Osborne, 2017). In contrast to metropolitan areas with a tight housing market, the existing vacancies in shrinking rural areas makes them more suitable for accommodating refugees and asylum seekers. Local authorities will be able to meet the challenge of decentralised accommodation of refugees more easily if they can make use of stocks held by their own housing companies (Aumüller, Daphi & Biesenkamp, 2015). Moreover, recent studies also show that from the refugees’ point of view, the question of ownership is an important factor that can facilitate or impede their access to housing (Kordel & Weidinger, 2017). For this reason, municipally owned housing companies are key partners for local authorities in the joint provision of housing for refugees (Franke et al., 2017).

The special function of municipally owned housing companies in solving various policy problems is also reflected in the way they facilitate local volunteer work and co-production. Especially in the social policy sphere, a large part of service provision takes place in cooperation with several non-profit providers or in direct collaboration with volunteer citizens. With reference to the international debate on various forms of co-production, municipally owned housing companies in rural areas appear to be important promoters of *co-governance* (e.g., in the joint formulation of policies in regional and urban development), *co-management* (e.g., in the joint implementation and management of neighbourhood-related residential projects) or *co-finance*

⁶ These data are taken from a survey of the Federal Institute for Research on Building, Urban Affairs and Spatial Development in which 3,174 municipalities and districts were asked about their current situation in housing policy; for methodological details, see Franke et al. 2017.

(e.g., when funding local sports and cultural activities or when providing rooms free of charge for voluntary organisations).

3.3. Public Savings Banks

Public savings banks are obliged by their public mandate to provide the population in their business region with monetary and credit services and to promote small and medium-sized enterprises.⁷ The orientation towards public interest, welfare, and the common good is a fundamental element of their mission and at the same time the main difference to private credit banks. In the literature, it is further pointed out that the ‘business philosophy’ of public savings banks is based on values such as trust and reliability as well as social and local responsibility. In rural districts, this is particularly evident in their support of social and cultural activities to develop and maintain social capital in the region (Haasis, 2009; Gärtner & Flögel, 2017; Brämer et al., 2010).

The *regional principle* defined in the savings bank laws of the federal states ensures that local access to banking services must also be granted in structurally weak and rural regions. The regional commitment by public savings banks is reflected in their pronounced local involvement and presence across the country. In contrast to the private sector, public savings banks are regionally oriented. As a recent report by the Deutsche Bundesbank shows, the segment of public savings banks with 9,593 outlets, including 386 head offices, still offers the largest and densest banking network in Germany – even though there has been a considerable decline for several years (Deutsche Bundesbank, 2020).

The nationwide representation is intended to counteract a spatial divergence of economic conditions and thus serves to promote competitiveness of structurally weak and shrinking regions. Public savings banks have a very important function in structural policy which results, among other things, from the fact that deposits are to be used primarily to finance regional borrowers when granting loans. Their local roots provide detailed knowledge of creditworthiness and allow a particularly socio-politically oriented lending policy (Gärtner & Flögel, 2017; Brämer et al., 2010).

If we look at their contribution to co-production and joint service provision, savings banks are generally regarded as particularly important network actors that attempt to initiate and coordinate local service networks and thus cooperative forms of public value creation (e.g. Gärtner & Rehfeld 2007). Here, we can speak of a broader role in being a key partner in *co-governing* and *co-managing* public services. This role is additional evident in *co-financing*. The local identity of savings banks and their customers leads to the necessary conditions to actively support financial citizen participation (Wessel, 2015). Furthermore, public savings banks very often offer

⁷ The commercial banking system in Germany consists of three pillars: the first pillar includes private sector banks (e.g. Deutsche Bank), the second pillar is based on cooperative banks and the third pillar consists of public savings banks and the Landesbanken (Gärtner & Flögel, 2017).

financial services that go beyond the traditional credit supply, like microcredits or savings bonds for local civil society projects (Gärtner & Flögel, 2017).

4. Conclusion

In sum, the first part of this chapter explored trends and characteristics of co-production in shrinking rural regions in Germany where this has become a vital instrument for ensuring equivalent living conditions. In other words, civic engagement nowadays seems to be a coping strategy for dealing with changes in the delivery of public services. From a theoretical point of view, “co-production” provides a useful conceptual framework and indicator that determines whether and how shrinking rural regions are facing new challenges and how they are trying to change governance processes by involving individual or collective action (also Schlappa, 2017).

As the few examples of the impact of public economy organisations additionally show, municipally owned corporations also make an important contribution to the fulfilment of public tasks in shrinking rural regions. In particular, municipally owned housing companies and public savings banks, as we described, seem to have an essential public and social policy function. Both appear to be promoters of and partners in processes of local co-governance, co-management, and co-finance. However, the field is in need of further empirical research in order to provide deeper insights into the design, motives, conditions, and effects of the partnership between public economy organisations and citizens. Looking at this relationship from a more comparative perspective, there is also the question of what possible differences or similarities exist between the cooperation of citizens with local administrations and the cooperation with public economy organisations.

Finally, the question of the perspectives for local governance remains. It can be expected that the organisational diversity of delivering public services will continue to increase. With an already highly pluralistic landscape, local governments in shrinking rural regions need to establish the capacities and competencies that are necessary to coordinate, moderate, and facilitate the activities of their administrative units and corporations, private and third sector organisations as well as a considerable number of volunteer arrangements. Local governments deal with a multitude of different but very specific management and coordination requirements as all these arrangements differ in interests, logic of action, competencies and (organisational) culture.

In order to be able to close supply gaps through cooperative forms on one hand, but to avoid redundancies in local service delivery on the other hand, it seems crucial to coordinate citizen participation and the organisational structures that try to facilitate co-production together with already existing processes and arrangements of publicly provided services. This requires a system of cross-sectoral coordination and

management that focuses on service delivery by public sector and public economy organisations as well as the various forms of individual and collective co-production.

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