GERMANY

Overview

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| Population *(specify date)* and territory | 84 270 625 (30.09.2022); 357 592 km2 |
| Administrative structure *(unitary/federal)* | Federal (“Bund”) |
| Regional or state-level governments *(number)* | 16 Federal states (“Länder”) |
| Intermediate-level governments *(number)* | 294 districts and 107 independent towns |
| Municipal-level governments *(number)* | 10.787 municipalities (in 2022) |
| Share of subnational government in total expenditure/revenues | 35.0% of total public expenditure; 37.6% of total public revenues (preliminary values for 2022) |
| Key regional development challenges | * Regional disparities in economic performance and living conditions * Local effects of energy crisis and transition towards a climate-neutral economy * Demographic changes and resulting labour shortages might particularly affect structurally weak regions |
| Objectives of regional policy | * Promoting growth, productivity and jobs by strengthening the economic development potential of structurally weak regions and their ability to cope with transformation processes * Promoting the green transformation * Reduction of economic and social disparities * Contribution to equivalent living conditions across Germany * Political goals of EU Structural Funds as of EU regulation 2021/1060 Art. 5 (1), a), b), d), e) |
| Legal/institutional framework for regional policy | * Constitution: The Länder (States) are primarily responsible for regional policy; the federation is under certain circumstances entitled to engage in regional policy. * Federal Regional Planning Act * Treaty on the Functioning of the European Union, Article 174 |
| Budget allocated to regional development (i.e., amount) and fiscal equalisation mechanisms between jurisdictions (if any) | * Annual budget of the Joint Federal/Länder Task for the Improvement of Economic Structures (Gemeinschaftsaufgabe zur Verbesserung der regionalen Wirtschaftsstruktur, GRW) for 2023: 1.3 billion EUR (financed half and half by the Federation and the Länder) * Funds allocated to regional development within the Federal Funding System for structural development regions * Länder budgets for regional development * EU Structural Funds consisting of 10.8 billion Euro for ERDF, 6.5 billion Euro for ESF+, 2.5 billion Euro for JTF and 0.2 Billion for Euro for EMFAF * Fiscal equalisation mechanism of two components: one allocating budget from the federal governments to the federal states of 10.7 billion Euro (preliminary values for 2022) and a horizontal component of budget reallocation between the federal states. * Structural Strengthening Act provides up to 41 billion EUR for regions affected by the coal phase-out until 2038 (up to 14 bn EUR of financial transfers to Länder; up to 26 bn EUR for projects of federal government; up to 1 bn EUR for communities with hard coal power plants) |
| National regional development policy framework | * National regional policy promotes economic development, well-being and resilience in structurally weak regions through support for private investments, targeted public investments and public service provision in structurally weak regions. Structurally weak regions are identified based on an indicator model which takes into account regional GDP, underemployment, infrastructure and demographic change. The Map of Assisted Areas shows the regions which are eligible for support. * Partnership Agreement 2021-2027 for Germany’s implementation of EU Structural Funds covers 2 national programmes, 31 regional programmes and 23 INTERREG programmes (concerning territorial cooperation). |
| Urban policy framework | National Urban Development Policy as a joint initiative of the Federal, the regional and the local level to foster integrated urban development strategies, with these strands:   * Regulatory framework * Urban Development Assistance Programmes * Pilot projects, urban labs, innovation * Communication platform |
| Rural policy framework | CAP Strategic Plan 2023-2027  Joint Task for the Improvement of Agricultural Structures and Coastal Protection 2023-2026 (GAK 2023-2026)  Federal Rural Development and Regional added value Scheme 2023 (BULE+)  Rural Perspectives 2030 |
| Major regional policy tools (e.g., funds, plans, policy initiatives, institutional agreements, etc.) | * Joint Federal/Länder Task for the Improvement of Economic Structures (GRW) * Federal Funding System for Structural Development Regions (largest programme in the Federal Funding System: GRW) * European Structural Funds * Structural Strengthening Act for coal regions |
| Policy co-ordination tools at national level | Federal Ministry for Economic Affairs and Climate Action |
| Multi-level governance mechanisms between national and subnational levels (e.g., institutional agreements, Committees, etc.) | * Coordination Committee for the Joint Task for the Improvement of Economic Structures (GRW, members: Federal Minister for Economic Affairs and Climate Action (chair), the Federal Minister of Finance and the economic affairs ministers of the Länder), the respective GRW-subcommittee and working groups * Committees on managing and control systems of EU Structural Funds representing the federal government and the manging authorities of the funds in the federal states * Bund-Länder Coordination Body ensures the implementation of the Structural Strengthening Act |
| Policy co-ordination tools at regional level | * Länder strategies and programmes * Regional Development Concepts |
| Evaluation and monitoring tools | * Regular Evaluation of the Joint Task for the Improvement of Economic Structures (GRW) (as provided by the GRW Coordination Framework) * Reports on the Federal Funding System * Planned evaluation of the Federal Funding System as part of the planned Report on Equivalent Living Conditions of the Federal Government * Monitoring an evaluation system linked to the European Structural Funds (EU regulation 2021/1060) * Obligatory midterm review of all programmes of EU structural funds in 2025 * Biannual evaluation of the Structural Strengthening Act |
| Future orientations of regional policy | * The indicator model which defines structurally weak regions in the Joint Task for the Improvement of Economic Structures (GRW) takes regional demographic changes into account. * Design and planning of Cohesion Policy investments for 2021-2027 take the country-specific recommendations of the European Semester into account. |

Recent policy developments

*Reform of the Joint Federal/Länder Task for the Improvement of Regional Economic Structures (GRW):* The Joint Federal/Länder Task for the Improvement of Regional Economic Structures (GRW) serves as the backbone of regional structural policy in Germany and addresses structurally weak regions. The Joint Task offers a broad range of funding instruments for private and public investment and strategies that regions can use to meet their specific needs. It is based on the cooperation between the Federation and the Länder anchored in the German Constitution and was established more than five decades ago. In view of changed global and local challenges, the Federation and the Länder have adopted a major reform of the Coordination Framework of the Joint Task which serves as the basis for the respective Länder funding guidelines on 13 December 2022.

Throughout the entire process, the expertise of representatives from academia and from companies, associations, trade unions, municipalities and other interested organisations was taken on board. The scope of the reform is large. Main changes include an extension of the objectives of the programme: So far, the focus was on securing and creating jobs. Now, three main objectives are pursued: (1) creating and safeguarding jobs, boosting growth and prosperity; (2) offsetting disadvantages affecting commercial activity; (3) accelerating the transition to a climate-neutral and sustainable economy. In line with this, the reform enables better support for green investments both in terms of eligible projects and funding intensity. Also, the reform leads to a better recognition of local value chains: It is not decisive any longer, whether firms operate primarily locally or transregionally; instead, investment projects are eligible for funding, if they make a significant contribution to attaining the programme objectives. Another major change is the introduction of support for regional services of general interest in order to strengthen regional attractiveness for firms and employees. With respect to infrastructure investments, more effort is placed on regional development concepts in order to stimulate an integrated regional development. Following on the reform of the Joint Task, the federal government will continue to further develop regional policy in Germany.

*EU structural funds:* The German Partnership Agreement and the programmes for the EU structural funds for the funding period 2021-2027 have been adopted in 2022 and implementation gathers pace. The European Regional Development Fund (ERDF) is focused on innovation, digitization and economic transformation (56% of the budget). Investments target the competitiveness of SME, knowledge and technology transfer and the improvement of public and private research infrastructure. In comparison to the last funding period the importance of climate and environmental goals in the ERDF further increased (34% of the funding). Investments target energy efficient production processes and renovation of public buildings, adaptation to climate change, risk management and disaster prevention including nature-based solutions. The new Just Transition Fund supports coal regions in four German federal states with additional means to master structural change. The investments of the European Social Fund Plus target skill development and social inclusion.

*Structural Strengthening Act*: The Structural Strengthening Act has been introduced in 2020 to provide financial support to the regions most affected by the coal phase-out. Until the end of 2022 the federal government has approved projects of the Länder totaling 6.4 bn EUR. The majority of funds are allocated to projects related to improving locations for businesses, research and development as well as education. The Bund-Länder Coordination Body has approved 107 projects of the federal government totaling up to 19.5 bn EUR. This includes R&D projects and institutions, transport infrastructure and the relocation of federal agencies (4415 full time-equivalents have been planned so far). The first evaluation of the Structural Strengthening Act is ongoing and will be published in June.