



Federal Ministry  
for Economic Affairs  
and Energy

# Regional policy in Germany: established approaches, lessons learnt and new challenges

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# Agenda

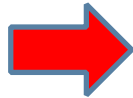
- I. Current Developments, Political Challenges and Regional Disparities
- II. National Regional Policy in Germany: Between Continuity and Modernization
  - Joint Task for Improving Regional Economic Structures (GRW)
  - Nationwide Framework for Regional Policy
  - Structural Strengthening Act for the Coal Regions
- III. Conclusion and Discussion

# I. Current Developments, Political Challenges and Regional Disparities

# Current Developments and Political Challenges

## **New challenges for regional and structural economic policy:**

- Globalization: regionally differentiated distribution of winners and losers
- Digitalization, automation and sectoral structural change (e.g. decarbonization in the energy sector)
- Energy transition - decarbonization - need for regional assistance

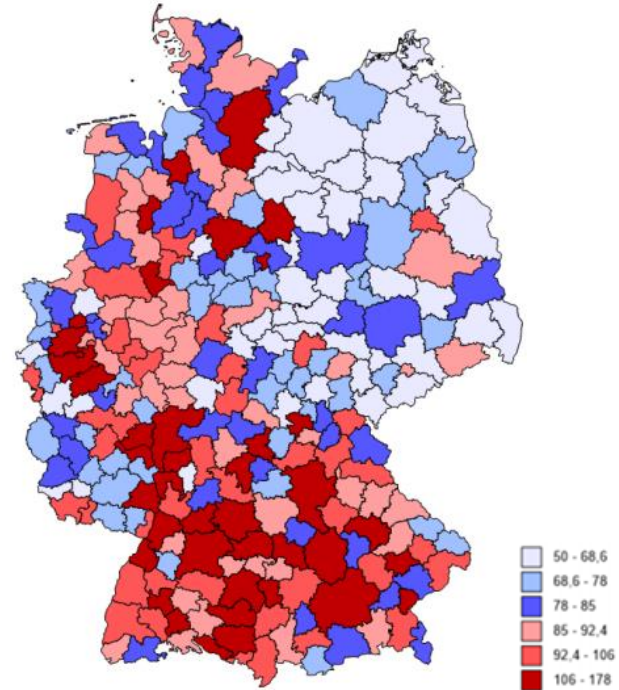


**Renaissance of regional policy**

# Regional Income Disparities

GDP per capita, labour market regions, 2015 (Germany=100)

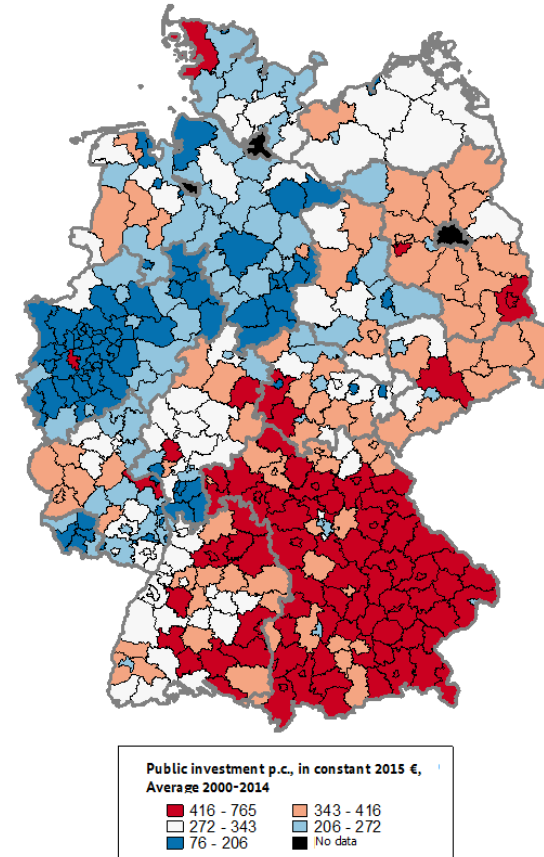
- Braml & Felbermayr (2018), regional disparities in Germany:
  - decreased between 2000 and 2014
  - high from EU perspective
- Large regional variation in GDP per capita:
  - gap between East and West, North and South
  - structural weaknesses both in urban and rural regions
  - GDP per capita in most prosperous and most precarious region differs by factor 3.5
- Large impact on municipal finances



Sources: National accounts of the Länder, GEFRA, BBSR, Ifo (2019); Braml, M. & Felbermayr, G. Regionale Ungleichheit in Deutschland und der EU: Was sagen die Daten?, Ifo Schnelldienst 7 / 2018.

# Regional Investment Disparities

- Regional income disparities come along with regional differences in public investment.
- South-North (more financial power in the South) and East-West divide (catching-up of the East)



## II. National Regional Policy in Germany: Between Continuity and Modernization

# Two Pillars of Regional Policy in Germany

## European Structural Funds

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)

## National regional policy

➤ Both pillars aim at promoting regional development and can be combined in some cases.

In addition to two pillars: Federation-Länder financial equalization scheme

- Reform for period 2020 onwards
- Initially federal support for Länder of €9.7 bn p.a.
- Funding for municipal investments increased by €3.5 bn



# Differences between European and National Regional Policy

EU Structural Funds	National Regional Policy
Funding for all regions	Funding only for structurally weak regions
Indicators on NUTS-2 level	Indicators on NUTS-3 level
ERDF: Broad focus on competitiveness, innovation, SME, CO-2 reduction and sustainable urban development	e.g. GRW: Focus on commercial investments (sector neutral), business-oriented infrastructure and innovation
	National funding can be used as national co-financing for EU funds.

# National Regional Policy in Germany: Looking back

- 1969: Joint Task for Improving Regional Economic Structures (GRW), regional policy becomes part of the constitution (Art. 91a)
- 1970-/80ies: Focus on sectors/regions facing adjustment pressure (e.g. mining, textiles, agriculture in Saarland and Ruhr)
- After 1990: Focus on integration and development of East German regions (private capital stock and public infrastructure)
- Support schemes for East-Germany (“Solidarity-Pact I&II)

## **Lessons learnt:**

- Strictly rule-based identification of structurally weak regions
- Decentralization of regional policy
- Constant adjustments to tackle new challenges

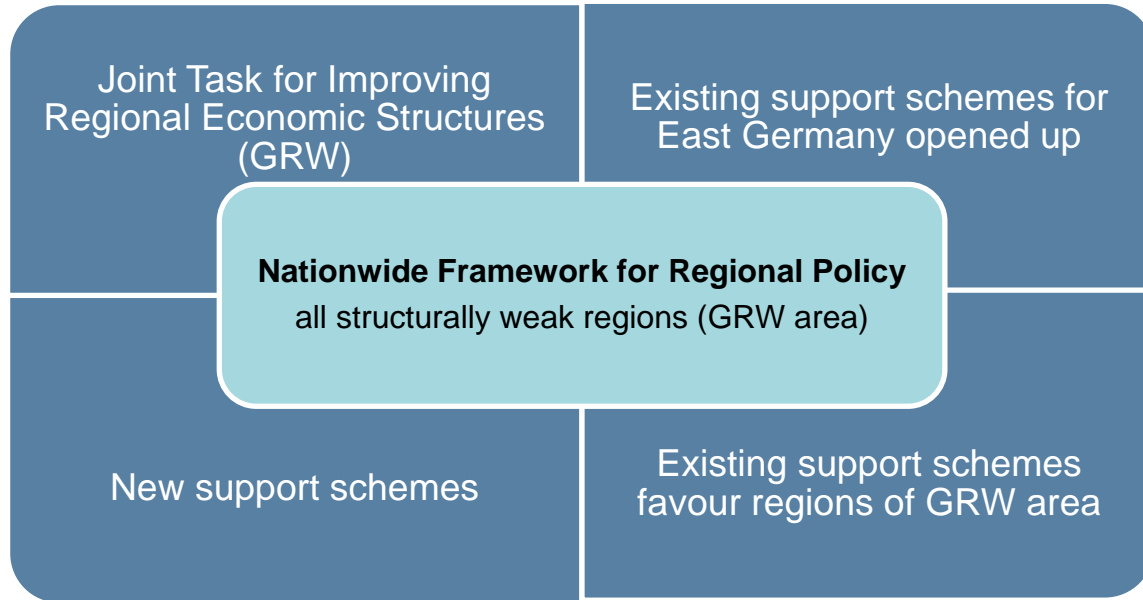
# A New Nationwide Framework for Regional Policy

- July 2019: decision to implement measures proposed by the Commission "Equivalent Living Conditions"
- New regional policy framework: succeeding previous support schemes for East Germany, extension to all structurally weak regions (urban and rural)
- Paradigm change: from integration of the East German Länder towards a nationwide balanced territorial development
- Focus on R&D, innovation, digitalization, human capital development, infrastructure and public services

# The New Nationwide Framework for Regional Policy from 2020

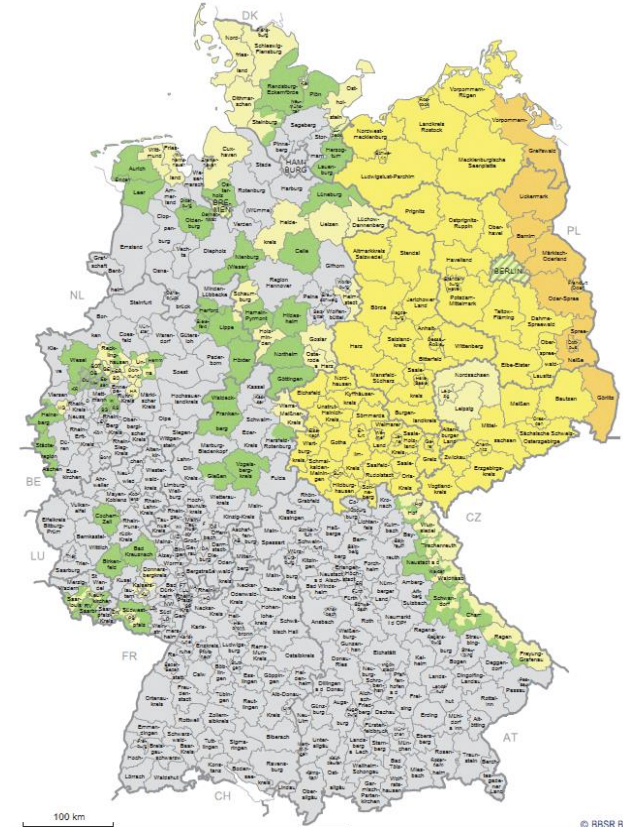
- 22 programs and program families jointly coordinated
- Common monitoring and reporting
- Programs remain autonomous, with own focus
- Strictly rule-based

Program specializations: funding for businesses, R&D, broadband and digitalization, infrastructure, skilled labor

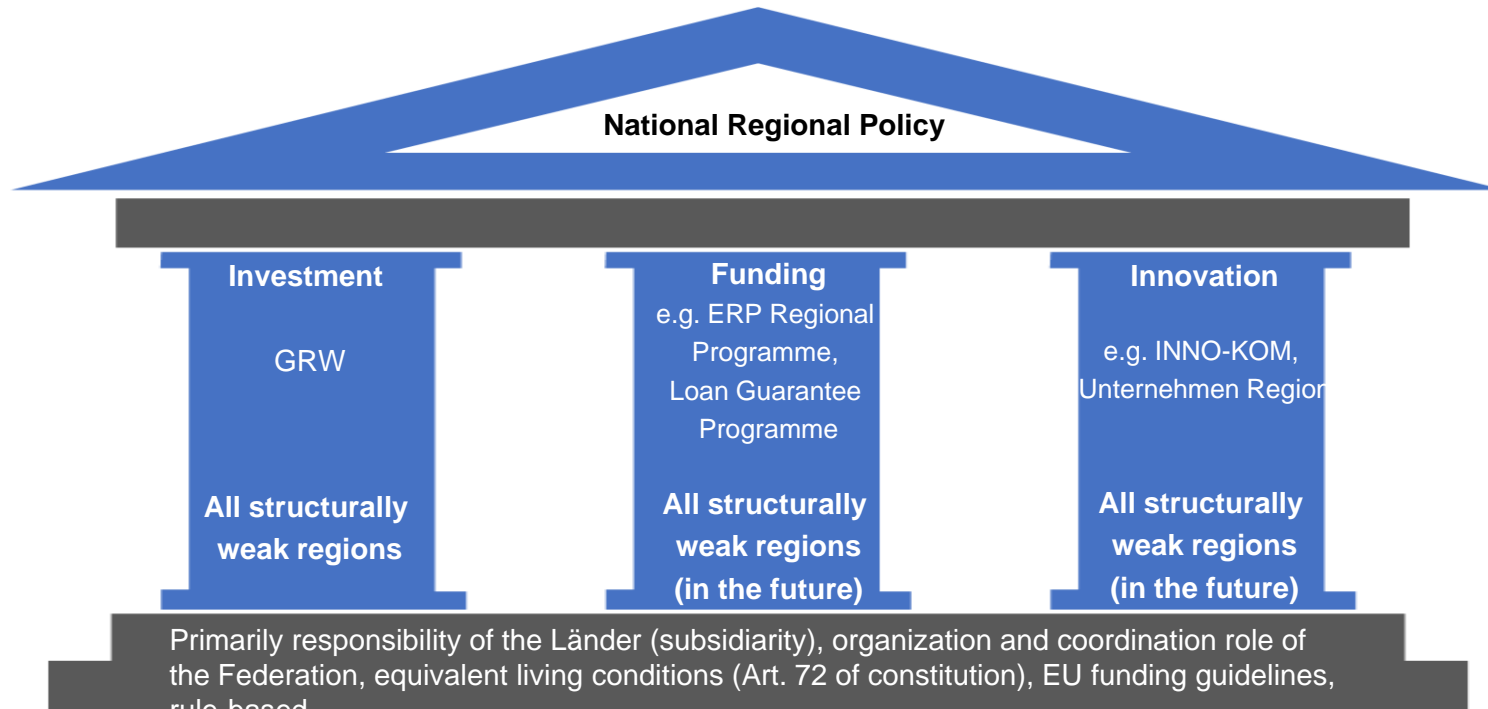


# Joint Task for Improving Regional Economic Structures (GRW)

- Most important instrument of German national regional policy
- Funding targeted at structurally weaker regions throughout Germany (based on the GRW regional indicator)
- E.g. Support of business investment and job creation, workforce training, R&D, innovation clusters



# German Federal Regional Policy for Structurally Weak Regions



# Structural Strengthening Act for Coal Regions

Up to EUR 14 bn.  
by 2038

## Structural Strengthening Act

Up to EUR 26 bn.  
by 2038

### Coal Regions Investment Act

- Based on Art. 104b constitution
- Länder decide on funded projects

### Further measures

- Measures in federal responsibility (e.g. traffic, research)
- Federation decides upon funded projects.
- Prompt implementation of prioritized projects

Coordination Board of Federation and the Länder

### III. Conclusion and Discussion



# Conclusion and Outlook

- Increased sensitivity regarding regional consequences of trade restrictions, migration, climate change, demographic trends
- Political goal: cohesion of society
- Need for regional policy persists!
- Stronger focus on R&D, innovation, human capital development in structurally weak regions

Thank You for Your Attention!