

GERMAN CITIES FACING THE POST- PANDEMIC CRISIS: THE ROLE OF THE GERMAN RECOVERY AND RESILIENCE PLAN

The German Recovery and Resilience Plan (GRRP) is largely the result of consultations between the 16 states and federal government. The plan has no explicit urban or territorial dimension and emphasises the nexus of economic recovery and green energy (green hydrogen in particular). Local governments were not strongly involved in the process but will benefit in terms of investments in climate friendly mobility, public health (municipal hospitals), energy efficient buildings and the modernisation of public administration (digitalisation, public procurement).



**Karsten
Zimmermann**

Professor, Faculty
of Spatial Planning,
Technical University
Dortmund

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Cities in German federalism

Germany is a federal system. The 16 states have competence for municipal codes and the supervision of local governments. They have to follow the rules and principles defined in the basic law and this guarantees a certain degree of coherence and universal standards across the federal republic. However, the institutional factors that determine the performance of local governments differ. For instance, the strength of directly elected mayors can vary – the electoral term in Baden-Württemberg is eight years, while it is five in most other states. In this institutional dimension the federal government has almost no direct intervention. Germany is considered to be a decentralised system, particularly when it comes to the institutional autonomy of local government. However, in other aspects, such as tax autonomy and the importance of transfer payments from other levels of government, the autonomy of German municipalities is rather moderate (BBSR, 2021).

National urban policies do exist, mostly in the form of joint funding programmes where federal government can define policy priorities (Heinelt and Zimmermann, 2016 and 2020). This is common in fields like urban regeneration, energy

transition, mobility and, recently, housing. The volume and scope of funding differs according to the budgetary situation and political priorities of the government coalition in power. Whilst joint national funding for urban regeneration is a rather stable source of income for local governments, the same has not been true for social housing and transport.

Is there an urban dimension in the GRRP?

The European Recovery and Resilience Facility (RRF) amounts to €672.5 billion, of which Germany's share is about €23.6 billion ([Federal Ministry of Finance, 2021](#)). At first sight, the German Recovery and Resilience Plan (GRRP) has no urban or territorial dimension. The policy priorities indicated in the plan, however, demonstrate that cities will benefit directly and indirectly from the investment priorities.

The GRRP has six focus areas with ten thematic components:

1. Climate policy and energy transition.
 - 1.1 Decarbonisation using renewable hydrogen.
 - 1.2 Climate-friendly mobility.
 - 1.3 Climate-friendly renovation and construction).
2. Digitalisation of the economy and infrastructure.
 - 2.1 Data as the raw material of the future.
 - 2.2 Digitalisation of the economy).
3. Digitalisation of education.
4. Strengthening social inclusion.
5. Strengthening of a pandemic-resilient healthcare system.
6. Modern public administration and reducing barriers to investment.
 - 6.1. Modern public administration.
 - 6.2 Reducing barriers to investment.

In total, the GRRP includes about 50 measures. The largest shares are allocated to component 1.1 (11.1%), 1.2 (22.6%) and 5 (15.36%). Focus area 1 (climate and energy) adds up to more than 40% of the budget. The distribution of the funding between the priorities shows that cities will benefit from a significant share. Replacement of vehicle fleets (€2.5 billion), building renovation (€2.5 billion), hospitals (€3 billion) and digitalisation of public administration (€3 billion) are the largest individual measures. In particular, components 1.2, 1.3, 4, 5, 6.1 and 6.2. will impact local governments, as these policies are in part their responsibility. This is the case for investments in public transport, renovation of public and private buildings, digitalisation of local public administration and acceleration of public procurement (reducing barriers to investment).

Energy efficient buildings will particularly help urban dwellers and house owners, but not local governments as institutions. As they are often implemented at local level, measures involving public services are among those that most closely involve local government (including their governance and implementation), such as 1.3 “Local living labs for the energy transition” (€57 million), subsidies for charging and filling stations (€700 million), future-proof hospitals (€3 billion), financial support for buses with alternative drives (€1,085 billion) and digitalisation.

There is, however, no doubt that the German green hydrogen strategy is the main focus of investments. At first sight there is no urban dimension but, as many technologies and infrastructure hubs have yet to be developed, cities with strong research facilities or other locational advantages will benefit. In fact, some cities and regions have worked out green hydrogen strategies, as they feel that they are predestined for the roll-out of this new technology. Duisburg, a post-industrial city in the Ruhr region is a case in point. The city won a national competition and is now one of four national technology hubs for green hydrogen.

THERE IS NO DOUBT THAT THE GERMAN GREEN HYDROGEN STRATEGY IS THE MAIN FOCUS OF INVESTMENTS. AND, AT FIRST SIGHT, ALTHOUGH THERE IS NO URBAN DIMENSION, CITIES WITH STRONG RESEARCH FACILITIES OR OTHER LOCATIONAL ADVANTAGES WILL BENEFIT.

It should be noted that the GRRP is only one of many existing national funding schemes (Heinelt and Zimmermann, 2020). Being both temporary and unique makes this plan less relevant for cities, as many funding programmes for a variety of purposes already exist in Germany, some of which also offer greater continuity.

Involvement of local governments

According to information given in the GRRP, German municipalities are responsible for 37% of public investments (see also BBSR, 2021, where the figure is lower). This indicates that local government will implement a significant, though not large, share of the measures. With regard to the decision-making process, local governments were not strongly involved. The Federal Ministry of Finance took the leadership and negotiated the plan with the governments of the 16 states (vertically) and with the other ministries (horizontally). The German Städtetag was part of a consultation but not very influential on the details.

The Städtetag is one of three associations of local governments in Germany and represents the big cities, while smaller municipalities are usually members of the Städte- und Gemeindebund. Counties – the second tier of local government – are represented by the German Landkreistag. Note that these associations represent local government politically but have no constitutional mandate or veto option. The interests of local governments are also represented in federal policies by the state governments, which act as gatekeepers.

As the process of elaboration of the GRRP needed to be rather quick, the German federal government referred to the existing national recovery programme and the German national hydrogen strategy in order to create synergies, as well as using existing programmes that favoured fast implementation. There is, however, no new mechanism in terms of multi-level governance. As a result, the head of the German Städtetag stated in an interview:

“By resorting to the extensive projects in the areas of renewable energies, climate protection, health and digitization provided for in the Konjunktur- und Zukunftspaket [the national economic stimulus programme from 2020], the municipalities now automatically benefit from the German Recovery and Resilience Plan, even if the central municipal organizations are unfortunately no longer involved in the specific elaboration” (Dedy, 2021).

Opportunities and constraints around local government participation in the GRRP

With regard to the role of cities, the implementation of the GRRP differs a lot from EU cohesion policy and other funding streams that have a clear multi-level consultation and implementation structure. Cities are certainly beneficiaries of the GRRP but we are unable to know if an unequal geographical distribution of the funding occurs, and nor is there any emphasis on specific types of cities (small and medium-sized, rural, large cities). Implementation, supervision and monitoring of the GRRP is led by the Federal Ministry of Finance. This is a lean structure. As the GRRP is temporary, the federal government decided not to create a dedicated governance structure that involves all levels of government. The state governments (ministries for economic development in particular) will play a key role as gate-keepers in the implementation process.

The GRRP will nevertheless offer opportunities for some cities to initiate an economic transformation in the wider context of the national green hydrogen strategy (i.e. Duisburg, but also Chemnitz).

Conclusion

The GRRP has no explicit urban or territorial dimension and, in this regard, there is a difference between the German plan and other European countries (Eurocities, 2021). The main focus is on economic development projects of national relevance (digitalisation, green energy, green mobility). Cities will, however, benefit from the funding opportunities due to the detailed priorities given in the plan: digitalisation and modernisation of public administration, hospitals and public transport. As a result, cities will be involved in implementation. Along with Duisburg, three other cities will benefit in the wider urban development context as national technology hubs for green hydrogen, which will give a stimulus for local research and development facilities. To develop future policies for economic recovery there is a clear need to investigate and evaluate the direct and indirect positive and negative effects of the GRRP for cities.

References

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