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1. The German support system for cities facing crisis

There has been a keen interest in how cities reacted to the several moments of crisis in recent European history. In a comparative study on state support schemes for cities in the face of the 2008-2009 financial crisis, Cucca and Ranci (2022, p. 13) call the German approach “supported localism”. This approach is characterised by supportive financial relationships between cities and upper-level governments and vertical coordination. At the same time, cities enjoy significant financial autonomy and leeway to implement policies. The research is limited as the only German case study is Munich – a prosperous city and capital of Bavaria that generates enough tax revenue to react in a situation of crisis. Other cities in Germany have much fewer resources and rely more heavily on state support.

It is true, however, that all German cities, while they are guaranteed self-governance in the German constitution, form part of a comprehensive and complex multi-level governance system. This includes a variety of channels of public financial support; some are temporary and ad hoc; others have existed for decades. The COVID-19 pandemic and the related adverse effects on German cities and towns stress-tested this system of “supported localism”. Whether cities are viewed as a co-producer or passive beneficiary of assistance programmes depends very much on the programme under scrutiny. The German Recovery and Resilience Plan (GRRP), for instance, has no explicit urban dimension and, to the irritation of local government leaders, cities and local government networks were not involved in the design of the plan (Zimmermann, 2022; Zimmermann and Linse, 2021).

The sum available for Germany initially was about €23.6bn, much less than the amounts other European states received and about one-fifth of the country’s own stimulus programme from June 2020.¹ Nevertheless, cities will benefit from measures in several areas such as modernisation and digitalisation of public administration and climate-friendly mobility.

In August 2023, the federal government decided on a limited enlargement of the GRRP. An additional €2.4bn are now available for e-mobility infrastructure and investments in district heating networks. Again, the

1. The federal stimulus programme from June 2020 came to €130bn. It included a variety of measures such as a temporary reduction in VAT, direct payments for families and support for hydrogen technology and artificial intelligence. <https://www.bundesregierung.de/breg-de/themen/coronavirus/konjunkturpaket-1757482> (15.10.2023)

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latter measure in particular is relevant for cities, but their role is more one of passive beneficiaries. The GRRP is a federal programme that has been designed in a rather centralistic way (Zimmermann, 2022; Zimmermann and Linse, 2021).

The lack of an explicit urban dimension in the GRRP, however, does not mean that there was no federal support for German cities during and after the pandemic. State support was remarkable and used a combination of ad hoc measures and existing programmes. Above all, the federal economic stimulus programme from June 2020 was extraordinary and covered all sectors of society. As far as cities were concerned, the programme included compensation for the loss of business tax revenue (particularly important for German local governments)² and compensation for higher expenditures (not least staff costs in the public health sector and public administration). Another compensatory measure was financial assistance for public transport providers during lockdowns as many of them are owned by local governments. Later, the Federal Ministry for Housing and Urban Development launched the *Zukunftsfähige Innenstädte und Zentren* (“Sustainable Inner Cities and Centres”) programme in 2022. As the lockdowns accelerated the decline of inner cities (shop closures, etc.), the aim of this programme is to support cities and municipalities in overcoming structural problems in city centres. A total of €250m is available until 2025. The programme supports 228 cities and municipalities (some 350 applied).

As well as the federal government, some state governments continue to support cities in this way. The state of North Rhine-Westphalia (NRW) launched a programme in December 2022 and provides €500m to compensate cities for medium-term indirect costs related to the pandemic.

With the exception of the federal programme “Sustainable Inner Cities and Centres”, these support programmes are not designed as economic stimulus programmes but rather temporary compensatory measures. The reason for this strategic choice is a) the availability of several support programmes – including the European Regional Development Fund (ERDF) and European Social Fund Plus (ESF+) – for a variety of urban problems (mobility, urban regeneration, economic development) and b) the preference for a needs-based approach. Therefore, this contribution will place greater emphasis on the regular support system for cities under German federalism.

National urban policies in a federal state

In principle, federal government is not allowed to finance municipal tasks directly. This is due to the strict separation of competences between the states and the federal level. Only in exceptional circumstances (as defined in Basic Law Article 104a-d) may federal government support the states financially, and the state governments are required to forward this financial support to municipalities. The basic law stipulates:

“To the extent that this Basic Law confers on it the power to legislate, the Federation may grant the Länder financial assistance for particularly important investments by the Länder and municipalities (associations of municipalities) which are necessary to:

2. In 2020, the states and federal government shared the full compensation for the loss of business tax for local governments.

1. avert a disturbance of the overall economic equilibrium,
2. equalise differing economic capacities within the federal territory, or
3. promote economic growth." (Article 104b)

An example of the second case above (equalise differing economic capacities within the federal territory) is the law on financial assistance to strengthen the investment activities of financially weak municipalities, in accordance with Basic Law Article 104b (*Kommunalinvestitionsförderungsgesetz – KinvFG*). Based on this law, since 2015 the federal government has provided financial support for investments in public infrastructures such as schools, hospitals, childcare facilities and energy saving measures in public buildings (limited to €3.5bn until 2023). It is more common, however, for national funding to be made available for local governments. The constitution was amended in 2019 so that the federal government can now also give grants for social housing and school buildings, the latter being extremely important for cities.

The federal government also supports the states financially to offset the costs of accommodating refugees and asylum seekers. This is a local duty in Germany and the spike in the number of refugees and asylum seekers in recent years has placed heavy financial burdens on cities. Again, the federal level transfers the money to the states, and they redirect it to municipalities. The states may add their own resources to these programmes. Still, this is not direct federal aid for municipalities as the state governments administer the funds.

National funding for the support of municipal public transport infrastructure follows a similar pattern but is based on a separate law (*Gemeindeverkehrsfinanzierungsgesetz*). Initially a temporary measure, national subsidies became an indispensable component of the financing of urban public transport, not least because national climate mitigation goals require good public transport. As part of a national climate mitigation initiative, federal aid will increase to €2bn starting from 2025. It is worth noting that the German court of auditors criticises these mixed funding schemes for their complexity and lack of transparency (Federal Court of Auditors, 2022). Quite a considerable share of this national fund is transferred to the states but remains unused and the states' contribution is far below the input of federal government. Hence, the federal government's contribution is more than just a supplement.

Direct federal support for municipalities is – more and more frequently – the exception to the rule and comes at times of extraordinary need. The previously mentioned post-pandemic recovery programme for inner cities and unique compensation for the loss of business tax in June 2020 are recent examples. Another example is a temporary intervention for mitigating air pollution in cities in 2017. As a result of pressure from the European Commission and in the wake of the "Dieselgate" scandal, federal government launched a programme to support immediate action for clean air in cities (*Sofortprogramm saubere Luft*). Initially a programme limited to three years, some elements of this programme, such as digitalisation, were extended recently (2022).

In more general terms, the role of federal government is, by default, to co-finance some of the joint programmes of the states and federal government (urban regeneration, social housing, public transport). Direct funding is ideally an exception, but it is happening more regularly.

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A wide variety of funding options exists for policies such as mobility, energy, social housing, urban regeneration, culture, education (schools), social policies and environment, and they all follow different regulations. The German *Städtetag* conducted a study together with PD, a public consulting agency, and they identified about 900 funding programmes in the national data base (*Förderdatenbank des Bundes*, www.foerderdatenbank.de) that are more or less relevant to municipalities (*Deutscher Städtetag* and PD, 2021, p. 6). The large number indicates an eventual lack of strategic orientation and certainly most German municipalities are unaware of all these funding options.

Sources of information on funding

German municipalities are quite well informed about the major national and European funding opportunities. The participants in the previously mentioned survey, however, rated the availability and clarity of funding opportunities as mediocre (*Deutscher Städtetag* and PD, 2021, p. 16). As the states administer most of the national and European funds, they have an interest in there being sufficient impact and in receiving qualified project proposals. Thus, some state governments have created competence centres or municipal support networks to share information and give advice. The previously mentioned federal data base seems to be less relevant for cities (*Deutscher Städtetag* and PD, 2021, p. 15).

A significant source of information are the three umbrella organisations for German local governments. One is for the bigger cities (*Städtetag*), one for towns and municipalities (*Städte- und Gemeindebund*) and one for the counties (*Landkreistag*) (Heinelt and Zimmermann, 2016). These organisations represent the interests of local governments but also share information on funding opportunities. German cities are also members of European networks (Eurocities, Metrex, CEMR, etc.) or have offices in Brussels. Finally, there are organisations such as the German Association for Housing, Urban and Spatial Development³ which is a combination of a think tank and lobbying organisation for German cities and regions in Europe. Some of the national political foundations also work on local government issues. So, there is no shortage of sources of information on funding opportunities, and state as well as federal government ministries would usually use these channels to distribute information. However, as there is no one-stop shop for cities, an abundance of information sources may also mean overload, fragmentation and lack of strategic orientation.

EU funding and German cities

EU funds are a significant source of financial support for German cities, although their importance has diminished as less money is available for Germany in the funding period 2021-2027 (€16.3bn, ERDF and ESF+). In principle, the German share of the European Recovery and Resilience Facility (RRF) can compensate for this but the GRRP has no explicit urban dimension, rather it is seen as a programme that complements other domestic and European programmes (Zimmermann, 2022). Local governments benefit from some measures such as digitalisation and e-government but they have no direct access (Zimmermann and Linse, 2021).

3. <https://www.deutscher-verband.org>

The ERDF and ESF+ are widely used by German cities. Again, it is the states that are responsible for the operational programmes, for the selection of projects and for monitoring. Cities have a greater say in this process. A study for the 2014-2020 ERDF funding period concluded that 13.9% of German ERDF funding was spent on sustainable urban development projects (according to Article 7 of the ERDF regulation for that period: CEC, 2013).

There are, however, differences between the states. North Rhine-Westphalia (NRW) invested 17% in cities; other states only met the minimum requirements. In the current period, this diversity becomes even more apparent: Baden-Württemberg invests 30% of ERDF money in functional urban territories; in Bavaria about 10% goes on the urban dimension; the ERDF operational programme of the state of Hesse fails to mention the urban dimension at all. However, as about 12% of the available funding is allocated to climate-friendly local public transport, it meets the goal of 8% earmarking (CEC, 2021, Article 11). NRW sets policy priorities for urban energy solutions, local and regional adaptation to climate change and revitalisation of neighbourhoods, and these make up around 18% of all the ERDF investment in this state.

German cities also participate in URBACT Projects and, of course, ESF+ and Life+.

In addition, cities may take the initiative to participate in specific actions such as urban innovative actions (UIAs) or one of the EU Missions – as the city of Mannheim did for the EU Mission on “100 smart and climate neutral cities by 2030” (together with Aachen, Dortmund, Dresden, Frankfurt, Heidelberg, Leipzig, Munich and Münster). This mission, however, does only provide for limited and indirect funding opportunities (Horizon Europe). It is rather considered to be a networking activity (<https://netzerocities.eu>).

2. Ways to access national funding

The ways to access funding differ between the programmes. For complex and ongoing funding schemes such as the national urban regeneration grants, there is no specific call as this is an ongoing programme with established routines and responsibilities. For new and temporary programmes, the relevant authorities will publish calls. The main difference, however, is the responsibility.

- 1) For federal programmes, the municipalities directly interact with a ministry or managing agency (*Projekträger*). The municipalities see these programmes as easier to manage (*Deutscher Städtetag* and PD, 2021). Cities directly apply for a call published by federal ministries in a bulletin and use the “easy-Online” national digital portal. Usually, a ministry promotes the call officially and in a widespread manner. State governments may support cities in this process, but their involvement is not anticipated. One example is the previously mentioned post-pandemic recovery programme for the revitalisation of inner cities from 2022.
- 2) The joint funding schemes of the 16 states and federal government are based on legal agreements (*Verwaltungsvereinbarungen*) between the states and federal government. These agreements are reached annually and establish the exact distribution of funds among the states

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and the contribution of the federal government. The agreements also determine precisely what can be financed. Implementation (selection of projects, payment, monitoring, financial audits) is covered by branches of the state governments – the government offices of the regions (*Bezirksregierung*). By way of example: for the Urban Regeneration Grant, the state ministry in charge launches a call (*Programmaufruf*, usually in February each year) that includes goals, eligibility criteria etc. The cities submit proposals for multiannual funding (the deadline may be September of the same year). The state governments are responsible for the selection of projects. This procedure takes place each year in a broadly similar way. In the 2023 programme, the state government of NRW supported 225 projects with a total sum of €386.2m.⁴ The states have some leeway to define their own priorities. For an example, see “Urban regeneration and social integration in neighbourhoods” (*Soziale Integration im Quartier*) in Baden-Württemberg.⁵

The states are free to launch their own funding programmes to complement national programmes or support cities, pursuing their own policy priorities. The state of Baden-Württemberg, for instance, started funding programmes to support cities’ investments in cycling infrastructure or to support infill development in urban planning (*Flächen gewinnen durch Innenentwicklung*). All 16 states are doing this but the policy priorities and the amount of funding available for cities and towns differ to a significant degree. This depends on the party coalition in power and the overall budget situation. Unfortunately, there is no comparative study of this dimension of sub-national support for cities.

To conclude, without doubt German cities benefit from a blend of different programmes that operate according to different regulations and time scales. Participation in the programmes, however, is limited by administrative capacities as each programme has different requirements. Although funding opportunities exist in abundance, this clearly limits overall effectiveness. Medium-sized cities such as Mannheim may participate in 15-20 programmes at the same time.

3. The case of Mannheim

Mannheim is a city of 309,000 inhabitants located in the southwestern state of Baden-Württemberg. Mannheim is successfully navigating the passage from industrial to post-industrial city, and the exploitation of national as well as European funding opportunities has made an important contribution to this process. Mannheim participated in many of the European and domestic funding options mentioned above.

During the Covid crisis, Mannheim benefitted from the previously mentioned compensation for the loss of business tax revenue. In addition, in 2022 Mannheim participated in the federal programme for the resilience and structural adaptation of inner cities. Federal aid for the “Future Space Mannheim” project is €2.5m; the city needed to add a further €850,000. Mannheim used REACT-EU in the years 2021 and 2022 to support people suffering from specific disadvantages and whose situation had worsened because of the pandemic (single parents, people with disabilities, school dropouts, migrants).⁶

4. <https://www.mhkbd.nrw/the-menportal/staedtebaufoerderung> (26.05.2023)

5. <https://mlw.baden-wuerttemberg.de/de/service/foerderprogramme/liste-foerderprogramme-mlw/soziale-integration-im-quartier-siq> (31.05.2023)

However, due to the consequences of industrial decline and structural transformation (unemployment, disadvantaged neighbourhoods, lack of urban amenities in some areas), economic transformation, urban regeneration and transformation of industrial brownfields are still the main activities. Since 2000, the city has taken a more strategic approach in this regard and implemented a range of projects (about 30 projects with an investment volume of €60m in EU and national funding, which together with local sources amounts to €130m).

According to website information, Mannheim has received around €250m in urban development assistance since the inception of this programme in the mid-1970s.

Examples in 2023 are (urban regeneration grant):

- €2,500,000 in support of *Schönau-Nordwest* (modernisation of residential buildings, playgrounds)
- €1,900,000 in support of *Neckarstadt-West II* (public spaces)
- €900,000 in support of *Spinelli Barracks* (military conversion area, urban regeneration)
- €192,000 in support of *Sanierung Sportanlage Franklin* (regeneration of sports facilities)

Recently, mobility policies appeared on to the agenda too. Mannheim participated in the national immediate action programme “Clean Air” 2017-2020. In this regard, the city is one of five cities that have been awarded model city status, i.e., implementing pilot actions for the improvement of public transport (the others are Bonn, Essen, Herrenberg and Reutlingen).⁷ European funding is important to Mannheim, as can be seen in the following two tables for the funding periods 2014-2020 and 2021-2027.

The following two tables give an overview on the relevance of EU-funded projects for the funding periods 2014-2020 and 2021-27.

6. https://www.mannheim.de/sites/default/files/2021-02/GrundlagenpapierREACT_MA_2021_final.pdf (14.10.2023)
7. <https://www.deutschland-mobil-2030.de/blog/modellstadt-mannheim>

Table 1: The amounts of funding received: EU Funding period 2014 – 2021

EU-funded programmes 2014-2020		
EU-Programm	Amount of funding	"Average for 2022 (as many projects of this period continue until 2023)"
ESF OP BW	€ 3.300.000	€ 366.667
ESF federal – BIWAQ-Program	€ 53.600	€ 16.080
ESF federal – BIWAQ Program (Quizma-Project)	€ 312.178,86	€ 86.306,95
ESF federal – Program: „Strenthening youth in neighbourhoods“	€ 475.901,67	€ 67.985,95
ESF federal: Integration by Qualification „Bridging measure business administration“	€ 38.500	€ 38.500
European aid fund for the most disadvantaged persons (EHAP): ANIMA.Projekt	€ 1.215.028,09	€ 172.059,37
ESF OP Baden-Württemberg: REACT EU	€ 170.750	€ 169.750

Source: City of Mannheim 2023, personal communication

Table 2: EU Funding period 2021 - 2027

EU-funded programmes 2021-2027		
EU-Programm	EU Support	Average for 2022
EFRE RegioWin 2030	€ 7.500.000	€ 1.071.428,57
ESF + Land OP	€ 800.000	€ 533.333,33
REACT EU-Mittel		
ESF + Land OP	€ 237.360	€ 22.770
ESF + Land OP	€ 712.757,85	€ 101.822,55
ESF + Land OP	€ 846.107,32	€ 120.872,47
ESF + federal: integration by qualification. Bridging measure business administration	€ 291.284	€ 73.291,94
ESF + REACT EU	€ 97.783	€ 20.632,16
ESF+ REACT EU	€ 222.750	€ 190.928,57
EU-Action programmes		
Creative Europe	€ 7.000	€ 4.454,54
COSME	€ 20.704,50	€ 14.493,15
Horizon Europe	€ 19.993.346	€ 273.781,25
Horizon Europe	€ 4.206.020	€ 125.110,83
Subtotal		€ 2.648.029,13
Federal Programm Sustainable City Centres	€ 2.538.760,54	€ 807.502,54
Total		€ 4.398.280,05

Source: City of Mannheim 2023, personal communication

EU funding and “Local Green Deals”

Together with the global network Local Governments for Sustainability (ICLEI), Mannheim coined the idea of “Local Green Deals” to demonstrate the contribution cities in Europe can make to reaching the goals of the European Green Deal.⁸ The EU-funded project ALLIANCE, or Alliance for local green deals and innovative action for resilient cities and enterprises, seeks to implement this.⁹ Besides Mannheim, Espoo (Finland), Umea (Sweden) and ICLEI are part of this project that pilots new forms of local governance (May 2022-May 2024). This EU-funded project is supported by a complimentary project called EVERGREEN that is financed by the German Ministry of Education and Research (*Innovationsplattform Zukunftsstadt*).

8. <https://conferences.sustainablecities.eu/mannheim2020/>

9. <https://iclei-europe.org/projects/?c=search&uid=NNNackdB> (01.06.2023)

4. Recovery or transformation?

Data on the local impact of the National Recovery and Resilience Plan or federal stimulus programme from June 2020 is not available, not least because both programmes are not considered to be a stimulus programme for cities. It is even questionable whether such a comprehensive stimulus programme for cities exists in Germany. There are two reasons for this: German cities, like Mannheim, do face the fundamental challenge of a green and climate-friendly transformation and there are plenty of funding opportunities available. Thus, the challenge is less one of stimulating a post-pandemic recovery process than of a fundamental transformation of mobility patterns, land use, housing, energy provision, etc. The pandemic was a temporary disruption that did not trigger major changes in terms of funding (besides temporary financial compensation). The “Future Space Mannheim” project is a case in point. Although the federal funding programme is a response to the negative effects of the pandemic for inner cities, the call for projects clearly states that the structural problems of inner cities existed before the pandemic due to e-commerce and suburbanisation of retail. Mannheim employs the funding to find new purposes for empty shops, facilitates temporary uses and tries to build an alliance of public and private actors for a better future for the inner city.

However, European and national funding for Mannheim used to facilitate the structural transformation of the city and its economy from an industrial to a post-industrial context clearly carries more weight. Emblematic projects include a technology centre, support for female entrepreneurs, support for Turkish entrepreneurs, regenerating brownfields, support for new sectors such as the creative industry (*Musikpark*, *Popakademie*, a competence centre for the textile industry). In addition, support for “left-behind” neighbourhoods was a central element of Mannheim’s regeneration strategy. As a result, Mannheim is considered a successful case of urban transformation. Changes were visible not least through iconic buildings like the *Popakademie*. Currently there is a policy shift taking place from industrial transformation towards green transformation (as the National Garden Show 2023 in Mannheim demonstrates).

In more general terms, German municipalities need to master the coordination of several streams of funding – a little like assembling the pieces of a puzzle. Co-funding is necessary for European as well as for some national funding programmes. Some programmes require innovation and partnership, and this can prove to be complex. More and more national as well as European programmes require integrated solutions but remain somehow trapped in sectoral logics. Cities like Mannheim seek to concentrate funding from different sources on priority projects or areas. However, each programme operates on different time scales and requires different administrative procedures. As a result, the place-based coordination of programmes is challenging. The organisational capacities and the entrepreneurial spirit of German cities to successfully handle these managerial challenges differ. This, however, is totally in line with the idea of “supported localism”.

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