

Germany

Key facts and issues

Germany is a federal country with a population of 81.6 million. Its subnational governments are responsible for 47% of public expenditures, ranking Germany 8th in the OECD in terms of decentralisation with regards to public spending. Around 42% of Germany's population lives in predominantly urban regions, where 63% of the GDP is produced. More than 90% of Germany's population in metropolitan areas was exposed to high levels of air pollution. Between 2000 and 2013, predominantly rural regions outperformed predominantly urban regions in terms of GDP growth.

At around USD 47 200, Germany's GDP per capita is about 15% above the OECD average. Regional disparities, measured by the Gini index, across small regions (TL3), are below the OECD average and have been declining since 2000. Between 2008 and 2013, the gap between the 20% richest and 20% poorest regions has decreased because the poorer regions outperformed the richer regions—a catching-up dynamic. Germany is the 3rd highest in the OECD for the share of its population 65 and over, at about one fifth, and that share has increased substantially since 2000. The elderly dependency rate is the 2nd highest in the OECD. Germany's youth unemployment has witnessed one of the fastest decreases in the OECD between 2008 and 2013. While overall employment-related performance is above OECD averages, large disparities are found in employment and unemployment rates: Germany has the 5th largest inter-regional disparities among OECD countries, with Bavaria ranking in the top 10% and Berlin in the bottom half.

Germany: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	No national framework document but the Joint Task force for the Improvement of Regional Economic Structure (GRW) is the basis of Germany's regional policies	Direct aid to businesses is the primary focus, followed by business infrastructure in the allocation of GRW funds; the Federal state has a mandate to curb regional disparities	Federal Ministry for Economic Affairs and Energy (BMWi)
Urban	Memorandum for Urban Energies	Main programmes at the federal level are to foster social cohesion and urban investments; most of the competencies are the responsibility of the <i>Länder</i> and municipalities	Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB)
Rural	National Framework (2014-2020)	Rural Development is the competency of the <i>Länder</i> . The National Framework combines the common elements of the 13 regional programmes. The National Rural Network Programme supports networking activities	Federal Ministry of Food and Agriculture (BMEL)

General policy approach

Regional development is mainly the responsibility of the *Länder*. There is no regional policy per se; however the Joint Task for the Improvement of Regional Economic Structure (GRW) created in 1969 and its multiannual Co-ordination Framework, as well as EU Structural Funds, are the basis of national level regional development policy. The aim of the GRW is to reduce regional disparities in structurally weak regions and thus to reduce overall developmental disparities. It is a consensus-based co-ordination framework and activities are jointly financed by federal and *Länder* authorities. Of the GRW budget, around two-thirds are spent on investment incentives for firms and one-third for business-related infrastructure. The National Urban Development Policy is a joint project between the federal government and associations of subnational governments and focuses on innovative solutions to urban challenges, including the involvement of civil society, with a focus on planning issues. With ministerial oversight changes, there is a new environmental focus. Rural development is mainly a *Länder* responsibility, and each has a regional programme for EU rural development funds. The Ministry of Food and Agriculture launched the Federal Rural Development Scheme (BULE) in 2014 to support innovative approaches to rural development.

Recent policy changes

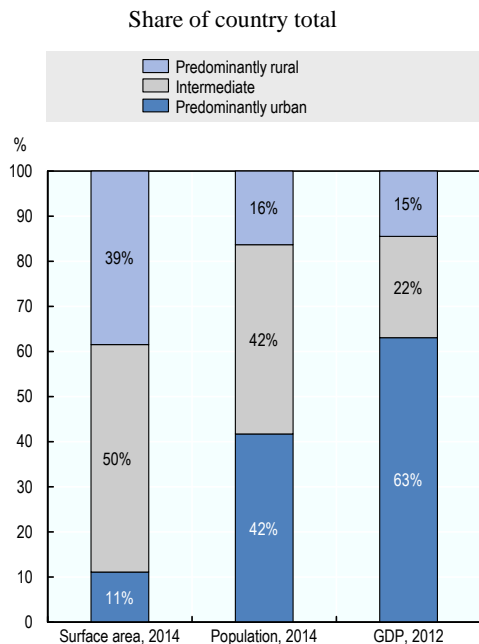
- The current funding period will focus on new challenges, such as demographic changes, shortage of highly skilled workers and the energy transition.
- Specific support mechanisms for East Germany will be phased out in 2019.
- The recent modification of the German Joint Task for the Improvement of Agrarian Structures and Coast Protection (GAK) paves the way for stronger support to stabilise and extend elementary structures in rural areas.
- In 2014, responsibility for the national urban policy framework was moved to the Ministry for Environment, putting environmental issues in disadvantaged places on the agenda.
- Other place-based concerns being discussed include the fast rise of land prices and rents in urban areas as well as the accommodation of refugees.

Germany: Main regional, urban and rural development policy tools

Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	Only cross-border Operational Programmes focus on transportation
Other Infrastructure investments	✓	Most Länder Operational Programmes intend to invest in education and research infrastructure Rural: the Rural Development Programme intends to invest in infrastructure relevant to agriculture as well as broadband and recreational infrastructure
Service delivery (subsidies for public services)	✓	Federal/state/municipal programme “ Social City ”, EUR 150 million from the federal level
Business development/ innovation support	✓	Länder Operational Programmes focus on SME competitiveness and innovation support. Rural: the Rural Development Programme intends to diversify rural economies and contributes to innovation as a cross-cutting objective
Urban renewal	✓	Federal/state/municipal programmes “ Aktive Stadt- und Ortsteilzentren ”, “ Stadtumbau Ost ”, “ Stadtumbau West ”, EUR 320 million from the federal level
Urban form and land use		
Sustainability policies	✓	Länder Operational Programmes mainly target energy efficiency, notably in businesses Rural: the Rural Development Programme works towards sustainable rural industries
Rural-urban linkages	✓	Some Länder Operational Programmes address rural-urban linkages through Community Lead Local Development (CLLD)
Clusters/technology platforms/ centres of expertise	✓	Most Länder Operational Programmes have cluster programmes to invest in technology, innovation and knowledge transfer
Special economic zones		
Rural landscape preservation	✓	Rural: the Rural Development Programme intends to protect valuable rural amenities so as to foster tourism
Skills/training programmes	✓	Some Operational Programmes focus on skill upgrading and training programmes for the local labour force. The same applies to Rural Development Programmes with respect to the labour force in rural areas
Capacity building for sub-national governments	✓	Cross-border Operational Programmes typically include a good governance aspect

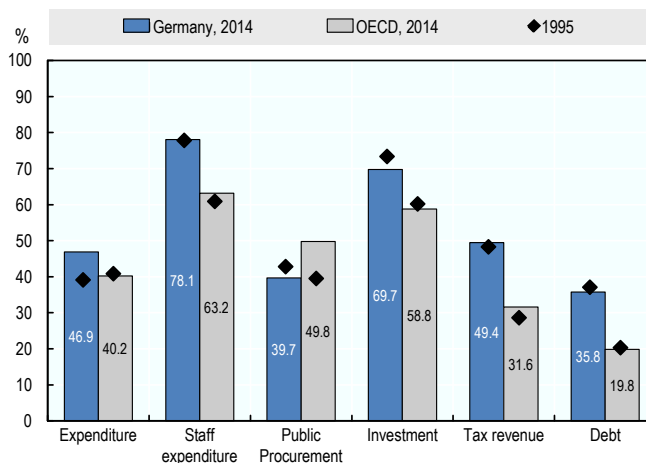
Note: Germany’s *Länder* are managing the EU Cohesion funds. Each *Länder* has its own Operational Programme with its own instruments, objectives and budgets. For the complete list of Operational programmes, please visit: http://ec.europa.eu/regional_policy/en/atlas/programmes?search=1&keywords=&periodId=3&countryCode=DE®ionId=ALL&objectiveId=ALL&tObjectiveId=ALL.

Land, population and economy in rural and urban regions



Subnational government role in public finance

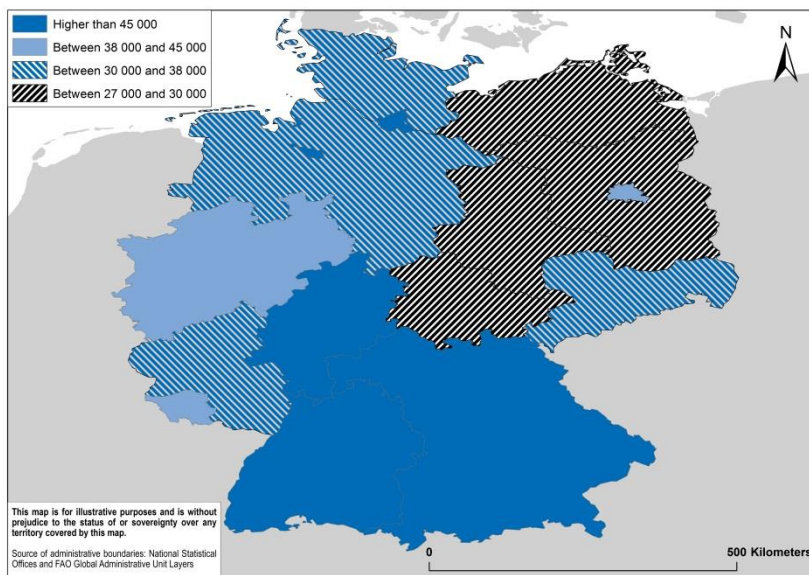
Share of general government



Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
11 092	402	16	11 510

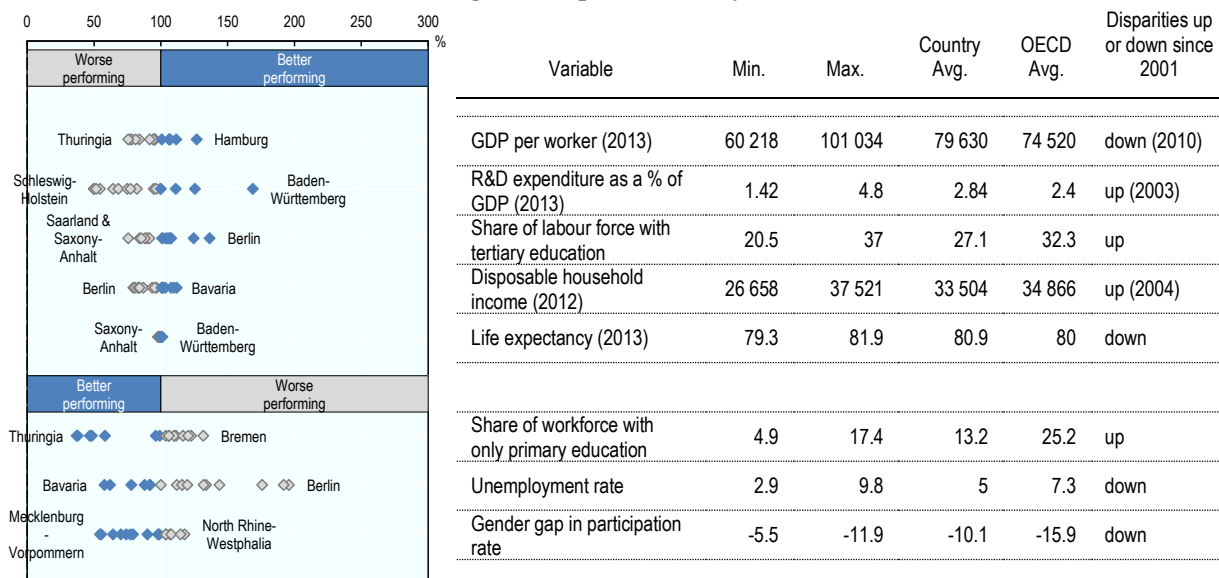
Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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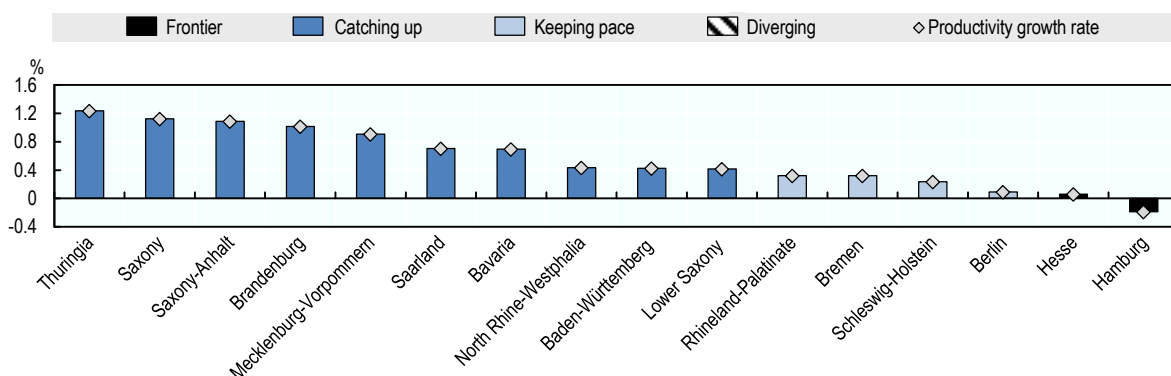
Inter-regional disparities on key indicators



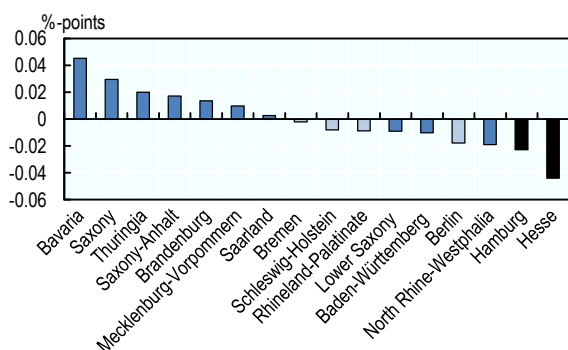
Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

Productivity and catching-up trends among regions

Average annual productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013
See country page notes for classification of regions

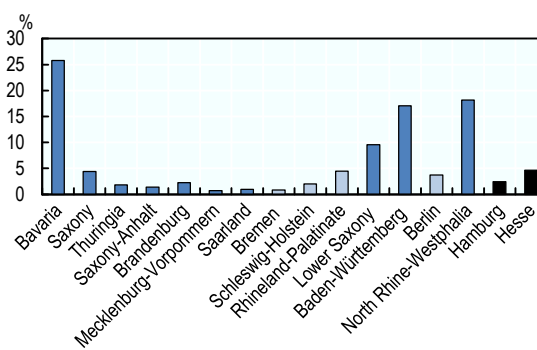


Contribution to labour productivity growth, 2000-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Percentage contribution to national GDP growth, 2000-13



Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

StatLink <http://dx.doi.org/10.1787/888933420302>

Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km ² grid cell population weighted average of satellite-based estimates of small particulate matter (PM _{2.5}).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, http://dx.doi.org/10.1787/reg_glance-2016-en.