

Federal Dimension of the Corona Reconstruction Funds

Federal Conflicts in the Implementation Process and Key Aspects of
the Intra-German Use of the Funds

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Recovery and Resilience Plan in Germany: Priorities for the Use of Funds

- **Grants:** requested gross grant payment for the period 2020 to 2027: about 28 billion euros (about 8% of the total EU Recovery and Resilience Facility)
 - Investment grants: 12.7 billion euros
 - Subsidies: 4.3 billion euros
 - Government consumption: 5.8 billion
- **No Borrowing:** Germany does not plan to borrow (although member states can apply for a loan of up to 6.8% of their GDP in 2019 as part of their recovery and resilience plan submission)

Recovery and Resilience Plan in Germany: Priorities for the Use of Funds

Focus areas with varying spending volumes:

- Climate policy and energy transition: 12.5 billion €
- Digitization of the economy and infrastructure: 6.0 billion €
- Digitization of education: 1.4 billion €
- Strengthening social participation: 1.4 billion €
- Strengthening a pandemic-resistant healthcare system: 4.6 billion €
- Modern administration and dismantling barriers to investment: 3.5 billion €

Negotiation Process German Recovery and Resilience Plan (DARP)

- **November 2020:** Exchange with social partners within the framework of the Macroeconomic Dialogue.
- **December 2020:** Federal government submits draft to EU Commission
- **January 2021:** Official submission of the draft to the Bundestag and its committees as well as the Bundesrat
- **Spring 2021:** Notes from welfare and environmental associations and the federal states
- **April 2021:** Federal Ministry of Finance submits finalized plan to EU Commission
- **April and June 2021:** Decisions by the Federal Constitutional Court on two urgent petitions for execution of the Own Resources Ratification Act

Discussion in Germany

- Main focus of the debate about the EU's Recovery and Resilience Facility: EU's ability to incur debt
- two proceedings before the Federal Constitutional Court and a critical review of the German Federal Court of Auditors
- political discussion on domestic implementation and use of reconstruction funds was hardly noticed by the public
- negotiations were mainly conducted by the federal government → the Federal Ministry of Finance prepared the German Reconstruction and Resilience Plan (DARP)
- Strongly executive procedure, Länder had hardly any substantial influence

Role of the Federal Government and criticism of the States

- The Federal Ministry of Finance (BMF) coordinates the application for and use of ARF funds and is the central point of contact for EU institutions and the Länder for the overall process.
- Federal Ministries will coordinate the individual investment programs – also with the Länder and municipalities.
- Criticism from the Länder:
 - federal government's process of developing the DARP was not transparent
 - insufficient involvement, although ARF and DARP concern competing and exclusive competencies of the Länder
 - inadequate representation of the regional perspective on far-reaching economic transformation processes in their regions
 - No coordination with regard to possible overlaps to EU co-financed programs of the Länder

Role of the Länder in the Implementation of the DARP

- Coordination unit at the Federal Ministry of Finance shall conduct regular coordination meetings on the implementation of the DARP with the Länder and other ministries.
- Länder and local authorities shall be involved in the further specification of individual investment measures by the relevant ministries (particularly in the case of the digitization and the digital education offensive)
- Set up of a joint program of the federal and Länder governments for a high-performance, citizen- and business-friendly administration to reduce barriers to investment → commissioning of the “PD - Public Sector Advisors”
- Involvement of the Länder in the preparation and coordination of the federal government's National Reform Program (NRP) in the course of the European Semester (lead: Federal Ministry of Economics)

The DARP from a federal perspective

- [Federalism theory and practice:](#)
 - various new and temporary investment programs, instead of general, purposeless block grants (for financially weaker regions)
 - Various measures were already formulated by the federal government in 2020 as part of the domestic Anti-Corona economic stimulus program → DARP is thus partly refinancing the expenditures of the Bund with funds from the EU's ARP
 - Länder, municipalities and companies must apply for funds/grants in a competitive process (no free availability)
 - Disadvantage of this “project-based” allocation: already strong and responsive Länder and municipalities will be further strengthened

The DARP from a federal perspective

- Federalism theory and practice:
 - Länder and grant recipient complain already today: complex application and accounting procedures
 - Municipalities have hardly any capacity today to apply for funds since the number of programs increased substantially over last years
 - Special audit rights of the Federal Audit Office down to the level of the municipalities.
 - Dilemma: the federal government has the sole right of external representation vis-à-vis the EU, but the concrete implementation of the EU's Recovery and Resilience Facility takes place at the level of the states and municipalities.