Editors:

ARL – Academy of Regional Sciences and Regional Planning in Hanover
BBR – Federal Office for Building and Regional Planning in Bonn
IfL – Leibniz Institute for Regional Geography (IfL) in Leipzig
IÖR – Leibniz Institute of Ecological and Regional Development in Dresden
IRS – Leibniz Institute for Regional Development and Structural Planning in Erkner, near Berlin

Responsible for the 2006 edition:

IfL – Leibniz Institute for Regional Geography, Sebastian Lentz
Acknowledgement

I would like to thank the following authors, Markus Eltges, Günter Herfert, Rupert Kawka, Karl-Dieter Keim, Manfred Kühn, Hans Joachim Kujath, Burkhard Lange, Heike Liebmann, Ulf Matthiesen, Monika Meyer-Künzel, André Müller, Martin T. W. Rosenfeld, Michael Schädlich, Wendelin Strubelt, Gerald Wagner and Sabine Zillmer, for their contributions to this publication. Special thanks once again to Wendelin Strubelt (BBR, Bonn) who supports the new series also as editor as do my colleagues Heiderose Kilper (IRS, Erkner), Bernhard Müller (IÖR, Dresden) and Dietmar Scholich (ARL, Hannover). During the conceptional phase of this annual Andreas Klee and Peter Wittmann were very helpful.

An additional note of gratitude goes to Katrin Schamun, from ts redaktion in Berlin, for her intuitive and competent editing of our contributions and for her patience in dealing with our creative interpretation of deadlines.

Sebastian Lentz
# Contents

**Sebastian Lentz**

1 Preface - Introduction 1

**Michael Schädlich, Gerald Wagner**

2 Perspectives and Options for Economic Policy in Eastern Germany – With Special Reference to Aspects from the Spatial Sciences 7

2.1 Key Findings 8
2.2 Strategic Goals and Approaches 10
2.3 Essential Strategy Elements in the Focus of the current Discussion 13
2.4 Summary and Outlook 23

**Karl-Dieter Keim**

3 On the Difficulties involved with the Examination of Complex Policy Agendas 27

3.1 Policy Windows 28
3.2 Policy Networks 30
3.3 Policy Topics 33
3.4 Policy Impacts 35
3.5 Prospects 37

**Rupert Kawka**

4 Regional Disparities in the GDR - Do They Still Matter? 41

4.1 Data Sources 44
4.2 Descriptive Interpretation of the Data 45
4.3 Does History Matter? 50
4.4 Conclusions 52
## Contents

**Markus Eltges, Wendelin Strubelt**

5 Equal Living Conditions and their Fiscal Bases 57

5.1 Regional Disparities as a Societal Challenge 60
5.2 The national System of financial Balance and equal Living Conditions 62
5.3 The European Structural Funds and the Guarantee of equal Living Conditions 65
5.4 Hidden financial Equalization through social Security Systems 70
5.5 The entire System 74

**Martin T. W. Rosenfeld**

6 Interregional Support Policy for East German Regions 79

6.1 What Kind of Interregional Support Policy (ISP) is needed for East German Regions? 80
6.2 The current System of Interregional Support Policy (ISP) for East German Regions 85
6.3 Conclusions for reforming the current ISP System 87

**Günter Herfert, Sebastian Lentz**

7 New Spatial Patterns of Population Development as a Factor in Restructuring Eastern Germany 91

7.1 Regional Population Movements 91
7.2 Polarisation of regional Population Development 96
7.3 Migration into the City and Re-Urbanisation? 97
7.4 Large Scale Migration Phenomena 103
7.5 Conclusions 106

**Ulf Matthiesen**

8 Strengthening the Human Resource Base in Eastern German Regions 111

8.1 Context Surprise: The Eastern German Knowledge Society 111
8.2 Education, Knowledge, Science and Research in the East Concepts and empirical Evidence 113
8.3 New Actor Networks, Spatial Pioneers, Integrated Politics 117
## Contents

Manfred Kühn, Heike Liebmann

### 9 Strategies for Urban Regeneration – The Transformation of cities in Northern England and Eastern Germany  
123

9.1 The Regeneration of Cities in Decline – a Subject of International Interest  
123
9.2 The Concept of Strategic Planning  
126
9.3 Urban Regeneration in Northern England  
128
9.4 „Stadtumbau“ in Eastern Germany  
131
9.5 Comparison and Conclusion  
134

Monika Meyer-Künzel

### 10 Urban Development with Olympic Games and World Exhibitions – is it Possible to Plan Usage?  
139

10.1 Urban Improvement and the Planning of Open Space  
140
10.2 Instrumentalisation of Urban Development for the Benefit of the City  
145
10.3 Discussion of Large Scale Events in Europe  
149

André Müller

### 11 Countries Undergoing Transformation – „New“ European Neighbours in Spatial Planning  
155

11.1 The History of Planning in the EU‘s Neighbouring Countries – Spatial and Structural Characteristics  
157
11.2 Options for Future Planning Processes  
159

Hans Joachim Kujath, Sabine Zillmer

### 12 Spatial Development Strategies in the New EU Member States: EPSON Project 2.2.2 on Pre-Accession Aid Impact Assessment  
163

12.1 Potential Orientated Policy Impact Assessment  
164

Burkhard Lange

### 13 The Knowledge Society and Spatial Development  
167

Appendix

Biographies and Publication List’s of the Authors  
173
With “Restructuring Eastern Germany” five spatial research institutes have introduced the first volume of the German Annual for Spatial Research and Policy. Four of these institutes belong to the Leibniz Association: The Academy for Spatial Research and Planning (ARL) in Hannover, the Leibniz Institute for Regional Geography (IfL) in Leipzig, the Leibniz Institute of Ecological and Regional Development (IÖR) in Dresden and the Leibniz Institute for Regional Development and Structural Planning (IRS) in Erkner, near Berlin. The fifth institute is the Federal Office for Building and Regional Planning (BBR) in Bonn, a large partner of great importance. These research institutes have founded this new scientific series with the goal of providing international colleagues with information on an annual basis concerning problems and research results within this current and socially relevant issue in Germany. The combined presentation of issues addressed in articles from these individual institutes is an example of how complementary the respective research approaches and abilities are. This kind of year-book therefore documents a network which has existed for several years between the institutes in the form of mutual information and trusting research cooperation.

After the political union of both German states the structural equalisation of living conditions was an enormous challenge for the entire German populace and for all of the functional systems within this new and larger country. After more than 15 years it has become clear that this challenge has hardly diminished. The spatial research perspective, judging by the conviction of the institutes involved, is especially suited to providing a discriminating view of the processes and structures, and of the approaches and effects, which is why the first volume of this new German Annual is concerned with restructuring in eastern Germany. And thus, for example, the less than fully developed economic landscape in eastern Germany is faced by the challenge of increased competition, and the border areas of this same region are exposed to the effects of the EU’s eastern expansion, which has at the very least created a new constellation of international spatial divisions of labour. At the same time, within Germany the efficiency of transfer payments into the eastern part of the country and the reduction thereof is being discussed.

Seven articles within this volume are devoted to a total analysis of spatial structures and processes in eastern Germany as well as the politics of restructuring and specific recommendations for action within the political arena of the Aufbau Ost programme (Economic Reconstruction in the East). Two articles are concerned with the more specific themes of urban developmental policies using examples in eastern Germany. The articles are supplemented by reports of regional structures and regional planning systems in eastern and south-eastern European countries as well
as an account of an Academy of Regional Sciences and Regional Planning conference about questions concerning the relationship between a knowledge society and spatial development.

Michael Schädlich and Gerald Wagner analyse the structure of spatial development in eastern Germany. According to their research economic development will become more regionally polarised. Peripheral and rural areas, where it will be difficult to maintain current levels of infrastructure in the future due to a decline in population, will be particularly affected. The authors also question the present strategy of financial support, for example the extent of direct subsidies to the private sector. Economic development policies should instead be applied on a more sectoral and spatial basis and existing development such as business clusters should be supported.

Karl-Dieter Keim draws attention to methodological difficulties which are encountered when evaluating policy agendas, because the results of political action ex post are not directly associated with declarations of intent. Using the Aufbau Ost programme as an example, he chooses four interventions for his analysis: policy windows, i.e. the period of time in which it is possible to set the political course; policy networks, which have a decisive influence on the transforming of political programmes into action; relevant policy topics, key areas of activity and the selected developmental strategies; and finally, the acceptance of the results of the Aufbau Ost agenda. The findings of his overall analysis are somewhat contradictory, as neither the role of political control in the process of transformation nor that of specific Aufbau Ost policies can be individually evaluated. In order to achieve this more detailed, process-oriented and comparative research is necessary.

Rupert Kawka examines the path dependency of economic development and asks whether when observing regional developmental differences in present-day eastern Germany it is correct to conclude that in the GDR, despite all of the negative structures which existed there, there were also those which have had a positive influence on today’s regional economic development. He analysed the time period between 1989 and 2002. One finding is that regions which were economically strong in the GDR have also been able to attract and build up new developmental factors despite radical changes while those areas which were weak in the past have shown no particularly favourable development during this period of transformation. In addition: it can be assumed that this trend will not change in the medium-term. This suggests that existing and established structures possibly influence development more than regional policy. It may be that the dimensions of regional development policies should be more in tune with historically anchored structures if they are to make a difference.

Markus Eltges and Wendelin Strubelt inquire about the future of equal living conditions, a welfare state goal with a long political tradition in Germany. This goal has been imbedded in European cohesion policies for some time, which are aimed at equalizing economic differences between regions and member states. This is at the very least a question of historical justice and solidarity, as the present dispar-
ities in Europe are, among other things, a result of the Second World War and the ensuing split into two political systems. The authors draw attention to the fact that in Germany, in addition to direct transfers such as state-level financial compensation, the indirect system of compensation, i.e. social security, which includes unemployment, health insurance and pension schemes, actually plays a bigger role. It thus follows that direct financial transfers should be spatially concentrated on those areas which are able to generate greater economic growth, which are essentially urban conglomerations.

Martin T.W. Rosenfeld has a somewhat similar and yet somewhat modified point of view of the topic of interregional support policy. He stresses three basic elements of the philosophy behind support measures: the idea of interregional solidarity, economic spatial cohesion within a country and market failures as a cause of increasing interregional disparities. Through a portrayal and analysis of the current support policy it becomes apparent that several support policies exist side by side, which reduces their efficiency and encourages improper use by those receiving aid. This is a reason for abolishing general and de facto automatic investment grants. Rosenfeld also supports the idea of making more financial support available for urban centres or rather to target subsidies according to regions’ individual strengths. This means breaking with the principle of sectoral support policies in favour of a more spatially oriented approach. In order to establish these instruments it would also be advisable to take more advantage of the competence of research institutes located in eastern Germany.

Günter Herfert and Sebastian Lentz analyse spatial patterns of population development in eastern Germany, which have been given increased attention due to public discussion about demographic change in the last few years. A general decline in migrational dynamics in the second half of the 1990s, which was then followed by an increase, indicates that the current motivations for migration, and thus the groups of people involved in it, are different from those during the first years after the German reunion. Today a trend of selective re-urbanisation, i.e. migration to larger urban centres from suburban areas, is visible, which is due to a search for employment. On the other hand many mid-size urban areas continue to undergo a structural weakening due to a loss of population. The next lifecycle of these urban migrants, according to the theory presented here, may well be a migration to the west unless the potential for finding work in these large cities improves. Accordingly, regional structural support policies should be oriented more to the maintenance of local centres in order to particularly strengthen the development potential of larger urban centres and to keep the human resources, young highly qualified workers, from leaving the region.

The strategic importance of human resources in regional development is central to Ulf Matthiesen’s argumentation. He draws attention to the political conflict in which on the one hand, educational measures on various levels are essential for eastern German regional support programmes aiming at developing and maintaining regional levels of qualification in order to remain competitive, but on the other
hand those with a better education generally improve their chances of finding work by migrating to western Germany. Support of education thus encourages a loss of human resources. His empiric findings concerning links between education, human resources and economic development suggest that sweeping support mechanisms cannot solve this type of conflict. A new model of integrated regional development is therefore necessary, which is organised in such a way that it represents heterogeneous instead of all-inclusive constellations. This means that fragmented (in the sense of individual or regionally and locally based) or perhaps isolated solutions for economic and social support have to be accepted. A concentration on so-called growth centres alone is not sufficient.

The regeneration of cities is one of the most important projects addressed by Aufbau Ost policies. Manfred Kühn and Heike Liebmann compare attempts and methods of regeneration in old industrial regions in northern England and eastern Germany. While urban development in northern England relies more on integrative elements, i.e. physical, social and economic aspects, German Stadtumbau (urban restructuring) is concentrated on economic components of reducing excess supply, the reduction of infrastructure costs and thus the demolition of unoccupied buildings and urban neighbourhoods. The authors compare different developmental strategies using examples in Manchester and Leipzig. A major difference is the degree to which private actors are involved in the process, which rarely occurs in eastern Germany. The higher intensity of problems in this region may reduce the chances that private actors have in seriously influencing urban regeneration.

Monika Meyer-Künzel addresses a special topic of urban development policies which has become more and more frequent: urban development through large events. Large events, such as the Olympic Games and world exhibitions, have increasingly become natural tools for the promotion of urban development since the beginning of the first half of the twentieth century. These events, however, involve considerable risks for the cities organising them due to the investments and measures necessary for such singular events. These risks are not limited to possible failures when applying for such events, but also involve potential long-term ensuing costs. Using the example of Leipzig’s Olympic application the author illustrates five strategies used by potential hosting cities.

The individual institutes’ reports are preceded by two articles concerning the creation of a European spatial planning area, especially as eastern German regions which border Poland and the Czech Republic have the task of promoting domestic development with these new EU members. André Müller stresses the importance of international development and planning projects, the most important of which is currently the EU’s Interreg III B Initiative. Such projects are often confronted with the problem of very different traditions of planning in the new eastern European member states. Even though planning systems have been transformed by now, examples of practical cooperation continue to demonstrate that a common understanding of planning, especially in the use of informal tools, is a long way off.
Hans Joachim Kujath and Sabine Zillmer present an ESPON (European Spatial Planning Observation Network) project which has the purpose of collecting and disseminating information about Europe’s spatially diverse development as well as making possible complex comparative structural, potentials and policy analyses. This tool will also be used to support the introduction and adjustment of structural funds in new member states.

Burkhard Lange’s conference proceedings to a certain degree correspond to Ulf Matthiesen’s article, as they also address the conceptual links between knowledge societies and regional development. He points to examples of this in Germany, in Arabic-speaking countries and in China.
Perspectives and Options for Economic Policy in Eastern Germany – With Special Reference to Aspects from the Spatial Sciences
Michael Schädlich, Gerald Wagner

Economic policy in Germany is facing new challenges. Over recent years, a number of significant changes have taken place affecting key aspects of the background conditions which it has to respond to. These changes include:

- The development of public budgets;
- The ever-increasing importance attached to human capital as a factor affecting investment and for sustainable growth;
- The interruption of the catch-up process by the economies of the new federal states in the east.

Other changes are also to be expected which will similarly impact significantly on both the aspirations and the potency of economic policy. These include in particular:

- The long-term effects of EU enlargement to the east;
- The reorientation of EU structural policy (structural funds) and of federal structure policy – including the ending of mixed financing, most recently discussed by the Federalism Commission;
- Changes in the financing conditions affecting private-sector companies, in particular Germany’s “Mittelstand” (small and medium-size companies) in the wake of changes to the rules on equity capital for banks (Basel II).

Economic policy must face up to these challenges. This applies in principle to all levels of government – the federal level, the “Länder” (federal states) and local authorities.

Nowhere is the severity of these problems more striking than in what are known as the new federal states (the former East Germany): here demographic changes impact earlier; the border regions are directly affected by EU enlargement to the east; a still relatively immature business environment is having to cope with ever more intense competition. Consequently, it is here that we encounter the most pressing need for new strategies and solutions to be developed and implemented on the ground; in turn, these strategies will also influence national policy.

There are marked differences in the degree to which these challenges have so far either been addressed in economic – and increasingly also in spatial – research, have appeared on the agenda of discussions on economic policy, or have actually been translated into practical action in the area of economic policy. The framework
for action in the field of economic policy is still today largely determined by the traditional areas of action (industry and trade, service sector, research and technology policy, employment policy) and by the traditional instruments (subsidies, loans, providing surety, orientation predominantly to capital investment).

In recent years, a wealth of experience has been acquired in the use of more comprehensive and integrated development strategies and approaches (meshing economic policy with other policy areas relevant to structural and spatial development). Nevertheless, there has to date been only a very slight shift in the centre of gravity of economic policy as far as the traditional action areas are concerned. At the same time, however, there are today still relatively few signs of a willingness on the part of other sectoral policies (e.g. spatial structure policy) to make any accommodation of a coordination framework set by economic policy.

And yet it is precisely these attempts to introduce a new orientation for public policy at the points where economic policy and other sectoral policies come into contact that hold out the greatest promise for further discussion. Consequently, they form one of the focal points of this survey.

Rather than undertaking new and wide-ranging analyses, we limit ourselves here to surveying and assessing the findings of studies already available and which are particularly relevant to the issues in question. The majority of studies and expert reports in the field of economic policy include comprehensive audits of the current state of affairs. Strategy proposals and recommendations for action, on the other hand, are frequently only hinted at. Here the emphasis is different: this paper aims to focus squarely on a discussion of the different strategic options available in the various action areas.

This study is based largely on more recent contributions on the subject, particularly those published in 2003 and 2004. Our prime concern was to examine and review the relevant literature from the fields of economics and the spatial sciences; we have also included in the survey strategy proposals for economic policy. In this context, it was important to concentrate on those conclusions and recommendations for action which, in the broadest sense, are relevant to the development of strategies, and not to get bogged down in detail (e.g. in the multitude and diversity of economic-development programmes and policy instruments).

2.1 Key Findings

Weak economic growth
Since the second half of the 1990s, real economic growth in eastern Germany has been declining steadily, both in absolute terms and per capita and more recently has come to an almost total standstill. Despite the unrelenting loss of population due to outward migration, the number of unemployed is still rising. The conclusion which
can easily be drawn from these fundamental indicators is that the process of catching up with the west has stalled.¹

However, if we look more critically, the picture that emerges is not quite so straightforward:

- If we disregard the special development found in the construction industry (boom in the early '90s, followed by severe and continuing decline), the real rate of economic growth in eastern Germany has actually been on the increase since the second half of the '90s. The average annual growth rate for the years 1992 to 1995 was 3.4%, compared with 3.9% for the period from 1996 to 2003.²

- Where as the malaise on the labour market in eastern Germany was eased between 1995 and 2003 by an assortment of job-creation measures³, producing (on paper) a reduction in the jobless total of some 700,000 (albeit also interpretable as a case of hidden unemployment), the official jobless total rose over the same period by an average of around 400,000 annually. Assuming the continuation of job-creation measures on the same scale, a reduction in unemployment levels of around 300,000 annually would have resulted.

The lesson from these two simple examples: to some extent, the dismissive comments which today create the impression that economic development in eastern Germany has been wholly unfavourable are attributable to (necessary) corrections to decisions taken in the early days of the “Aufbau Ost” policy to regenerate eastern Germany.

Nevertheless, developments in the construction sector, and equally the continuing high level of unemployment, constitute real economic facts and shape public perceptions of the current situation in eastern Germany. Since the process of reducing the structural overcapacity in the eastern German construction industry is still nowhere near being completed, and since, at the same time, the instruments traditionally applied to promote job creation can be expected to be reduced further, this constellation will continue to play a significant role in influencing the overall perception of the development of the eastern German economy over the years to come. Against this backdrop, the prognosis for the coming years is not particularly optimistic: “No one should harbour serious hopes of a drastic and speedy rise in the number of jobs on offer. True, what eastern Germany needs to put an end to the malaise on its labour market is, first and foremost, vibrant and sustained economic growth. But there are few signs of this being achieved in the foreseeable future.”⁴

¹ SVR (2004/2005) Item 42
² Bundesregierung (2004) p 12
³ Early-retirement regulations, job-creation schemes, structural adjustment schemes, training and the unemployed, short-time work.
⁴ SVR (2004/2005) Item 664. This quotation, like all those that follow, has been translated from the original German.
Aggravating regional disparities
Recent analyses have produced two findings which, at first sight, appear to be contradictory: on the one hand, in terms of the most important socio-economic indicators for business locations, the new federal states still display a regionally more homogenous structure than the old states of western Germany. Even according to the most recent assessments, the old and the new states continue to be regarded as “economic areas with quite different characteristics”.

And yet it is clearly apparent that “regional disparities in eastern Germany are becoming more pronounced. This is a very serious development and runs counter to the (constitutional) imperative to establish comparable living standards in all of Germany’s regions. Enormous problems are being created particularly in neighbouring regions in the east.”

In this context, analysis of the spatial dimensions of structural change in the new states shows this change to be determined to a very significant degree by the industrial sectors represented in a particular region: “The various sectors of the economy have often developed in diametrically opposed ways; to a very significant degree, the way a region has developed has reflected the fortunes of the industries located there.” Thus, regional development has displayed, and continues to display, a high level of dependency on pre-set factors, which even the most far-reaching forms of economic-policy intervention have so far been largely unable to break.

2.2 Strategic Goals and Approaches
The current debate on the future orientation of the “Aufbau Ost” strategy to regenerate eastern Germany is concerned essentially with adjusting the weighting of its central strategic aspects. Particularly affected by this are

1. The principle goals of the “Aufbau Ost” strategy;
2. The actions which need to be taken to achieve these goals;
3. The resources required.

Regional convergence: a prime objective?
As far as objectives are concerned, one question which has been raised regards the relative weighting in the future of growth versus balanced development in regional policy for eastern Germany. This has to be seen, firstly, in terms of the domestic perspective within eastern Germany: the decision which has to be taken is whether particularly public money should be concentrated in a more targeted fashion on growth potentials, even if this means (possibly, or to some degree) learning to live with greater (spatial as well as socio-structural) disparities.

---

5 ibid. Item 614, 616
6 IAB/DIW (2001) p 10f
7 ibid. p 59
The second question this raises concerns the position eastern Germany should occupy over the long term on the national scale: given the specific situation that exists in eastern Germany, to what degree is it feasible to strive to implement the constitutional imperative of establishing equivalent living conditions throughout the entire territory of the Federal Republic of Germany?

In scientific circles, there have long been calls for a greater concentration within eastern Germany – especially in spatial terms – of efforts to promote economic development and for the more targeted deployment of resources. So far the “Aufbau Ost” strategy has spent a great deal of money on trying to check the emergence of regional disparities in the new states; it has, however, not been able to prevent this. Viewed from the perspective of the present day, it would seem inevitable that this process will continue into the future. It is now all the more important to concentrate dwindling resources more effectively on the key objective of establishing conditions within eastern Germany which will promote the emergence of self-supporting economic development.8

Adjusting the relative weighting of the goals of growth and balanced development implies the implicit setting of priorities which will be to the disadvantage of structurally weak regions. More and more frequently, quite explicit support is now being voiced for this strategy. In the current discussion, views differ quite considerably on just how radically this shift in policy should be undertaken. More recently there have increasingly been calls for action to be more consistent.9 Probably for the first time in modern regional policy in Germany, there have even been calls for the passive clearance of regions.10

From the national perspective, the repositioning of eastern Germany within the east/west convergence process already appears to have progressed as far as it is likely to go. In the current discussion, the prospect of achieving anything close to parity between east and west in terms of indicators of economic performance and material prosperity no longer appears to be a realistic option.11 The idea of striving to establish parity by means of a publicly funded economic-development programme is regarded as unaffordable, as an inefficient use of resources, and, more particularly, as representing a major strain on the country as a whole as Germany seeks to improve its competitiveness at the national level. The existence of clear cases of regional disparities in western Germany (e.g. the north/south divide) is seen as providing further support for this argument.

---

8 SVR (2004/2005) Item 614
9 cf. also section “The regional focus of economic-development policy”
10 DIW/IfW/IAB/IWH/ZEW (2002) p 72
11 SVR (2004/2005) Item 616
Paths to the goal: direct support for inward investment vs. improving locational assets
A second key question regarding a development strategy for eastern Germany concerns the right path to follow in pursuit of the goal of greater regional competitiveness. This is essentially a matter of, firstly, compensating for the imbalance between different economic sectors with regard to the disadvantages they face (in particular through direct subsidies to companies), and, secondly, of improving the general quality of a region to make it more attractive to investors.

Economic and spatial research have long been in agreement on the recommendations they make on this issue: the priority should be shifted on a permanent basis away from direct subsidies in favour of more indirect measures.\textsuperscript{12}

The financial framework for action and the focus of Solidarity Pact II
The special assistance allocated exclusively to the new states under the “Aufbau Ost” programme is estimated to amount to approximately 15 billion Euros annually.\textsuperscript{13} This includes in particular funding through the Solidarity Pact and through programmes to provide special economic aid to the new states of eastern Germany (notably capital investment bonuses and support for R&D – known as “FuE-Förderung Ost”). In 2003, this accounted for approximately 13% of the total gross amount of public money transferred to the eastern states.

Realistically, any reorientation of economic-assistance policy today can only focus on these specific transfers that form part of the “Aufbau Ost” strategy. However, this point is frequently not recognised in the public debate; consequently, the demand is regularly heard for transfer funding to be applied more generally for investment purposes. The much vaster amounts of money redistributed through the social-benefits systems are, however, in practice not available for this purpose.

An issue that plays a pivotal role in the discussion on a future strategy for “Aufbau Ost” is the so-called Solidarity Pact II. It is from this source that, until 2019, the states of eastern Germany will receive a major part of the financial resources which can be freely disposed of for structure-policy-related expenditures. Given this, it appears only logical to define the conditions which apply to the allocation of funding more coherently with regard to the future strategic orientation of “Aufbau Ost”.

In this context, there has been, and continues today, some discussion about the misallocation of Solidarity Pact I funding by the states of eastern Germany (excluding Saxony). In addition to the more sweeping reproaches of misallocation, more differentiated assessments have been forthcoming in the discussion among specialists in the field; these also make reference to the scope and the need for finance-policy-driven action on the part of the eastern states.\textsuperscript{14}

\textsuperscript{12} DIW/IfW/IAB/IWH/ZEW (2002) p 464
\textsuperscript{13} SVR (2004/2005) Item 631
\textsuperscript{14} Ragnitz (2004a)
2.3 Essential Strategy Elements in the Focus of the current Discussion

Infrastructure policy: deficits and priorities
In recent months, discussion of the “Aufbau Ost” process has been dominated by appraisals concerning the state of infrastructure (i.e. levels of infrastructure endowment) in the new states, focusing particularly on deficits and the need for assistance to help the east catch up with the west. Discussion of this topic within economic and spatial research circles is considerably less charged with controversy, and is generally more differentiated than that found in a number of fundamental position statements emanating from the political arena.

In a detailed east-west comparison of levels of infrastructure endowment (covering a broad range of different types of facilities), the Federal Office for Building and Regional Planning (“Bundesamt für Bauwesen und Raumordnung – BBR”) came to the conclusion in 2000 that infrastructure deficits do indeed constitute a major weakness for eastern Germany regarding its appeal as a location for inward investment.15

It can be assumed that this view remains valid today with regard to the current state of infrastructure in eastern Germany. Calculations on this point made by the DIW (German Institute for Economic Research) point to a gap in infrastructure provision, compared with the standards found in western Germany, of approximately 80 billion Euros.16 17

In reality, the various infrastructure sectors display both over-capacities and deficits, which in most cases, however, cannot simply be offset against each other. For example, there are too many school buildings, but there is also a great need for refurbishment. Similar situations can be found with regard to sewerage or even in the area of urban development. “In many sectors, it will become necessary to remove infrastructure which is either already surplus to demand or which in the foreseeable future will no longer be viable” 18 – which will also incur additional investment costs.

There is very broad consensus about the need for a significant amount of additional investment in the transport sector in eastern Germany.19 Expert opinion suggests that future investment needs to be concentrated primarily on the road network.20 21

On the question of servicing land to open it up for new development, the view is that there is now only very localised need for investment in eastern Germany. Here

---

15 BBR (2000)
16 Vesper (2001)
17 Vesper (2004) p 5