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## Mecklenburg-Vorpommern: a regional profile

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## **Mecklenburg-Vorpommern: a regional profile**

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## CONTENTS

### INTRODUCTION

- \* *MV<sup>1</sup>: a Land which differs from the rest of the Federal Republic in many respects*
- \* *"MV tut gut" or how to make a virtue out of necessity.*

### CROSS BORDER AND TERRITORIAL / REGIONAL COOPERATION: THE EU PROGRAMMES : A VERY VALUABLE AND WELCOME FRAMEWORK.

- \* *The legacies of the past*
- \* *The Baltic Sea countries: natural (economic) partners for MV.*
- \* *MV/Poland, a sensitive neighbourhood and an intense relationship*
- \* *The Euro-region Pomerania*
- \* *Interreg IV A*

### HISTORICAL BACKGROUND

- \* *Separate histories: Mecklenburg & West Pomerania*
- \* *Politically backward and economically poor*
- \* *A modernisation that started during Nazism and was completed under the GDR*
- \* *1990 more of a break than a turn (Wende)*

### POLITICAL PROFILE OF THE REGION

- \* *A strong social-democratic influence at the Länder level ...*
- \* *... but CDU domination at the district and municipal level*
- \* *The difficult position of the smaller democratic parties due to the lack of adequate social milieus*
- \* *The NPD: revealing a profound social malaise*
- \* *Political geography*

### SOCIAL AND ECONOMIC PROFILE

- \* *Demography: one of the biggest challenges in MV.*
- \* *Unemployment a problem of the past?*
- \* *A Land the population of which is still very dependent on social minimum benefits*
- \* *Share of the population that receive social benefits compared to the total population*
- \* *Job quality, a major issue*
- \* *MV - a low-wage land*

### GENERAL ECONOMIC SITUATION: STILL A GREAT NEED TO CATCH UP IN TERMS OF ECONOMIC STRENGTH.

- \* *Weak economic development*
- \* *Productivity still too low despite convergence*
- \* *A sectoral structure of the economy somewhat different from the German norm.*
- \* *Spatial disparities and territories in crisis*

### THE LIMITED IMPACT OF THE 2008 FINANCIAL AND ECONOMIC CRISIS.

- \* *Moderate consequences of the crisis on the labour marked*
- \* *Positive prospective trends*
- \* *Maritime economy and shipyards: the end of a key industry*
- \* *The failure of the shipyards: symptomatic of the weaknesses of the eastern German economy*
- \* *Federal, Land and EU measures to fight against the crisis*
- \* *The crisis and the structural funds: no change of strategy*

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<sup>1</sup> I will use the abbreviation MV for Mecklenburg-Vorpommern in the course of this paper.

## **DEVELOPMENT POLICIES AT REGIONAL, NATIONAL AND EUROPEAN LEVEL**

*\* A 'Länder-government managed' pattern of administration of the structural and State regional policies*

*\* Cohesion policy in Germany and in MV*

*\* In MV: an integrated approach and a unique model of coordinated administration of ESF, ERDF and EAFRD*

*\* Partnership - a very highly valued principle and an example of a "best practice"*

*\* European partnership principle, a contribution to reinforcing social capital in MV*

*\* Challenges to development in Mecklenburg-Vorpommern*

*\* Major obstacles to development and conflict points.*

*\* Cohesion, yes but at what level?*

*\* The question of the provision of services of general interest*

*\* What happens after 2013?*

## **BIBLIOGRAPHY**

### **LIST OF TABLES:**

Table n°1: **Operational Programme "Poland-Germany"**

Table n°2: **Members of political parties 1990-2009**

Table n°3: **Governing coalitions and Ministerpräsidenten**

Table n°4: **Elections to the Landtag: percentage of votes received by the parties**

Table n°5: **Change in number of inhabitants in %, 2009 compared to 31.12.1990**

Table n°6: **Birth and deaths 1989-2009**

Table n°7: **Repartition of the population by age**

Table n°8: **Number of school leavers**

Table n°9: **Unemployment rate\***

Table n°10: **Long-term unemployment rate**

Table n°11: **Risk-of-poverty rate measured compared to the federal median**

Table n°12: **Minimum insurance rate**

Table n°13: **Development of employment and activity subject to social insurance contributions 1999 to 2005**

Table n°14: **Beneficiaries of social aid**

Table n°15: **GDP per capita in current prices**

Table n°16: **GDP, and percentage change in GDP, in real terms, in %**

Table n°17: **Productivity growth in MV and Germany compared**

Table n°18: **Share of the economic sectors in the gross value added in MV**

Table n°19: **Unemployment rate by district**

Table n°20: **GDP per capita in 2008**

Table n°21: **Employment trend in Mecklenburg Vorpommern and Germany compared**

Table n°22: **Economic performance in 2009 in MV in the different economic sectors**

Table n°23: **Structure of the maritime economy before the crisis in 2006**

Table n°24: **Financial weight of EFRE priority areas**

Table n°25: **Financial weight of ESF priority areas**

### **LIST OF MAPS:**

Map no.1: Mecklenburg-Vorpommern: geographical position in Germany and Europe

Map no. 2: Mecklenburg-Vorpommern: main cities and roads

Map n° 3: Mecklenburg-Vorpommern: administrative divisions

Map n°4: Area covered by INTERREG – objective 3A / Mecklenburg-Vorpommern/ Brandenburg-Zachodniopomorskie.

MAP n°5: Mecklenburg-Vorpommern: Unemployment rate by district 2010

MECKLENBURG-VORPOMMERN, GEOGRAPHICAL POSITION IN GERMANY AND IN EUROPE



I would like to thank Dorian Ryser from CERl who drew the maps of this report.

\* MV: a Land which differs from the rest of the Federal Republic in many respects.

MV, one of the five new German Bundesländer<sup>2</sup> (re)created in 1990 after the fall of the Berlin wall, lies in the very northeast of the Federal Republic. It ranks among the larger Länder (6th position, with an area of 23,188.98 km<sup>2</sup>), but it is one of the least populated (14th position just before Bremen and the Saarland) with 1.642 million inhabitants at the end of 2010. Compared to the rest of Germany, it is very sparsely populated with 71 inhabitants per km<sup>2</sup> (the German average being more than three times higher at 230 inhabitants per km<sup>2</sup> and lower than the European average of 116 inh./km<sup>2</sup>). MV is home to a great number of villages and small and medium-sized municipalities. The capital of the Land is Schwerin (95,041 inhabitants), and Rostock (201,442 inhabitants) is its largest city. MV is geographically the gateway to the Baltic North and East and to Scandinavia, with a 377 km coastline running along the Baltic Sea (excluding indentations) and a 78 km border with Poland in the east. The two cities of Hamburg and Berlin lie respectively about 60 km west and 60 km south, and Szczecin (Stettin) 10 km east of the borders.

MECKLENBURG-VORPOMMERN, MAIN CITIES AND ROADS



<sup>2</sup> I will use the German term "Land", plural "Länder" and "Bundesländer" instead of "State".

Since 1994 the Land has been divided into 12 rural districts (*Landkreise*) and 6 urban districts (*Kreisfreie Städte*), but this expected to change in September 2011, with their merger into 6 large districts (among the largest in Germany) and two urban districts (Schwerin and Rostock).



MV is embedded in a dense network of relationships at all levels with its northern and eastern neighbours. Since the beginning of the nineties, it has set cross-border cooperation in the Baltic Sea area as one of its primary goals (it is even mentioned, together with contributing to European integration, in the Land's Constitution as an official goal of the Land: art. 11). It cultivates intensive regional partnerships with the Polish coastal regions of Pomorskie and of Zachodniopomorskie that lie right across the border, and with the region of Southern Sweden, of South-West Finland, the oblast of Leningrad in the Russian federation and the French region of Poitou-Charentes.

*\* "MV tut gut" or how to make a virtue out of necessity.*

The poorest of the German Länder was hit less by the 2008 economic and financial crisis, than by a protracted process of economic restructuring that started in 1990 after 40 years of communism and is still not complete.

Mecklenburg-Vorpommern suffers severe structural handicaps, these being mainly its position at the outer edge of Germany some distance from the main European economic centres, its lack of infrastructure, its sparse population and the absence of any large urban centres (small villages of fewer than 1,000 inhabitants predominate) within its territory, and its low level of industrialisation. But it has also strong potential, in the form of its beautiful landscapes, unspoiled nature and open spaces, which ensure a high quality of life and make it an attractive place to be (especially in a very densely populated country like Germany).

This mostly flat country, lying in the great North European Plain, has a great variety of natural attractions to offer, about 2,000 km of Baltic Sea coast with sandy expanses covered with dunes, numerous lakes (the Mecklenburg Seenplatte), 6% of its surface being water, islands (the two most famous being Rügen and Usedom), forests (20% of its territory), protected nature (national parks and natural parks, Biospärenreservate and nature protection areas), very low environmental pollution and many pleasant 19<sup>th</sup> century sea-side resorts. All this offers a good basis for activities such as healthcare and tourism, and also for organic agriculture and the food industry.

The Land chose "MV tut gut" as its motto ("Mecklenburg Vorpommern does good"), trying to blend in one image not only its natural advantages with its potential for tourism and agriculture but also its participation in protection of the climate through its contribution to the development of renewable energies (wind power plants), an industrial high tech sector.



**CROSS BORDER AND TERRITORIAL/ REGIONAL COOPERATION: THE EU PROGRAMMES : A VERY VALUABLE AND WELCOME FRAMEWORK.**

Cross-border and territorial cooperation have a special status for a border region like Mecklenburg-Vorpommern. They are of strategic importance for a few reasons: first because of the position of the Land on the periphery of Germany, secondly because of the communist and pre-communist historical legacies, and finally because of the ongoing European integration process.

Thus efforts were made directly after the re-creation of the Land in 1990 to re-establish links with neighbouring regions and countries and develop a dense network of contacts and of partnerships. In this context, the European programmes offered the Land a framework in which to foster economic cooperation, to manage its relations with their closest neighbours and to overcome the legacies of the past.

*\* The legacies of the past.*

After the Wende in 1989 the challenge was to overhaul the border, transforming what used to be an obstacle or a division between two very separate spaces into one integrated border area. This transformation was much more sensitive than in other border regions, since for the previous 40 years, all efforts had been directed specifically at creating differences in an area that used to be one historical unit on both sides of the border, i.e. Pomerania, but without giving the impression of a German reconquest or of turning back the wheels of history. Mecklenburg Vorpommern had to face the legacies of the end of the Second World War, when the biggest part of Pomerania (as well as other former German territories in the East) was seized and given to Poland, and when millions of deportees from those territories arrived, as well as the legacies of forty years of communism, that on the one hand silenced these painful events and on the other hand - despite a rhetoric of brotherhood among socialist countries - erected a impermeable border regime, cutting Mecklenburg-Vorpommern territories almost as firmly off from their new Polish neighbours as from the Scandinavian countries that lay on the other side of the Iron Curtain.

The anticipated movement between both sides was a crucial issue. Would there be a massive comeback of Germans repossessing the lost territories (a new Drang nach Osten?) or would there be an influx of cheap Polish labour on the German side?

Paying tribute to these forty years of isolation and to the need to overcome strong distrust on each side of the Oder-Neiße border, the aim of the Land from its re-creation onwards was to achieve a maximum of openness, which in practical terms meant to ensure free movement over the borders, the (re)creation of networks, links, exchanges of all sorts with neighbouring countries and rejoining

the region's trade patterns. Subjects such as cross-border cooperation consequently enjoy a high position on the Land's political agenda and can count on a strong political support, the Staatskanzlei (the administration of the Ministerpräsident) being responsible for everything in cooperation that is not linked to INTERREG programmes, the latter being administered by the Ministry of Economics.

*\* The Baltic Sea countries: natural (economic) partners for MV.*

From the 1990s on, one of the main strategic aims of the Land was oriented towards the creation of a Baltic Sea area and tighter links with maritime neighbours (it is even stated in the Land's constitution as an official goal of the Land). In the 90s, intensive contacts were cultivated with the Baltic States. An MV information office was established in Tallinn that ran until 2002. Today the Land's activities in the Baltic States concentrate on economic matters and are handled within the framework of the German Baltic Chamber of Commerce.

It also led to participation in the South Baltic Programme, a multilateral cross-border cooperation programme between 5 countries (Denmark, Sweden, Germany, Poland, Lithuania), which is mainly focussed on economic competitiveness<sup>3</sup>, aimed at abolishing obstacles put up by the sea borders and funded by the ERDF within the framework of Objective 3 (cross-border cooperation) of the structural funds. In this programme, the Swedes were the leading force, but MV has increased its commitment in recent years. It sees here an important strategic challenge in order to boost the Land's export rates to this (booming) neighbouring region and thus overcome its relatively peripheral position and support regional economic development, the ports and the ferry connections. Although the export balance of the Land towards Poland is already booming and economic cooperation between both countries is very significant for both sides, this is not yet the case with the other Baltic partners and there is still room for development.

MV as a Land is also part of the European Baltic Sea Strategy.

While the 2008 crisis did not prevent these programmes from functioning it did not spare them either. As for other programmes, the effects were felt on decreasing funding demands and the difficulties the beneficiaries had in implementing projects on time. The South Baltic program was also affected in another way. Lithuania suffered a great deal and made substantial cuts in its administration to reduce the state budget deficit. Thus the administration was no longer in a position to achieve its initial ambitions. It lacked personnel to work on the programme and the resources to travel to attend the programme's meetings. In response, MV has for instance swapped the 2011 presidency with them because the Lithuanian partners were lacking the money to attend meetings. In general, the crisis reduced the intensity of cooperation.

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<sup>3</sup> The South Baltic programme has also a strand about "common identity" and cultural heritage.

Both Baltic Sea programmes are very much focussed on subjects dear to the EU 2020 strategy like innovation, sustainable development, competitiveness, or energy matters, but my interview partners in MV underlined the importance of cross-border and territorial cooperation beyond mere economical and ecological matters. They pleaded for cooperation not to be restricted to the contents of the Europe 2020 strategy, but for some space to be left for bi-lateral grassroots meetings, bringing together populations and facilitating daily life. In their eyes, innovation is not always the appropriate criterion for cooperation. Cooperation has a value per se, that should prevent it from being completely subsumed into regional development. MV's cross-border cooperation with the Polish regions of Zachodniopomorskie and Pomorskie are good examples of this.

*\* MV/Poland, a sensitive neighbourhood and an intense relationship.*

While economic motivations were at the forefront of MV's involvement in programmes such as the South Baltic Programme, this was not the case in other cross-border programmes involving Germany and Poland and which were not so heavily oriented towards economic matters like the Euro region Pomerania or INTERREG programmes, for instance. Those are designed as multipliers for further development and a way of making very valuable contacts.

The relationship with its Polish neighbour was of strategic importance for MV from the very beginning. Cross-border cooperation was seen as an important issue by successive MV governments from the 90s onwards. The relationship being burdened with historical legacies, it was in the Land's best interest to contribute actively to the process of German-Polish reconciliation that had been initiated at State level, in order to overcome the strong tensions at the borders and to bring people together. MV cooperates in many structures with the Polish regions across the border. These bilateral contacts are embedded in larger structures at a national level or at the EU level, for instance, which puts the many bi-lateral contacts that were already established at the beginning of the 90s on a broader basis.

At that time, police cooperation, partly handled at Länder level on the German side, was one of the main issues. This cooperation, which was an essential element in overcoming the past on both sides, took place in a changing context of border regimes<sup>4</sup> and of political relations and had to face the difficulties that arise where a centralised state such as Poland tries to cooperate with a federal state such as Germany, where the police are partly controlled by the Länder. After some years of instability in the territorial divisions of the Polish state, the 1999 reform and the creation of the 16 provinces was a great help for bilateral relations, as was Polish accession to EU membership that enabled it to participate in cross-border programmes. Those fully matched the German ones, unlike those pre-accession. The main partners of MV are at the regional level, the Marshall office and the provinces.

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<sup>4</sup> 2004 entering the EU, 2007 involvement in the Schengen Area

MV established official bilateral partnerships with the provinces of Zachodniopomorskie and Pomorskie, with both of which provinces and their main cities (Szczecin and Gdansk) contacts have existed since the beginning of the nineties.

In the course of the eastern enlargement of the EU, MV's administrations participated in different twinning arrangements with Poland and Estonia, helping preparing for accession and receipt of the structural funds, therefore playing a role as a bridge between new and old member states.

*\* The Euro-region Pomerania*

A very important element of cross-border cooperation was the creation of the Euro-region Pomerania in 1995. The German-Dutch Euro region Gronau served as a model. Pomerania, which is today recognised as one of the well-functioning euro-regions, was first created bilaterally by the Poles and Germans, with Sweden joining in 1998. Today this forum is composed of partners essentially at the municipal level, with rural districts and urban districts from MV and Brandenburg, of municipalities from Zachodniopomorskie province and of municipalities in the Swedish region of Skane. Its creation led to very heated discussions on the Polish side across the whole country, but today it is viewed as an important tool in the German/Polish reconciliation process in order to rebuild confidence on both sides, augmenting the national reconciliation process, and a very valuable way to foster cooperation at the lowest level.

*\* Interreg IV A*

The Euro-region is an important partner that is closely connected to the implementation of the Interreg cross-border cooperation programme, this being much more institutionalised and administered from the centre (the Ministry of Economics in Schwerin). The programme area of the OP for the cross-border cooperation covers 38,318 km<sup>2</sup> and 2.7 million inhabitants and it coincides with that for the Euro-region except for the fact that Sweden is not part of it.

**AREA COVERED BY INTERREG – OBJECTIVE 3A / MECKLENBURG-VORPOMMERN / BRANDENBURG-ZACHODNIOPOMORSKIE.**



The regions covered by the programme have common features: both sides are rural - Szczecin being the only regional centre having a nationwide significance with approx. 400,000 inhabitants. They are marked by strong infrastructural deficits in roads, rail and water routes (despite the progress brought by the A20 Lübeck-Rostock-Szczecin highway) and both sides are in peripheral locations with some differences between the coastal regions and their hinterland. Despite these common features there still are noticeable developmental disparities between the German and the Polish side. In 2004/2005 when the OP was written, on the Polish side there were for instance twice as many people employed in agriculture, and youth unemployment was about twice as high on the Polish side, the average income was twice as high on the German side than on the Polish side, and GDP per capita was actually three times higher on the German side. These disparities nourished mutual fears and made it difficult for example for small firms to engage across the border, because of the strong rivalry. These facts caused political leaders and the population alike to fear a massive immigration of Poles looking for jobs in the low-wage sector on the German side of the border, a region itself struggling with a high unemployment rate. Such fears partly explain why the German government asked for a 10-year moratorium on the freedom of movement of workers from new member states after their

accession to the EU. But movement did not go as expected. Germans did not rush to Zachodniopomorskie to resettle in the former German territories, nor did Poles arrive in numbers in Mecklenburg-Vorpommern as a cheap labour force. Things came in another, unexpected way. The wages on the Polish side rose (especially in cities like Szczecin), birth rates dropped, and there started to be a lack of qualified workers that encouraged many Poles to return home. Today, unexpectedly, Mecklenburg-Vorpommern lacks seasonal Polish workers (Poles prefer to go to Sweden, the UK or Ireland where they used to be more welcome than in ex-East Germany) and it cannot expect the Poles to compensate for the lack of a qualified workforce. Although Szczecin still does not fulfil the role of a regional centre for eastern Mecklenburg-Vorpommern. Indeed, quite the contrary, since Poland joined Schengen at the end of 2007, the Uecker-Randow Kreis (as well as the Brandenburg Kreis Uckermark) is becoming a kind of suburb of the Polish city. Poles working in Poland but living in Germany commute every day. For various reasons, including the high price of housing in and around Szczecin, the difficulties in crossing the Oder in the east of the city which make the eastern suburbs unattractive for commuters, the lower cost of housing on the German side of the border (as well as credits given to people working in Poland by German banks and the possibility of getting German Kindergeld if the children are attending a school in Germany) more than 2,000 Polish families have moved to the German side of the border<sup>5</sup>. The small town of Löcknitz, 24 km from the centre of Szczecin, became the main destination of this movement. There, a Polish-German Gymnasium and a Polish-German Kindergarten were established, as well as an information centre for Polish settlers, all co-financed by Interreg IV A.

The Interreg IV A Programme focuses less on fostering economic cooperation (Objective Two being endowed with the smallest sum of money) than on infrastructure measures such as cross-border bicycle paths, road connections, transport links, etc. , or the development of joint tourist attractions on the coast, turning rivalry into cooperation (Objective One) and on supporting meetings at the lowest level and smaller common cultural initiatives such as joint youth orchestras, museum cooperation etc. that are not self-sustaining and must almost be 100%-supported by public money. According to the central administration in Schwerin, all the links established between municipalities within the framework of the Pomerania Euro-region, and between administrations in the broader framework of the Interreg IV A, had strong multiplier effects at a higher level in cooperation at the Länder level between Staatskanzlei and Marshall office, and even at national level, by increasing the number of working contacts, and knowledge about the other administrations and their working methods. Thus since 2004, cooperation between the two sides of the border has deepened considerably according to my interview partners.

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<sup>5</sup> Cf. "Nur der Rasenmäher macht noch Ärger", *Stuttgarter Zeitung*, 16 June 2011.

These confidence-building measures at the lowest level are also an attempt to overcome fears which remain very real as the high electoral scores of the NPD in the regions show.

**Table n° 1**  
**Operational Programme "Poland-Germany"**

Objectives	Amount of EFRE funds under objective 3: European territorial cooperation in €
<b>Objective one:</b> Support for infrastructure in cross-border cooperation and environment in the border region.	55,720,708
<b>Objective two:</b> Support for cross border economic links and reinforcement of cooperation in economics and sciences.	29,951,364
<b>Objective Three:</b> Cross-border development of human resources and support of cross-border cooperation in health, culture and education.	39,511,452
Technical help	7,629,146
Total	132,812,670

Source: Operationnelles Programm des Ziels 3 "Europäische territoriale Zusammenarbeit" - "Grenzübergreifende Zusammenarbeit" der Länder Mecklenburg-Vorpommern-Brandenburg und der Republik Polen (Wojewodschaft Zachodniopomorskie) 2007-2013. pp. 40-41

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Like the majority of the German Bundesländer, MV is a construct of the 20th century and not an historical entity. Today's shape harks back to the (re)creation of the Länder by the Soviet military administration in 1945. It resulted from the merger of the duchies of Mecklenburg with the territories of Pomerania that lay west of the new Polish-German Oder-Neisse border. Soon the word "Vorpommern", disappeared from the name of the Land, because it was reminiscent of the dismantled State of Prussia. After only 3 years of existence, the GDR abolished the newly created Länder in 1952. A reform transferred most of their prerogatives to the districts (*Bezirke*), the GDR taking over a soviet-style centralised administrative organisation. Mecklenburg was then divided into three districts: Schwerin, Rostock and Neubrandenburg named after their capital cities – together called "the northern districts". Soon after, the Landesparliaments were dissolved and ceased to exist. The three districts did not take into account the historical borders between Mecklenburg and Pomerania, which had both had their own existence as sovereign states for centuries.

### *\* Separate histories: Mecklenburg & West Pomerania*

Both parts of the Land have separate histories. Even though Mecklenburg was partitioned a few times among the ruling dynasty, the Niklotiden, (latterly in 1710 between the duchies of Mecklenburg-Schwerin and Mecklenburg-Strelitz), its territory is one of the few German territories that have remained stable and relatively independent of its neighbours through history. With the end of the monarchy in Germany in 1918, two States (*Freistaaten*) were created which were merged by the National Socialists in 1934 and lost their sovereignty.

Pomerania had a history equally as long, albeit more turbulent. It lost its sovereignty with the end of the Thirty Years War and was occupied by the Swedes and Brandenburg and divided between Swedish Vorpommern, Preussisch Vorpommern and Preussisch Hinterpommern. It was only in 1815,



after the Congress of Vienna that it formed one united province of Pomerania as a part of Prussia (with the three districts of Stralsund, Stettin and Köslin).

Despite their different histories, Mecklenburg and Vorpommern have many things in common. G. Diederich<sup>6</sup> lists their Slavic roots, their late Christianisation, the fact that they acted across borders and the civilising power of the Christian orders, the dioceses of the Middle Ages, plus their cities' membership of the Hanseatic league, and the political and economic influence of their maritime cities such as Stralsund, Rostock, Wismar, Greifswald in the southern Baltic region, the Reformation and how both belong to the lower German language area. He also mentions both forming part of the Soviet occupation zone and the presence of a huge number of refugees expelled from the eastern territories of the Reich that were seized by the Soviet Union and Poland after the Second World War. The latter is very important to understanding today's relations with their Polish neighbours, especially with the regions that straddle the border, that used to be German before 1945 and share a common history (like the regions of Zachodniopomorskie and Pomorskie which were sliced away from today's German Pomeranian territories, the inhabitants of which were deported, and which were repopulated with Poles often coming from the eastern territories, themselves uprooted).

*\*Politically backward and economically poor*

One could add to this a similar economic and social profile. Today's weaknesses go back to the 18th and 19th centuries. Mecklenburg was one of the least progressive German territories, not having known a parliamentary Constitution until 1918. The Land's estate constitutional system (*Landständiges Verfassungs system*) remained until the end of the monarchy in 1918. It was an oddity in Germany where it had been abolished everywhere else. Both used to be dominated by agriculture (until 1900 about half of the population worked in it). Between the 16th and the 18th century the economic and social structure was marked by the agrarian nobility (*grossagrarische Gutsherrschaft*) and the miserable situation of the peasantry (in Mecklenburg the duke and the Land nobility owned almost 90% of the Land). This poverty provoked a massive rural exodus in the second half of the 19th century, firstly in the form of emigration, and secondly in the form of internal migration not only to cities such as Hamburg and Berlin but also to the Ruhrgebiet.

Mecklenburg and Pomerania were situated in a peripheral position relative to the German and European centres of economic growth. Both parts of today's Land remained almost untouched by the industrial and urban revolutions of the 19th century. Only the Pomeranian city of Stettin (today in Poland) became a regional industrial centre, with Vulcan Maschinenbau AG, that was founded in 1850

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<sup>6</sup> Cf. G Diederich, *Die Wiedergründung des Landes Mecklenburg-Vorpommern*, Schwerin, Thomas-Morus-Bildungswerk, 2010, pp. 6-7

and built locomotives, warships etc. Stettin developed as one of the most important harbours in the area (supplanting Rostock, Wismar and even Lübeck) thanks to its good railway connection to Berlin.

*\* A modernisation that started during Nazism and was completed under the GDR.*

To the legacies of the past—strengthened by its peripheral position—the rural environment, the grossagrarische Güterwirtschaft, the lack of a free peasantry, and the low levels of industrialisation and urbanisation, the more recent legacies of National Socialism and the GDR should be added.

On the one hand, the communist period consolidated certain cultural aspects: the missing experience of democracy, the form of agriculture with the creation of the agricultural cooperatives (Landwirtschaftliche Produktionsgenossenschaften - LPG) and also the absence of a middle class and small and medium-sized businesses. On the other hand, it brought a considerable upgrading of the region, which moved from a peripheral to a more central position. Socialist spatial planning foresaw a strategic role in industrialisation for the northern territories. Following the National Socialists who, in the course of the rearmament of Germany had implemented parts of their defence industry (Heinkel in Rostock, Dornier in Wismar, and other aircraft constructors in Ribnitz, Barth, Anklam, Neubrandenburg and Schwerin) and their military infrastructure (cf. Heeresversuchsanstalt & Luftwaffenerprobungsstelle Peenemünde where the V2, bombs and Airplanes were tested) on the coast, the East German regime willingly developed the coast where they established shipyards (Neptun Shipyards that produced the U-Boats in Warnow, Wismar, Stralsund and Boizenburg) and developed the ports, especially Rostock. The National Volksarmee (NVA) was also much in evidence.

As in many other parts of Eastern Europe, the 50s and the 60s were years of economic growth, modernisation, and upward social mobility. The appearance of the coast and of the whole region changed. What used to be small towns and villages became cities (Rostock, Neubrandenburg) and many other towns saw their population more than double in twenty years. Young people from all over the GDR came to work and live there. The 70s and the 80s, despite the creation of the nuclear power plant in Lubmin, the communication electronics plant in Greifswald, the fertilizer plant in Rostock and the pharmaceutical plant in Neubrandenburg, were a time of economic stagnation.

*\* 1990 more of a break than a turn (Wende)*

The end of the GDR brought not only political freedom and the reestablishment of the Land of MV with the possibilities of influencing the political fate of the region, but also many fears and challenges. The low turnout of the first free elections in March 1990 (65.2 %) was a sign of the widespread feeling of insecurity. Not only did the region revert to its peripheral position in the northeast of the new republic, but also the achievements of socialist industrialisation proved not to be sustainable. MV was to suffer heavily under the post-socialist transformation process. A crisis that has not yet ended.

## POLITICAL PROFILE OF THE REGION

### *Main source:*

Steffen SCHOON, "Mecklenburg-Vorpommern – Pragmatismus und Kontinuität bei struktureller Schwäche", in . Andreas Kost, Werner Rellecke, Reinhold Weber (Hrsg.), *Parteien in den deutschen Ländern, Geschichte und Gegenwart*, München, Beck, 2010 ; pp. 243-254

Since 2006, MV has been governed by a coalition between the SPD (the party of which Ministerpräsident Erwin Sellering is a member) and the CDU. As in most of the New Bundesländer (NBL) the political landscape is very similar to that in western Germany. Most of the political parties and movements created over the course of the *Wende* disappeared as early as 1990. Today, there are 5 parties represented at the Landtag: SPD (27 seats), CDU (18 seats), Bündnis 90/ die Grünen (7 seats), Die Linke/ PDS (14 seats) and the NPD (5 seats). The September 2011 elections did not represent a break, Erwins Sellering was re-elected as Ministerpräsident, and he chose to pursue the great coalition between the SPD and the CDU even though the SPD gained some influence (+4 seats at the expenses of the CDU -4). The FDP was ousted from the Landtag and the Greens entered for the first time.

If, at first glance, the strong presence of the PDS/ die Linke (reformed successor party of the SED – the ruling party in the GDR) seems to be the only legacy from 40 years of socialism, a closer look at the parties shows that despite the transfer of the western party system to the East, there are many legacies of the past that influence today's political life.

### *\* A strong social-democratic influence at the Länder level ...*

The party that has the most far-reaching historical roots in MV is without doubt the Social Democratic Party. Its history dates back to the Kaiserreich and it played an important role in the Weimar Republic in both of Mecklenburg's Freistaaten. At that time, many of the Ministerpräsidenten were members of the SPD. During the communist period the party ceased to exist after the forced merger with the KPD, but this did not hamper it in regaining its influence after 1990. One could even say that it is the most influential party since the recreation of MV in 1990, participating in all governments without interruption (albeit with different coalition partners - see table n°2) since 1994. With its recreation, the social profile of the party changed from a workers' party to a party of academics and white collar workers mainly represented in the cities.

The social democrats were embodied by Harald Ringstorff, one of the early founders of the SDP/SPD after the *Wende*, and Ministerpräsident from 1998 until 2008 (when he resigned in the middle of the legislative period, handing over to Erwin Sellering, a West German). Ringstorffs was a politician deeply rooted in the region (he liked to use the plattdeutsch dialect). He was the first to experience a coalition with the PDS (1998-2006) at the Länderlevel in Eastern Germany.

Despite its historical roots, the SPD struggles with structural weaknesses, which derive from its recreation after 1989 (it could not draw on a structured network of members and material and financial resources of former GDR parties as the CDU, the FDP or the PDS for example were able to do). Its very low number of members makes it very difficult for it to cover the whole territory, and especially the numerous rural areas where it is practically absent.

Table no.2

**Members of political parties 1990-2009**

	1990	2009		1990	2009
<b>CDU</b>	18,300	6,000	<b>FDP</b>	8,000	1,000
<b>SPD</b>	0	2,800	<b>B90/Grüne</b>	0	370
<b>PDS</b>	1,900	Less than 6,000	<b>NPD</b>	0	?

Source: Steffen Schoon, pp. 243-253

Contrasting with this, die Linke/PDS and the CDU do benefit from a solid foundation inherited from the socialist period (both have about 6,000 members). But while both parties benefit from the same structural advantages, they have very different profiles.

Beyond the presence of the network of former SED members, the PDS/die Linke's strength can be explained by the presence of a favourable social milieu. A large proportion of the population was close to the socialist regime and benefited from its proactive industrial policies and from the structural development of the region: technical elites, all those employed in the army, members of the administration. The transformation process hit many of them after 1990. It is therefore not surprising that its strongholds lie in the former administrative centres like the city of Schwerin (which has a PDS/die Linke mayor, Angelika Gramkow). Partly because of involvement in the government coalition, and partly thanks to personalities like Helmut Holter, the leader of the PDS/die Linke group in the Landtag and former minister of Labour, the party follows a pragmatic course.

Table no.3

**Governing coalitions and Ministerpräsidenten**

Legislature	Coalition	Minister-Präsident
<b>1990-1994</b>	CDU + FDP	A. Gomolka (CDU) until 1992 B. Seite (CDU)
<b>1994-1998</b>	CDU + SPD	B. Seite (CDU)
<b>1998-2002</b>	SPD + PDS	H. Ringstorff (SPD)
<b>2002-2006</b>	SPD + PDS	H. Ringstorff (SPD)
<b>2006-2011</b>	SPD + CDU	H. Ringstorff (SPD) until 2008 E. SELLERING (SPD)
<b>2011-...</b>	SPD+ CDU	E. SELLERING (SPD)

*\* ... but CDU domination at the district and municipal level.*

The CDU, the strongholds of which lie in the districts of Vorpommern and rural areas, also inherited its structures from the socialist system (the CDU being a so-called bloc party and as such part of the National Front in the GDR), which allows the party good territorial coverage (much better at least than the SPD) and partly explains its good results at the local and district level. As a former socialist satellite party, the CDU had to go through a major change in order to become a conservative party, which was not always an easy process. While its two Ministerpräsidenten - the first one A. Gomolka who resigned after two years and successor Berndt Seibt - left no durable imprint on politics at the Land level, its most famous member (former President of the CDU of MV) is the Chancellor Angela Merkel, whose constituency is Stralsund-Nord-Vorpommern.

*\* The difficult position of the smaller democratic parties due to the lack of adequate social milieus.*

Among the smaller parties, the FDP initially benefitted from its structural advantages (being also the successor party of the satellite parties LDPD and NDPD) and took part in the first coalition as a junior partner (with the CDU). Afterwards, it lost any significance and regained influence in the last legislature, where it embodied the opposition to the grand coalition (SPD/CDU). It has difficulties in establishing a basis and has only a very modest electoral potential in rural MV, which the September 2011 elections confirmed.

The Grüne (the Greens), who were never represented in the Landtag before 2011 and despite their more than modest membership (about 370 people, one third of whom are in Rostock), have acted as a determined and efficient extra-parliamentarian opposition. Paradoxically, even though nature and environmental protection are very important issues in MV, the Land is not an easy location for a party that is mainly rooted in urban, young, leftist and progressive milieus. Nevertheless, the influence of the Greens is very high compared to their membership. They supported local citizens' initiatives and thus acquired influence in regional politics.

*\* The NPD: revealing a profound social malaise*

One small party that found favourable local conditions in MV was the extreme right-wing NPD, which has been represented in the Landtag since 2006 (Saxony is the only other Land where it is also present at Länder level) and in many municipal councils since the municipal elections of 2009. Interestingly the party leadership came from West Germany. Its strongholds are located in more peripheral regions and the small villages (with about 300 to 500 inhabitants) of the Ost-Vorpommern district around Anklam and on Usedom island and in the Ucker-Randow district along the border with

Poland<sup>7</sup>. The NPD benefits from the fact that many small towns and villages have been deserted firstly by the emigration of the skilled, the young and the female, and suffer from a high unemployment, and secondly by the mainstream parties who are not in the position to maintain a sufficient network of local representations and do their political work all over the country. This void permitted a right-wing sub-culture to establish itself and shape many aspects of social life.

*\* Political geography*

To sum up, MV 's political geography is marked by different fault-lines. The first one between SPD and CDU strongholds reflects the historical divide between Mecklenburg and West Pomerania: the CDU is stronger in the West Pomeranian area of the Land whereas the SPD is stronger in the Mecklenburg area of the Land. Here the historical legacies appear: Mecklenburg's social-democratic tradition vs. the conservative traditions of West Pomerania, but also a second divide is to be felt between urban and rural areas. Whereas the CDU is strong in rural areas (most of West Pomerania is rural) the main cities are host to social milieus that are more in favour of the social democrats, but also of PDS/die Linke (especially in the former administrative centres of the GDR districts of Schwerin, Rostock and Neubrandenburg), and the Greens (Stralsund, Rostock, Greifswald, Schwerin). The east, around the cities of Anklam and Ueckermünde is an NPD stronghold. The third divide could be termed as the one between centre and periphery, between territories that are inside or at least close to the main axes of growth and communication and those which, due to emigration, the economic crisis and demographic changes, are in an increasingly isolated, peripheral position.

Table no.4

**Elections to the Landtag: percentage of votes received by the parties**

<b>Elections</b>	<b>Participation</b>	<b>SPD</b>	<b>CDU</b>	<b>Linke<sup>1</sup></b>	<b>FDP</b>	<b>NPD</b>	<b>Grüne<sup>2</sup></b>	<b>Other</b>
14.10.1990	64.7	27.0	38.3	15.7	5.5		9.3	4.2
16.10.1994	72.9	29.5	37.7	22.7	3.8		3.7	2.6
27.9.1998	79.4	34.3	30.2	24.4	1.6	1.1	2.7	5.7
22.9.2002	70.6	40.6	31.3	16.4	4.7		2.6	4.4
17.09.2006	59.1	30.2	28.8	16.8	9.6	7.3	3.4	3.9
04.09.2011	51.5	35.6	23	18.4	2.8	6.0	8.7	5.5

<sup>1</sup> Linke: 1990: PDS / LL, 1994 until 2002: PDS, 2006: Linke/PDS

<sup>2</sup> Grüne: 1990: Grüne: 4.2%, NF : 2.9%, B90: 2.2%, from 1994: B90 / Grüne

<sup>7</sup> It obtained its best scores at the Landtag elections in 2006 in the municipalities of Postlow (371 inhabitants with 38.2 % of the votes), Blesewitz (264 inhabitants and 32.2% of the voices), Bargischo (376 inhabitants and 31.6% of the votes), Neu Kosenow (608 inhabitants and 31% of the votes) and Neuenkirchen 30.1%)

## SOCIAL AND ECONOMIC PROFILE

### Main sources:

*Mecklenburg-Vorpommern ein Porträt in Zahlen*, Schwerin, Statistisches Amt, Mecklenburg-Vorpommern, 2010)

*Mecklenburg-Vorpommern im Spiegel der Statistik*, Ausgabe 2010, Schwerin, Statistisches Amt, Mecklenburg-Vorpommern, 2010

*Zahlenspiegel Mecklenburg-Vorpommern*, Schwerin, Statistisches Amt Mecklenburg-Vorpommern, January 2011.

*Sozioökonomische und SWOT-Analyse sowie Entwicklungsstrategie für das Land Mecklenburg-Vorpommern, Förderperiode 2007 bis 2013*; Gemeinsame Verwaltungsbehörde für die Intervention der europäischen Strukturfonds Mecklenburg Vorpommern, Schwerin, 12 September 2006.

### \* Demography: one of the biggest challenges in MV.

The population of MV has been constantly shrinking since 1989. The Land lost about 15% of its population in the two decades after the Wende, (from 1,963,909 in 1989 to 1,645,600 in July 2010). The eastern parts of the Land, i.e. the districts of Uecker-Randow (- 24%), Demmin (-22%), Rügen (- 20%) and Güstrow (-18%) suffered most, whereas western areas such as the rural districts of Bad Doberan (+25 %) or Nordwestmecklenburg (+8%) gained population between 31.12.1990 and 30.09.2009<sup>8</sup>. The urban districts lost some of their inhabitants to the surrounding municipalities in the 90s but that trend has stopped and today they are even gaining population coming from the more remote territories of MV.

Table no. 5

### Change in number of inhabitants in %, 2009 compared to 31.12.1990

Rural district		Rural district		Urban district	
Nordwestmecklenburg	+ 8	Ostvorpommern	- 12	Schwerin	- 25
Ludwigslust	- 3	Demmin	- 22	Rostock	- 19
Parchim	- 10	Müritz	- 11	Greifswald	- 19
Bad Doberan	+ 25	Mecklenburg-Strelitz	- 9	Stralsund	- 21
Güstrow	- 18	Uecker-Randow	- 24	Wismar	- 20
Rügen	- 20	Nord Vorpommern	- 12	Neubrandenburg Stadt	- 27

Source: *Mecklenburg-Vorpommern im Spiegel der Statistik*, Ausgabe 2010, Schwerin, Statistisches Amt, Mecklenburg-Vorpommern, 2010, p. 5

This shrinkage originates partly in emigration (mainly to the western Bundesländer), which reached a peak in 1989 (-20,000) and 1990 (-42,000) and is now at a level of between -10,000 and -7,000 over the last decade, and which is about twice as high (with 43 persons / 1,000 inhabitants leaving) as in the other new Bundesländer; and partly in a dramatic decrease in birth rates. In 2009 for instance, 40% of the population loss is attributable to a birth deficit (5,300 more dying than were born).

<sup>8</sup> Cf. *Mecklenburg-Vorpommern im Spiegel der Statistik*, Ausgabe 2010, Schwerin, Statistisches Amt, Mecklenburg-Vorpommern, 2010.

Table no.6

**Birth and deaths 1989-2009**

Year	Live births		Deaths	
	Absolute	per 1000 inhabitants	Absolute	Per 1000 inhabitants
1985	30,581	15.6	23,001	11.8
1989	26,403	13.4	21,231	10.7
1990	23,503	12.2	22,449	11.6
1994	8,934	4.9	19,835	10.8
1995	9,878	5.4	19,290	10.6
2000	13,319	7.5	17,460	9.8
2005	12,357	7.2	17,384	10.1
2008	13,098	7.8	17,818	10.6
2009	13,014	7.9	18,342	11.1

Source: *Mecklenburg-Vorpommern im Spiegel der Statistik, Ausgabe 2010, Statistisches Amt MV, p. 6*

All this has resulted in a change in the age structure. MV used to have the youngest population in unified Germany (average age was 35.4 years in 1990), and it still has a younger population (average age in 2009 is 45.1 years) than the other eastern Länder, but it is no longer the youngest of all German Länder. The trend is in the direction of a rapid aging process: the proportion of 0-20 year-olds shrank between 1990 and 2009 from 28% to 16.4%, whereas at the same time the proportion of over-65s increased from 10/8 % to 22/1 %. This aging is the result of the combined effects of a low birth rate, low immigration of young employed persons and losses in emigration in the 15-25 age group (many of them being women before they have started a family). As a consequence, the number of children and teenagers living in households has been considerably reduced (down almost 50%) since 1991

Table n° 7

**Repatriation of the population by age**

Years	Proportion of the total population in %			Average age
	Under 20	20 to under 65 years	65 and over	Years
1990	28.0	61.2	10.8	35.4
2000	21.5	63.3	15.2	40.7
2008	15.5	62.8	21.7	44.7
2009	16.4	61.5	22.1	45.1
2030*	13.9	49.9	36.2	51.7

Source : *Mecklenburg-Vorpommern im Spiegel der Statistik, Ausgabe 2010, Statistisches Amt MV, p. 6*

\* Prognosis

There are many consequences of this demographic transformation. The departure of the young and educated is especially worrying for the economy contributing as it does to increasing the birth deficit and diminishing the Land's reserve of skilled personnel and creating the risk of a lack of a specialised workforce. Analysts estimate that in the decade 2010-2020, because of the dramatic decrease in the



number of people aged between 20 and 60 years, there might be a widespread lack of specialised workers. Qualification as well as education policies will become major issues (and not only the qualifications of young people but of all potential workers e.g. the unemployed, participants in training schemes, immigrants etc.).

There is a trend that is likely to last until about 2020, which is that the potential for employment will shrink more rapidly than the population and that within the population of working age, the age structure will change to become older overall. The number of people under 25 will be reduced by half, whereas the number of people between 50 and 65 years old will increase by a quarter. This transformation of the age structure has an influence on the number of people starting vocational training and academic studies that will form the future working population. Because of a dramatic decline (an approximate halving of the number of school leavers between 2005 and 2010) the importance of every young person increases, which is, as the ESF operational programme notes, a major challenge for schools, vocational training and universities.

Table no. 8

**Number of school leavers**

2005	2006	2007	2008*	2009	2010	2011**	2012 **	2013**
23 900	21,500	20,000	20,790	13,000	10,480	10,400	10,900	11,500

\* 2008 A double Year of high school graduates is leaving school (the Abitur after 12 years becomes effective)

\*\* Forecast

Source: Kultusministerkonferenz: Vorausberechnung der Schüler und Absolventenzahlen 2003 bis 2020, Statistische Veröffentlichungen der Kultusministerkonferenz Nr. 173 (2005), S. 92, + MV im Spiegel der Statistik, Ausgabe 2010, p. 23

There is almost no immigration to MV to offset these losses. Foreigners account for 1.8% of the population (which is very much under the federal average of 8.1% in 2008). More than half of them are of European origin, with about 4,000 Poles, who are by far the biggest community among the foreigners.

*\* Unemployment a problem of the past?*

As in the other new Bundesländer, a very high unemployment rate used to be a major issue in MV. It revealed the economic weakness of the Land and the lack of jobs on the “first Labour market”. But after a peak in 2005 with 22.1% unemployment (which was 1.5 points higher than in the other new Bundesländer) the rate dropped sharply. There are differences between women and men in this regard. Whereas women’s unemployment did record a slight drop between 1999 and 2004, the unemployment rate for men grew owing to the end of the boom in the building and construction industry. The increase in unemployment around 2004/2005 was largely due to the ending of the main measures of the active employment policy of the Bundesagentur für Arbeit (ABM and SAM)

Table no. 9

**Unemployment rate**

	1995	2000	2005	2006	2007	2008	2009	2010
MV	15.3	17.8	20.3	19.0	16.5	14.1	13.5	12.7
Men	11.2	16.5	21.0	19.1	16.2	14.0	14.4	13.7
Women	19.8	19.1	19.7	19.0	16.8	14.1	12.6	11.6
NBL	13.9	17.1	18.7	17.3	15.0	13.1	13.0	12.0
Germany	9.4	9.6	11.7	10.8	9.0	7.8	8.1	7.7

Source: Bundesagentur für Arbeit.

Table no. 10

**Long-term unemployment rate**

	2005	2006	2007	2008	2009
MV	13.4	11.7	10.6	7.8	7.3
Men	12.6	11.5	10.2	7.2	7.5
Women	14.3	11.8	11.1	8.6	7.1
NBL	11.3	10.8	9.5	7.9	6.9
Germany	5.9	5.8	4.9	3.9	3.5

Source: Statistisches Bundesamt (Caution: the figures of the statistisches Bundesamt differ from those of the Bundesagentur für Arbeit)

\* Proportion unemployed for over 12 months.

The proportion of the active population diminished between 1999 and 2004 by 8.7 percentage points (which is more than in the other new Bundesländer). The employment rate for women was stable at around 55% between 1999 and 2004 and started to rise after 2005 reaching 64.3% in 2009. The employment rate for men is still higher but fell to around 61% in the years 2002 to 2004 and rose afterwards to reach 71.2% in 2009 (see table no. 12). Employment of older people (55-64 years old is very low, 32% in 2005 and rising to 49.8% in 2008).

\* A Land the population of which is still very dependent on social minimum benefits

Table no. 11

**Risk-of-poverty rate measured compared to the federal median \***

	2005	2006	2007	2008	2009
MV	24.1	22.9	24.3	24.0	23.1
NBL**	20.4	19.2	19.5	19.5	19.5
Germany	14.7	14.0	14.3	14.4	14.6

Source: Statistisches Landesamt

\* Proportion of the people with an adjusted disposable income less than 60% of the median adjusted disposable income of the population in private households in the same area.

\*\* Berlin included

Even though employment has risen in recent years, the risk of poverty still remains very high in MV. It is the highest compared to all eastern and western Bundesländer and has stagnated since 2005. Almost a quarter of the population is affected. In contrast the proportion of wealth measured by income shows that MV is by far the Land in Germany with the least wealthy population, as only 2.6% of its inhabitants are considered wealthy by their incomes, compared to an average of 4% in the new

Bundesländer and 7.8 % in Germany overall. 15% of the population lives on minimum social benefits (sozial mindestleistungen). Only in Berlin is that percentage higher.

Table no. 12

**Minimum insurance rate**

	2006	2007	2008	2009
MV	17.8	16.8	15.5	15.0
Men	18.5	17.3	15.9	15.6
Women	17	16.2	15.6	14.4
NBL	16	15.5	14.6	14.5
Germany	10.1	9.8	9.3	9.5

Source: Statistisches Landesamt.

*\* Share of the population that receive social benefits compared to the total population.*

At the end of the year 2008, 257,747 people were receiving minimum insurance. This was 8.6% less than 2007, which reflects the positive trend on the labour market in 2008 and the shrinking number of people receiving *Arbeitslosengeld II* resp. people receiving social assistance (*Sozialgeld*). Still in 2008, every 6th inhabitant of MV (or 15.5% of the population) was dependent on state financial and social aid (in Germany only every 11th person, or 9.3% in 2008), and the number of welfare recipients was 2,246 in 2008, being an increase of 19.5% compared to 2007. (The Federal average increased much less in 2008, by only 4.4%). More than a quarter of children live on HARZ IV in MV.

*\* Job quality, a major issue*

While unemployment might become a problem of the past as a result of the shrinking active population, the low quality of the jobs in MV remains a big issue. MV suffers from a labour market that offers few “good jobs” (according to the trade union DGB-Nord, such jobs are those subject to social security payments, offering some income security, enabling a decent life from the income, offering development opportunities and the chance to work until 65 healthily). Between 1999 and 2004 the percentage of jobs subject to social insurance contributions decreased by 17% when counted by place of work, and by 15% when counted by place of residence (commuters accounting for the difference) and, a good sign, after reaching an all-time low, it started to increase again after 2005. Today the DGB-Nord summarises the situation as follows: there are 39,000 unemployed in January 2010, 89,900 employees that are low paid of which 51,500 are women. One in five workers works part-time and 84% of the part time workers are women.

In September 2009 there were 54,934 employed persons receiving ALG II (unemployment payments II) out of which 53.4% were women, one in five employees is only temporarily employed, there are 133,400 unemployed of which 87,000 under SGB II regulations (Social security Code II). There are

174,700 people underemployed (without counting people in short time work schemes) of which 15,600 are in “one euro jobs”, and 10,500 in education and training. The loss through emigration in 2008 amounted to 10,612 people and there were 76,000 outgoing commuters in 2008. Finally, with an average gross wage of 21,631 euros in 2008, MV is in last place in Germany<sup>9</sup>.

Table no.13

**Development of employment and activity subject to social insurance contributions 1999 to 2005**

	1999	2000	2005*	2006	2007	2008	2009
Active population (Mikrozensus)	768,100	780,100	731,600	753,300	757,200	776,200	744,000
Employment rate total**	60.4%	61.9%	61.1%	63.6%	65.5%	68.5%	69.5%
Employment rate women	55.4%	56.9%	59.0%	61.5%	63.0%	66.3%	64.3%
Employment rate men	65.1%	66.6%	63.0%	65.6%	67.8%	70.5%	71.2%
Jobs subject to social insurance contribution at the working place total- (30.06.)	601,000	590,700	499,000	536,000	520,600	520,600	520,800

\* Because of changes in the survey methodology comparability of the results with previous years is limited \*\*

Proportion of the labour force in the 15-64 age group

Source: Statistisches Bundesamt; Statistische Berichte, *Erwerbstätigkeit Mikrozensus in MV, 2009*, Statistisches Amt Mecklenburg-Vorpommern, 15 September 2010, p. 45.

Table no. 14

**Beneficiaries of social aid**

Annual average	Within the scope of social security code III (SGB III)		
	Short-time workers	Unemployment benefits	Unemployment benefits by further training 1)
1998	4,245	92,135	14,442
1999	2,907	85,166	15,391
2000	2,240	80,308	15,670
2001	2,118	79,716	15,318
2002	2,151	75,592	14,572
2003	2,939	67,434	10,770
2004	2,236	64,613	6,985
2005	1,403	58,958	3,711
2006	940	47,773	2,658
2007	1,259	35,821	2,305
2008.	1,795	32,343	1,964
2009	8,059	34,422	2,800

Source: Statistik der Bundesagentur für Arbeit; [www.arbeitsagentur.de](http://www.arbeitsagentur.de); different data status

1) until 2005: subsistence allowance

<sup>9</sup> Source: "Erwartungen aus Sicht der Gewerkschaften an die EU ab 2013", Ingo Schlüter, Stellvertretender Vorsitzender des DGB Bezirk Nord. Conference *EU Politik und MV* 03.03. 2010

*\* MV - a low-wage land.*

*Source:*

MV im Spiegel der Statistik, Ausgabe 2010, Statistisches Amt, Mecklenburg Vorpommern. Ausgabe 2010. p. 11.

In MV, average gross wages and salaries are the lowest in Germany at €21,890 per employee. In 2009 they amounted only 79.2% of the German average and have not really increased since 2000 (77.9% in 2008 and 78.3% in 2000). All other NBL have wages and salaries over 80% of the German average. The highest gross wages and salaries per employee are in the field of private and public services (€25,297) and in manufacturing (€23,314), whereas the lowest are to be found in agriculture, forestry and fishing (€15,659) and in commerce, the hospitality industry and transport (€17,173). Average labour costs are €26,993 in 2009 per employee and thus lower than the German average by €7,143. MV is the Land where social security contributions of employees per capita are the lowest, as are gross hourly wages and salaries which were €16.01 in 2009. Here again, the gross hourly wages and salaries are lowest in agriculture, forestry and fishing (€10.23 which equates to 86.2% of the German average), and highest in the service sector at €18.8 (94.8% of the German average), whereas in manufacturing, at €16, they do not even reach 60% of the German average. The difference between gross hourly wages and salaries in MV and the German average continues to increase.

The average labour costs of a worked hour in 2009 in MV remain the lowest of the German Länder at €19.74 being 75% of the German average.

**GENERAL ECONOMIC SITUATION: STILL A GREAT NEED TO CATCH UP IN TERMS OF ECONOMIC STRENGTH.**

As part of the former GDR, MV had to go through a far-reaching transformation process from a political, social and economic point of view alike. Its economic structures had to undergo a process of privatization and restructuring that most of the industries established under the socialist regime did not survive.

As the Regional operational programme for FEDER<sup>10</sup> notes: "Despite significant progress in the process of catching up, the general economic situation of Mecklenburg-Vorpommern, like that of the other ex-East German Bundesländer, is not satisfying, which is mainly attributable to the not yet completed structural change. It started with the end of the boom in the building and construction sector in East Germany in the middle of the nineties". Nevertheless the economy's structure is getting healthier: the proportion of three sectors is shrinking, namely building, decreasing every year, public administration and agriculture, forestry and fishing (cf. table no. 17). These losses are offset by an increase in added value and jobs in fields with a more promising future such as the manufacturing industry, industry-related services and tourism. "This explains the stagnation in the convergence process of the economy of Mecklenburg-Vorpommern since the middle of the 90s", according to the FEDER ROP<sup>11</sup>.

*\* Weak economic development*

MV is the structurally weakest Land in Germany. With a GDP of 35,229 millions in 2009 (and 35,780 in 2010) it represented 1.5% (1.4% respectively) of German GDP (compared with 2% of the German population). GDP convergence (in real terms) per capita between MV and Germany is only progressing slowly. In 2010 the GDP per capita in MV equated to 71.1% of the German average.

Table no. 15

**GDP per capita in current prices**

	1991	1995	2000	2005	2006	2007	2008	2009	2010
GDP per capita in real terms	7,470	14,965	16,859	18,816	19,460	20,664	21,467	21,354	21,730
German average = 100	38.9%	67.2%	67.2%	69.2%	68.9%	69.9%	71.0%	72.9%	71.1%

Source: *Statistische Berichte, Bruttoinlandsprodukt und Bruttowertschöpfung der Wirtschaftsbereiche in Mecklenburg-Vorpommern, 1991 bis 2010. Statistisches Amt Mecklenburg-Vorpommern, 31 March 2011, p. 42*

<sup>10</sup> Europäischer Fonds für regionale Entwicklung (EFRE), Operationelles Programm des Landes Mecklenburg-Vorpommern im Ziel Konvergenz, Förderperiode 2007-2013. 24.08.2007, p. 10

<sup>11</sup> Ibid.

Table no. 16

**GDP, and percentage change in GDP, in real terms, in %**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (in mio. of €)	30,061	30,568	30,878	31,118	31,837	32,385	33,088	34,853	35,901	35,380	35,780
MV	+ 0.4	+ 0.3	+0.1	- 0.2	+ 1.6	+ 0.8	+ 2.1	+ 3.2	+ 2.3	- 2.4	+ 0.3
Germany	+ 3.2	+ 1.2	-	- 0.2	+ 1.2	+ 0.8	+ 3.4	+ 2.7	+ 1.6	-4.7	+3.6

Source: Statistische Berichte. Bruttoinlandsprodukt und Bruttowertschöpfung der Wirtschaftsbereiche in Mecklenburg-Vorpommern 1991 bis 2010, 31. March 2011. Statistisches Bundesamt Mecklenburg Vorpommern, p. 48

Its development lies far behind the German average. GDP growth in real terms was higher than the German average right after the *Wende* between 1992 and 1996 and only in the years 2004, 2007 and 2008. Between 1999 and 2005 it grew only by 0.9% (whereas the German average grew by 7% and the NBL average by 4% over the same time period). It was less affected by the crisis than the German average, dropping only by -2.4% in 2009 compared to -4.7% in Germany overall but the recovery is also slower as the figures for 2010 show (+0.3% compared to +3.6% for Germany). It is below the EU27 average of +1.8%.

At 21,730 euros, GDP per inhabitant in 2010 is almost 30% under the German average (equating to 71.1% of the German average GDP per capita in 2010) (See table no. 15).

*\* Productivity still too low despite convergence*

The difference in productivity grew again in 2010 compared with Germany as a whole. In MV the GDP per gainfully employed person increased in real terms only about +0.6% whereas it grew by 3.1% in 2010 in Germany. MV has the third lowest productivity (only Saxony and Thuringia were lower). But here again, there are very important differences between different sectors of the economy. Of all sectors, agriculture, forestry and fishing have the highest productivity (135% of the German average which is due to the form of agriculture in MV), all other sectors being under the German average (public and private services being the closest to the German average at 93.9%, the secondary sector, including manufacturing, having the lowest at 72% of the German average).

Over the years, productivity has shown positive development. Growth between 1991 and 2009 was higher than in the western Bundesländer, thus the difference with the western Länder was reduced from 54.6% of the German average in 1992 to 81.4% in 2009. In 2010 the gap grew again with only 79.7% being reached, because of the slower growth in MV.

Table no. 17

**Productivity growth in MV and Germany compared**

	1992	1995	2000	2005	2006	2007	2008	2009	2010
<b>Germany</b>	+ 3.7	+1.7	+1.3	+0.9	+2.7	+1.0	-0.4	-4.7	+ 3.1
<b>MV</b>	+ 22.5	+ 5.2	+1.1	+1.2	+1.3	+ 1.3	+1.7	-2.7	+0.6
<b>Germany = 100</b>	54.6	71.5	76.1	78.9	77.8	78.3	79.6	81.4	79.7

Source: Statistische Berichte. Bruttoinlandsprodukt und Bruttowertschöpfung der Wirtschaftsbereiche in Mecklenburg-Vorpommern 1991 bis 2010, 31. March 2011, p. 40

\* A sectoral structure of the economy somewhat different from the German norm.

In terms of gross value added, the proportion attributable to different sectors is very uneven. The economic structure of the Land is changing: the main economic sector remains public and private service providers who contribute to 33.4% of the gross value added; manufacturing industry's influence is increasing, whereas the building industry is decreasing. The economic structure of the Land differs from the average German structure: agriculture, public and private service providers, and trade and the hospitality industry play a more important role, and conversely finance, renting and manufacturing industry excluding construction are under-represented. The transformation process can be expected to continue in this way over the next few years.

Table no. 18

**Share of the economic sectors in the gross value added in MV**

	Agriculture forestry and fishing	Manufacturing industry without construction industry	Construction industry	Commerce, hospitality industry and transports	Finance, renting and services to the companies	Public and private services
1999	4.2 %	11.8%	10.3%	19.5%	22.4%	31.9%
2005	2.9%	13.6%	5.8%	20.7%	24.6%	32.4%
2009	2.4%	13.3%	5.3%	19.5%	26.2%	33.4%
2010	2.7%		5.3%	19.3%	26.2%	33.5%
Germany	0.9%		4.1%	17.2%	30.4	23.6

Source: Mecklenburg Vorpommern im Spiegel der Statistik, Ausgabe 2010, p. 10 ;

A closer look shows that the agricultural sector is about three times more important for the economic performance of the Land than in Germany as a whole. Its significance for the Land can be explained by the large land surface available and the high degree of mechanization of production, and the low intensity of animal husbandry. It is highly productive: the GDP generated by employee is about 30% higher than in the rest of Germany. There is a positive development in organic farming, with 8.4% of farmland cultivated in compliance with regulations on organic farming which makes MV a top organic producer in Germany.



The industrial manufacturing sector has experienced a positive development. It increased by 25% between 1999 and 2005, which is more than in some other NBL. We have to note here the importance of shipbuilding and of the food industry (manufacturing of food and food products accounts for 33% and machine building for 10%).

Building industry: after the boom that followed unification there was an adaptation crisis in the late 90s. Today, despite a decrease, the sector is still over-represented.

Commerce and the hospitality industry is a very important sector because of the influence of tourism. The sandy coast and the seaside resorts on the Baltic Sea, most of which were already very popular in the 19th century, and the lakes make MV an attractive tourist destination. Since 1989, there has been an expansion and reconstruction of the hotel and accommodation sector and of tourist infrastructure. Since then, the supply of accommodation and the number of overnight stays both expanded a great deal: in 1992 there were 9.4 million overnight stays and in 2009 there were 28.4 million. More than half of these are along the coast in the seaside resorts, which emphasises the minor role of city tourism in MV. MV has successfully tried to link the tourist industry with the health sector and has a small but blossoming sector of health tourism services.

The public and private service sector is very developed, which can be explained by the fact that the public sector (public administration, Bundeswehr, education) plays a very important role in the economic performance of the Land. A feature of MV's economy is its under-industrialization: the density of industry, measured by the number of persons employed in the industrial manufacturing sector per 1000 inhabitants is the second lowest in Germany and was only 35.8 persons in 2008, explained by the absence of big companies, and the above average presence of small and medium-sized companies. Thus the possibilities for cluster effects are missing.

#### *\* Spatial disparities and territories in crisis*

If MV is considered as a whole to be a territory lagging behind in its development compared to the other Bundesländer, a closer look shows a more differentiated picture. Inside MV the disparities are at least as big as they are between MV and the rest of Germany. First there is a clear east/west divide, the western territories (such as Bad Doberan or Ludwigslust, or Güstrow) having less unemployment and a higher income per inhabitant (see table no.18 and 19) than eastern territories (Pomeranian territories mainly) close to the Polish border. The same split is also to be seen in the number of births, the eastern regions being less fertile than western regions (before 1995 the opposite was the case).

The second divide occurs between cities (Rostock, Schwerin, Neubrandenburg, Greifswald, Stralsund, Wismar) and the more rural areas. Some rural areas have a population density that falls around half to two thirds under the Land average (already the least densely populated Land in Germany and

even of the eastern Lander). Seven of the 12 rural districts have between 40 and 50 inhabitants per km<sup>2</sup> (two – Müritz and Mecklenburg Strelitz - even fewer at 38 inhab. / km<sup>2</sup> and three have more with two at 56 and one above the average of the Land at 86). Whereas in 2008 the GDP per capita in the six urban districts amounted to 136% of the Länder average, greatly exceeding the EU 27 average and almost reaching the German average (96.1%), the rural districts' GDP only reached 83.4% of the Land average, and only 58.6% of the federal average (only the Bad Doberan and Ludwigslust districts reach the EU 27 average). The third divide runs between the coast, where most industries are established and most cities are found, and the hinterland that is mainly rural.

Table no.19

**Unemployment rate by district**

District	2008	2009	2010	District	2008	2009	2010
Nord-West Mecklenburg	11.5	11.3	10.3	Ost Vorpommern	16.2	15.6	13.7
Ludwigslust	10.1	9.8	9.0	Greifswald Hansestadt	14.5	13.7	11.9
Schwerin	13.9	13.6	13.1	Stralsund Hansestadt	16.2	16.0	15.5
Parchim	12.2	11.6	10.6	Wismar	15.7	15.4	14.7
Bad Doberan	9.5	9.5	9.0	Demmin	19.6	18.2	17.4
Güstrow	15.5	14.5	12.8	Müritz	13.4	12.7	12.7
Nord Vorpommern	15.6	14.9	14.1	Neubrandenburg Stadt	15.7	15.1	14.9
Rostock Hansestadt	13.7	13.7	13.4	Mecklenburg-Strelitz	15.7	15.1	14.2
Rügen	13.7	12.4	11.7	Uecker-Randow	18.7	17.2	16.3

Source: Bundesagentur für Arbeit

MECKLENBURG-VORPOMMERN, UNEMPLOYMENT RATE BY DISTRICT IN 2010

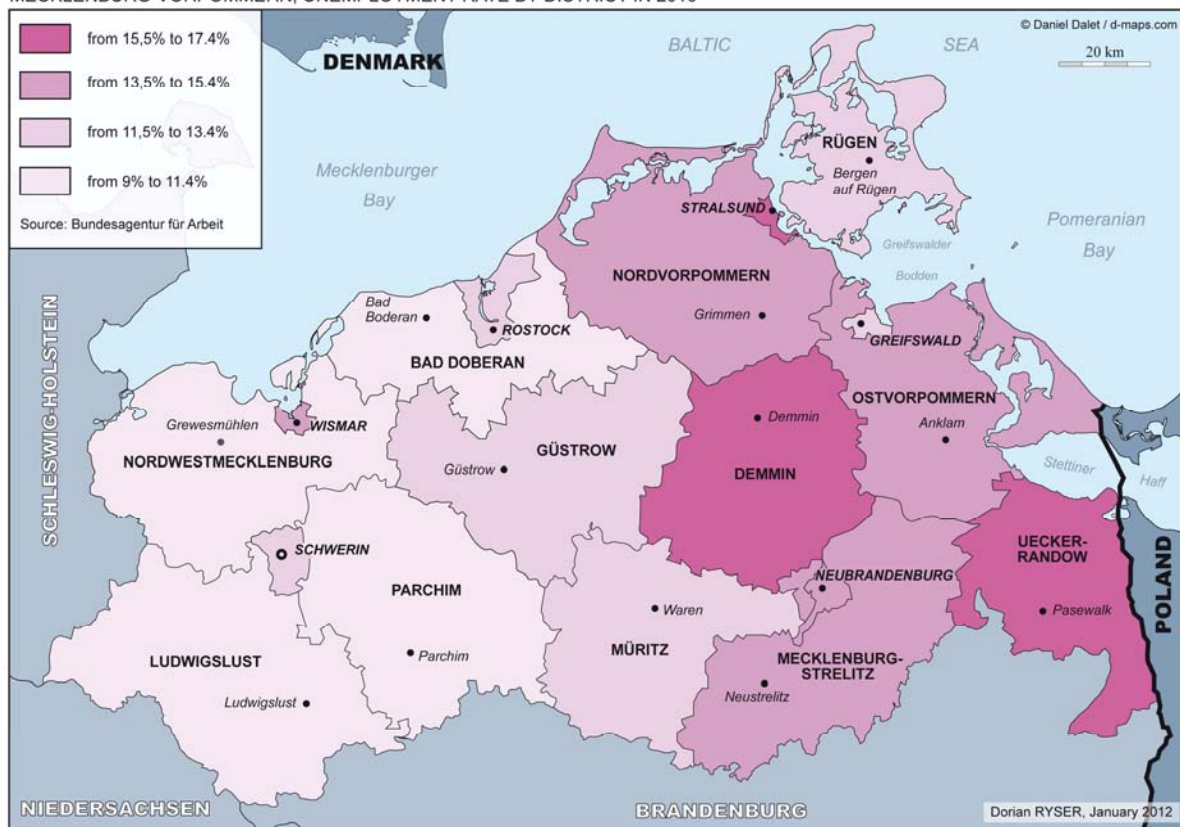


Table no. 20

**GDP per capita in 2008**

	In euros	Compared to Landes average = 100
Urban districts		
Greifswald	26,121	122.4
Neubrandenburg	32,910	154.2
Rostock	28,102	131.7
Schwerin	31,623	148.2
Stralsund	29,420	137.8
Wismar	26,966	126.3
Rural districts		
Bad Doberan	19,856	93.0
Demmin	18,325	85.9
Güstrow	19,607	91.9
Ludwigslust	19,446	91.1
Mecklenburg Strelitz	14,638	68.6
Müritz	20,553	96.3
Nord Vorpommern	16,104	75.4
Nord-West Mecklenburg	15,905	74.5
Ost Vorpommern	16,400	76.8
Parchim	16,322	76.5
Rügen	19,781	92.7
Uecker-Randow	17,351	81.3

Source: Bundesagentur für Arbeit

MV's settlement structure differs a great deal from that in the rest of the Federal Republic. It has a high number of small villages and towns and no large cities: 43% of the population live in municipalities with fewer than 5,000 inhabitants, only 17% of the population lives in the two major towns of Rostock and Schwerin. There are 871 municipalities, of which 606 have fewer than 1,000 inhabitants and four towns (Waren, Neustrelitz, Güstrow and Wismar) with 20,000 to 50,000 inhabitants, four towns (Greifswald, Stralsund, Neubrandenburg and Schwerin) with 50,000 to 100,000 inhabitants, and Rostock is the largest town with 201,442 inhabitants.

## THE LIMITED IMPACT OF THE 2008 FINANCIAL AND ECONOMIC CRISIS.

*Wirtschaftsbericht Mecklenburg – Vorpommern, Krisenbewältigung und Zukunftssicherung*, Ministerium für Wirtschaft, Arbeit und Tourismus Mecklenburg-Vorpommern, Schwerin, August 2010

*IHK – Konjunkturumfrage zu Jahresbeginn 2011, Die Wirtschaft in Mecklenburg Vorpommern auf einen Blick*, Landesarbeitsgemeinschaft der Industrie und Handelskammern in Mecklenburg-Vorpommern, Neubrandenburg, Rostock und Schwerin.

*Durchführungsbericht zum Operationellen Programm des Landes Mecklenburg Vorpommern für den Europäischen Sozialfonds (ESF) im Ziel Konvergenz in der Förderperiode 2007 bis 2013. Berichtsjahr 2009.* Gemeinsame Verwaltungsbehörde – Verwaltungsbehörden für den EFRE, ESF und ELER, Schwerin 11 October 2010 .

*Durchführungsbericht zum Operationellen Programm des Landes Mecklenburg Vorpommern für den Europäischen Fonds für Regionale Entwicklung (EFRE) im Ziel Konvergenz in der Förderperiode 2007 bis 2013. Berichtsjahr 2009.* Gemeinsame Verwaltungsbehörde – Verwaltungsbehörden für den EFRE, ESF und ELER, Schwerin 17 June 2010 .

The impact of the financial and economic crisis on MV has been limited but real and is still being felt. In 2009, GDP shrank by 2.3% (in real terms) compared to 2008, which is the biggest fall since 1992. It grew again in 2010 but only by 0.4% whereas in Germany the recovery was much faster (+3.6%), as it was in the EU +1.8% and in the New Länder +2%. However, owing to its small business structure, MV was less hit by the crisis than the other NBL -3.5%, Germany -5% or the EU -4.2%. The crisis affected MV with a little delay and in a differentiated way and did not have a major long-term impact on either the structure of the economy (except for the end of shipbuilding), or on employment (the number of employed people ceased to grow as it had between 2006 and 2008, but it did only stagnate, not fall) and the number of unemployed continued its downward trend (-6,000 people in 2009) which can be explained by the dramatic reduction in persons of working age (-24,000 in 2009). But the export rates of MV shrank by 15% in 2009 (Germany 18%) and the economic performance of the manufacturing industry, which had grown continuously in recent years, diminished by -10.6% (Germany -18.2%).

Still, as the Ministry for the Economy writes in its report to the crisis: "The economic performance of Mecklenburg-Vorpommern dropped in 2009 to below the value of the year 2007. Because of the difficult situation in the shipbuilding sector it could take until 2014-2015 before the economic performance of Mecklenburg Vorpommern again reaches the peak of 2008."<sup>12</sup>.

### *\* Moderate consequences of the crisis on the labour market*

The crisis was not felt particularly on the labour market. After an increase in unemployment at the beginning of 2009 there was a clear recovery so that unemployment did not exceed the level of 2008, even attaining in 2010 its all-time low of 12.7% (13.6% in 2009 compared with 14.1% in 2008.) Mid-2010 (in August) the closure of the qualifying companies (*Transfergesellschaften*) Warnemünde

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<sup>12</sup> *Wirtschaftsbericht Mecklenburg – Vorpommern, Krisenbewältigung und Zukunftssicherung*, Ministerium für Wirtschaft, Arbeit und Tourismus Mecklenburg-Vorpommern, Schwerin, August 2010, p. 13

and Wismar was felt and this generated a slight increase in the number of unemployed. In 2010, the number of employed persons in MV nevertheless dropped by 2,600. Generally speaking the crisis only really slowed down the positive trend on the labour market which has been felt since. The number of training places offered to young people shrank in 2009, but since a smaller number applicants were on the training job market, the supply/demand ratio improved.

The very limited fall in employment on the labour market, despite a definite decrease in economic performance, was made possible by a reduction in working hours and offset using the labour policy instrument of cyclical short time working that was much used. In March 2009 the number of short-time workers was 10,158, one year later in March 2010 it reached its peak with 14,421 persons (which resulted in an easing of the unemployment rate by 0.9 percentage points), and dropped back to 6,549 in June 2010. In short, MV was less affected by short-time working than the rest of Germany (the proportion of short-time workers compared to the employees subject to social security payment was 2.8 % in MV compared with 3% in Germany). MV's position outside the main trade and financial flows (low export rates, selling of the Land's shares in the Nord-LB Landesbank in 2005) and the particular structure of its economy (importance of agriculture and public and private services, and the relative weakness of industrial manufacturing and the small size structure of the companies), offered the Land relative protection from the crisis.

*\* Positive prospective trends*

The main business surveys from chambers of commerce and trade associations showed that the crisis was quickly overcome for most businesses. There was already a slight optimism in 2010. In 2011, the chamber of commerce and industry was in a position to entitle its first issue of the 2011 business report "Economy in M-V –signs of upswing" with a sub-title of "The business climate in Mecklenburg Vorpommern has never been better". This seems to be confirmed by economic statistics showing a recovery in the economy in 2010, and by the fact that the volume of applications for funding in the area of productive investments (technology and innovation in companies) increased in 2009 rather than decreasing.

Table no. 21

**Employment trend in Mecklenburg Vorpommern and Germany compared  
Change over previous year in %**

		1992	1993	1994	1995	1996	1997	1998	1999	2000
MV		- 10.6	- 2.1	+ 2.8	+ 2.6	- 1.3	-1.7	- 0.3	0.3	- 0.7
Germany		- 1,5	- 1,3	- 0,1	+ 0,2	- 0,3	- 0,1	+ 1,2	+ 1,4	+ 1,9
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
MV	-1.8	-1.4	-1.7	-0.4	-0.4	0.9	1.9	0.7	0.1	
Germany	+ 0,4	- 0,6	- 0,9	+ 0,4	- 0,1	+ 0,6	+ 1,7	+ 1,4	- 0,0	+ 0,5

Source: for MV : *Wirtschaftsbericht Mecklenburg – Vorpommern, Krisenbewältigung und Zukunftssicherung*, Ministerium für Wirtschaft, Arbeit und Tourismus Mecklenburg-Vorpommern, Schwerin, August 2010, p. 11

Table no. 22

**Economic performance in 2009 in MV in the different economic sectors**

Economic sector	Share in the gross value added (in %)		Change over previous year (%)		Contribution to growth of the GDP (%points)
	MV	D	MV	D	
					MV
<b>Agriculture, forestry and fishing</b>	2.4	0.8	+2.6	+0.4	+0.1
<b>Producing industry</b>	18.5	26.6	-8.8	-14.9	-1.5
Including					
Manufacturing industry	11.1	19.4	-10.6	-18.2	-1.2
Construction industry	5.3	4.6	-2.9	-1.1	-0.1
<b>Services</b>	79.1	72.6	-1.6	-1.7	-0.9
of it commerce, hospitality industry and transports	19.5	17.6	-3.9	-5.0	-0.6
<b>Finance, leasing and companies related services</b>	26.2	31.0	-1.9	-1.6	-0.3
<b>Public and private services</b>	33.4	24.0	-0.1	+0.1	-0.0
Total	100	100	-2.9		-2.3

Source: *Wirtschaftsbericht Mecklenburg – Vorpommern, Krisenbewältigung und Zukunftssicherung*, Ministerium für Wirtschaft, Arbeit und Tourismus Mecklenburg-Vorpommern, Schwerin, August 2010, p. 12

As table no. 21 shows, the crisis hit different sectors in different ways and those linked to ERDF-structural support were the most severely hit. Secondary industry lost about 10% in its gross value added. With a decline of minus 45% in profits in 2009 and the insolvency of the Wadan shipyards (one of the largest employers in the region with 2,360 employees), shipbuilding suffered the most. Orders stopped and the possibilities for financing the building of new ships became very scarce (the yards of the Hegemann Group in Straslund and Wolgast had to fight against such financial shortfalls in 2009 and to accept a restructuring contract).

The other sectors that were affected were other vehicle construction (- 41.8%), manufacturing of wooden products (-32.3%), manufacturing of chemical products (-32.1%), manufacturing of motor vehicles and motor vehicles parts (-29.7%), metal production and equipment (-29.3%), manufacturing of electronic products (-28.6%), but not machine building / engineering being up 31 % thanks to high demand for wind power stations. The building and construction industry had a drop of -7.5 % in its business volume and of -3.1 % in employment. The craft sector – 3.1% and 2.5% less jobs, retail ( -3.2% and -2.2% respectively).

As regards foreign trade, the crisis stopped an upward trend in that traditionally weak branch of the MV economy. While 2008 was a record year with 6 billion euros in exports, In 2009 the figure was only 5.1 billion euros, a decrease of about 15%. It seems that there was again a slight increase in

2010 compared to 2009. Among the European countries that are the destination of most of MV's exports, exports to Sweden, (+27.6%) Denmark (+0.3%) (two of the most important export countries) and to the Czech Republic (+19.2 %) did not suffer from the crisis, on the contrary. The biggest decrease affected exports of high value products: down 36.2% whereas the export of goods from the food industry increased by 5.3%.

In the service sector, tourism had a stabilizing effect. The number of guest arrivals did rise by 5% in 2009 and the number of overnight stays was up 3.3% compared with 2008, following the trend of almost constant increase since the end of the 1990.

*\* Maritime economy and shipyards: the end of a key industry*

Sources :

Gunnar Prause, *Regional Networks as Success Factor in Structural Change of Maritime Industry – The European Experience*, Wismarer Diskussionspapiere, Heft 07/2010, pp. 33-64

4. Zukunftskonferenz der Maritimen Wirtschaft in Meckenburg Vorpommern, 1&2 December 2010, Rostock.

*Konzept Zukunftsperspektiven der maritimen Industrie in MV*, Ministerium für Wirtschaft, Arbeit und Tourismus, Meckenburg Vorpommern, Schwerin, 22 July 2008.

The maritime industry (shipbuilding and shipping, offshore technology, environmental technologies, polar technologies, maritime traffic and monitoring techniques, maritime logistics and safety) which is a key sector for MV, is also the one that has been the most severely hit by the economic and financial crisis in 2008. It has not yet recovered from the shock. The big shipyards, which were the backbone of the region's industry, like the Wadan shipyards, had to go into insolvency and were sold. Only small yards remain.

**The big shipyards in MV: a continuous shrinking process.**

The fate of the Mathias Thesen Shipyards in Wismar, which used to be the biggest yards in the Land, and employed 6,000 people in 1989, epitomises shipbuilding after 1989. Over 20 years, they had to reduce their staff by 90%. Today, only 600 employees remain. During privatisation, they were bought in 1992 by Bremer Vulkan, who went into insolvency, and sold them to the Norwegian Aker Group, that merged Wismar and Rostock – 2,300 jobs on both sites - and then sold them again to a Russian investor A. Burlakow who renamed them Wadan Werften. He too went bankrupt in 2009 and sold a part of shipyard to another Russian investor who renamed what remained the Nordic Yards and kept only 1,200 employees on both sites.

Shipbuilding used to play a major role in the regional economy before 1989 and fought successfully throughout the whole transition phase to survive. During the 90s the shipyards went through a turbulent privatisation process.

After the deep crisis of the beginning of the 90s, the four main sites of Wismar, Rostock, Stralsund and Wolgast managed to continue with a reduced number of employees (about one tenth). They had

undergone a complete structural change, were modernised and seemed to do well for a decade, until the crisis in 2008. The economic success of the beginning of the 2000s did nevertheless mask a number of weaknesses typical for eastern transition economies that the crisis then revealed and that were fatal to the shipbuilding industry.

In 2006, before the crisis, according to the MV Ministry of the Economy, the maritime sector represented 28,000 employees and 2,200 companies and total revenues of about 4 billion euros and 1.2 billion of value added (shipbuilding and suppliers represented about 350 companies with about 13,400 employees, with 6,000 employees in shipbuilding, or about 12% of all regional industrial jobs and 7,400 employees at suppliers).

Table no. 23

**Structure of the maritime economy before the crisis in 2006**

	Companies and institutions		Employees		Turnover/sales/revenues		Value added	
<b>Total</b>	2,200		31,000		4.1 billion euros		1.1 billion euros	
<b>Shipbuilding</b>	260	11.7%	5900	19%	1470	36.3	190	17.3%
<b>Maritime supplying and service companies</b>	160	7.2%	7000	22.6%	780	19.3%	270	24.6%
<b>Sea traffic and port economy</b>	20	0.9%	7200	23.3%	900	22.2%	300	27.3%
<b>Offshore techniques</b>	20	0.9%	1200	3.9%	400	9.9%	100	9.1
<b>Maritime research and technical infrastructures</b>	100	4.5%	600	1.9%	60	1.5%	43	3.9%
<b>Fishing</b>	200	9.0%	2100	6.8%	270	6.7%	95	8.7%
<b>Maritime Tourism</b>	1400	63.1%	7000	22.6%	170	4.2%	100	9.1%

Source: *Konzept Zukunftsperspektiven der maritimen Industrie in MV*, Ministerium für Wirtschaft, Arbeit und Tourismus, Mecklenburg Vorpommern, Schwerin, 22 July 2008.

*\* The failure of the shipyards: symptomatic of the weaknesses of the eastern German economy*

The maritime sector in MV represented about 30% of the total German revenues in the shipbuilding sector. But the ships produced in the East differed markedly from those produced in the West. They were worth only 75% of the value of the average German ship. This is because the eastern yards specialized in container ships, which are low-value products, not needing a lot of engineering. The container shipping sector was the one that had to fight against competitors from Asia (such as China and Korea that produce container ships about 30% more cheaply). The eastern yards could only survive because they had high productivity due to their modern equipment, because of the low salaries in MV, and because MV's shipyards offered very advantageous financing (the buyers had to pay only 10% on account in advance in contrast to 30% in Asia). The yards were not profitable, even though they produced a high number of ships, and as the crisis came and revealed the oversupply, this all led to the total collapse of the industry in MV. Today the shipping and port economy have



overcome the low point of the crisis. But even though there are small success stories, such as for instance that of the P+S Werftgruppe in Vorpommern, building very specialised ships and expanding, shipbuilding has disappeared from the economic landscape of MV as a major industrial sector in the way it was before 2008.

To explain the collapse of the shipbuilding industry in MV, the fact that the maritime supply sector, which is the most profitable, was mostly not located in MV was a further factor in addition to the low productivity of shipbuilding. The big companies collapsed after 1989 and gave birth in the process of their restructuring to a large number of small and medium enterprises (many micro firms with a very low degree of internationalisation) who were too loosely connected to be able to form a real cluster and lacked soft skills, such as the ability to operate on international markets and to innovate. Compared to western Germany, the number of companies in the maritime industry is very small in MV. There is a low number of maritime supply companies established there, and the companies lack research and development and innovation capacity in maritime technologies. Most of the small companies have a very limited potential as regards personnel and suppliers, production capacity, capital and financial strength. The percentage of engineering and technical staff relative to the total number of employees was lower than 5% in most supply companies. Those had no scientific or technical lead and a very thin engineering staffing level, which was inadequate for product development.

Even though there is a good equipment in Universities and research facilities in MV, because mostly low value added ships (container ships) were built in MV yards, the supply companies in the Land had few chances to improve their range and their performance in the region, and remained with their small innovation capacities.

The offshore wind energy industry is the innovative sector on the maritime industry. This sector has been growing since 2004 in wind power installations and creating new qualified jobs in MV. It has compensated in part for the job losses in supply companies after the collapse of the yards.

The closing of the big yards meant a loss of valuable know-how for MV's industry. Nevertheless, a positive sign was that even though the yards have closed, most of the supply companies were able to continue and to reorient themselves. Only few of these companies closed over the course of the yard crisis. They even took over a substantial proportion of the yards' skilled workers, as did the wind power industry (Nordex).

*\* Federal, Land and EU measures to fight against the crisis*

There was a clear complementarity of the counter-measures against the crisis in Mecklenburg Vorpommern. Federal and Länder measures were used to respond to the most urgent problems, and structural aid was kept as a long-term strategy to fuel the convergence process.

As mentioned above, the extended provisions for use of the short-time work allowance was one of the tools offered by the federal government in order to secure employment. It was used from 2009 until mid-2010 in Mecklenburg Vorpommern.

In December 2008 the Land adopted the "Landesprogramm Wachstum stärken und Investitionen sichern" (Reinforce growth and secure investments) which was composed of short-term actions meant to mitigate the impact of the financial and economic breakdown on the regional economy. It consisted of two parts : one aimed at local companies, mainly at the shipbuilding sector and its suppliers (increase in the guarantee framework for Shipbuilding in the Ship Yards, small loans for small and medium-sized companies especially aimed at shipbuilding suppliers, business succession, financing funds, property development for residential housing) and support to municipalities (acceleration of infrastructure projects, heightening of existing funding projects, support to municipal co-financing) and accelerated building construction measures.

Parallel to these measures, which were in fact existing measures that were intensified or heightened, the first measure of the *Konjunkturpaket II* adopted at the federal level in January 2009, was the main tool used in MV to fight against the crisis. The measure consisted of a municipal investment programme totalling 316 million euros in MV (237m given by the federation and 79m given by the Land and municipalities (49.5 and 28.5 respectively) of which 65% went into education & training with 205.4 million euro for research at universities, schools and day care, and 35% into infrastructure with €110.6m for hospitals, tourism infrastructure, urban development, rural infrastructure, port infrastructure and broadband connections.

*\* The crisis and the structural funds: no change of strategy*

MV relied on federal instruments and funds (some of which were themselves funded by the ESF) to combat the crisis in the short term, and kept the regional resources from structural policy to finance the long-term development of the region, changing nothing in its strategy. The effects of the transformation process from a socialist economy to a market economy and integration into the western German system are still, twenty years after the fall of the Berlin wall, considered as the main issues, and the development programmes aim at trying to overcome the persisting gap between the west and the east German economy in the long term in a sustainable way.

All involved had the feeling that in a way the crisis did confirm the correctness of the strategic orientation of the OPs, namely increasing the economic power of the Land and creating durable jobs through sustainable growth, which is unanimously considered as a valid answer to MV's problems. In May 2009 the government, the economic, social, and environmental partners met to discuss the consequences of the crisis for SF funding in MV. They agreed on the fact that there was no need for a change in strategy or for a reorientation of the structural aid. Everybody took a positive view of the fact that the structural funding was based on a mid- and long-term sustainable strategy the aim of which was the creation of robust economic structures in the Land and agreed on the fact that there should be no short term cyclical special measures, nor new guidelines (in MV those are valid for the whole 7 years of the funding period).

The EFRE implementation report notes that: "MV has consciously chosen a mid-to-long-term strategy that aims at improving in a sustainable way the power factors for growth and employment. This strategy is considered to be relevant even in times of crisis. The concentration of the forces to spread the economic basis becomes even more important in the actual situation"<sup>13</sup>.

The feeling was that there was no future for the kind of low technology shipbuilding industry in the region. They therefore concentrated efforts on keeping qualified employees in the region. The increase in the sums invested in priority axis A 1 of the ESF Operational Programme: "Raising the level of qualification of the employed and of the performance of the companies", which made up ¾ of the volume of allocation of the priority axis and the funding of further education and the support to transfer companies (*Transfergesellschaften*) for the employees of the Wadan ship yards. Transfer companies were created in Wismar, Rostock and Warnemünde with FSE and Landesfunds. They were used to offer shipyard employees further qualifications and consultancy in order to find new jobs on the first job market as soon as possible. 2,292 people were helped by this measure. The BA-funds (federal resources of the Bundesagentur für Arbeit for short-time working), which was the main federal instrument in the crisis, were partly financed by the federal ESF funds, were considered as sufficient measures on the job market.

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<sup>13</sup> *Durchführungsbericht zum Operationellen Programm des Landes Mecklenburg –Vorpommern für den Europäischen Fonds für regionale Entwicklung (EFRE) im Ziel Konvergenz in der Förderperiode 2007-2013. Berichtsjahr 2009, Gemeinsame verwaltungsbehörde – Verwaltungsbehörden für den EFRE, ESF, und ELER, Schwerin, 17 June 2010, p. 25*

The operational programmes were flexible enough to allow adaptation. The only need that was seen – which did not require a new orientation of the OPs but only an adjustment - was the support through ESF resources of former employees of the Wadan Shipyards through the transfer companies.

Another effect of the crisis was the low number of applications for funding in 2009 (not all the resources at the businesses' disposal were exhausted in 2009). However, in 2010 the rising number of applications seems to indicate that businesses are expecting the end of the crisis and investing in order to prepare for the upswing to come.

Very often, the government infrastructure programmes *Konjunkturpakete I and II* were mentioned during the interviews, as having a very positive effect for a Land like MV, because they helped lessen the modernization deficit in areas such as schools for instance, that were still pending and were legacies of the communist period.

## DEVELOPMENT POLICIES AT REGIONAL, NATIONAL AND EUROPEAN LEVEL

\* A 'Länder-government managed' pattern of administration of the structural and State regional policies

Sources:

Katrin Aue, "Multilevel governance, regional policy and democratic legitimacy in Germany". In : A. Benz, Y Papadopoulos,(eds.) *Governance and democracy, Comparing national, European and international experiments*, London, New York Routledge, 2006, pp. 44-61

Eiko Thielemann, "Europeanisation and Institutional Compatibility: Implementing European Regional Policy in Germany", *Queens Papers on Europeanisation*, no.4/2000,

Roland Sturm, Heinrich Pehle, *Das neue deutsche Regierungssystem*. VS Verlag, 2. Edition, 2005, 373p.

Interviews (list of interview partners at the end of the document)

Regional policies in Germany are dominated by the Länder and more precisely by the Länder's executive, which are at the core of the structures responsible for the implementation of regional policies. Even though regional policy is formally a Länder competence (art. 91a fundamental Law), it is understood as a "common task" (*Gemeinschaftsaufgabe – GA*<sup>14</sup>) and strongly interwoven with the federal and with the European level in a typical pattern of multi-level governance. It is an element of cooperative federalism and an example of policy integration *Politikverflechtung* between the federal and the Länder level, even though the administrations of both levels are basically separated.

The federal level sets the framework for funding in each field of the common tasks, through federal rules, sets the criteria defining eligible regions<sup>15</sup>, and allocates resources for the GRW (improvement of regional economic structure), which has been the main regional policy instrument in Germany since the 70s. These resources can be used for the co-funding of European measures. Federation and Länder provide resources in equal parts. In the early 90s there were severe conflicts between the eastern Länder and the Federation, with the former accusing the federal framework of the GRW of being too narrow and not taking their specific situation into account, and asking for the possibility to use European funding along the EU criteria that allowed a wider funding than those of the GRW. In 1995 they won their case over de-coupling, no longer being forced to spend the whole amount of European money following the GRW framework. Since then, the Länder have played an important role in the negotiations of the structural funds programmes alongside the federal level with the Commission. There is a joint planning committee composed of the Ministers of Economic Affairs from the Länder and from the Federation (and also a representative from the European Commission) that sets the criteria for the eligibility of the assisted regions, that selects the instruments and the measures to be financed and that allocates the funds to the Länder. Thus, regional policy is executive

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<sup>14</sup> There are three joint tasks (GA – Gemeinschaftsaufgaben) : (1) the GRW : Verbesserung der regionalen Wirtschaftsstruktur - improvement of regional economic structure, (2) the Verbesserung der Agrarstruktur und des Küstenschutzes, and there used to be (3) Ausbau und Neubau von Hochschulen einschließlich der Hochschulkliniken – a field that disappeared after the reform of federalism.

<sup>15</sup> Those criteria differ substantially from the ones established through the European NUTS categories.

dominated and represents a multi-level negotiation system. The Länder dominate the programming and implementation of the regional policies and almost all structural funding (through the 16 + 1 Länder OP which represent almost the entire amount of money Germany gets).

*\* Cohesion policy in Germany and in MV*

For the period 2007-2013 Germany has obtained €26.4 billion of which €16.1 billion is for the convergence objective and €9.4 billion for the regional competitiveness and employment objective, with 850 million for European territorial cooperation. All five eastern Länder (except for Berlin) and the western region of Lüneburg fall under the convergence objective, which represents more than 15 millions of inhabitants out of approximately 80 million.

In December 2005, immediately after the parliamentary elections, the federal government adopted (in conjunction with the Länder) the German National Reform Programme for 2005-2008, entitled “Accelerate innovation – promote security in the course of change”<sup>16</sup>. This was meant to be the reform policy of the federal government in the framework of the Lisbon strategy. This programme aimed to respond firstly to the three major challenges at the time in Germany: technical revolution, globalisation, transformation of the age structure of the society, and secondly to the economic consequences of unification that are still being felt after 20 years. It listed six priorities: the expansion of the knowledge society, the opening of markets and shaping competition, reinforcement of the framework conditions for entrepreneurial activities, shaping public finances in a sustainable way – secure growth - and provide social security, using ecological innovation as a competitive advantage, orienting the labour market towards the new challenges – respond to demographic changes.

The national strategic reference framework that was then worked out in 2007 was supposed to create a connection between the priorities of the Lisbon strategy and the German National Reform Programme on the one hand, and on the other hand, serve as an indicative framework together with the SF regulations for the drafting of operational programmes and the implementation of structural funds. It was prepared in cooperation between the federation, the Länder and social, economic and environmental partners and accepted by the Commission in March 2007 and, because of the lack of time, it was developed in parallel to the Länder regional operational programmes. It lists four main strategic goals<sup>17</sup>:

- Promotion of innovation and expansion of the knowledge society, strengthening business competitiveness

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<sup>16</sup> Deutsches Nationales Reformprogramm "Innovation forcieren – Sicherheit im Wandel fördern, 2005-2008"

<sup>17</sup> Cf. *National Strategic Reference Framework for the EU Structural Funds in Germany, 2007-2013*. Bundesministerium für Wirtschaft und Technologie, January 2008.

- Enhance the appeal of Germany's various regions for investors and inhabitants through sustainable regional development
- Facing new labour market challenges, creating new and better jobs
- Developing regions in regard to equal opportunity and balance.

On this basis, Germany has set up 36 operational programmes, which means one ESF and one EFDR programme for each Land + for Lüneburg NUTSII region and one ESF for the federation as a whole and one ERDF for transportation that is oriented towards big infrastructure projects in the convergence regions. Added to this, Germany is participating in 23 programmes for territorial cooperation.

The whole territory of Mecklenburg Vorpommern is a NUTS II region classified under the convergence objective. In 2000-2002 MV's GDP per capita reached 72.6 % of the EU 25 average. MV gets a total amount of €2.65 billion for the funding period 2007-2013 from the EU, of which €1,252.4 million for the EFRE and €417.4 million ESF structural funds and 975 million for the EAFRD. The total amount of European money makes up more than a third of the Land's annual budget (which totalled €7 billion in 2010).

*\* In MV: an integrated approach and a unique model of coordinated administration of ESF, ERDF and EAFRD.*

*Sources:*

Kerstin Huelemeyer, Simone Schiller, "Coordination of EU policies in MV – Case study on the Joint Administrative Authority (GVB) Assessing impact of rural development policies (incl. LEADER)". RUDI, Institute for Rural Development research at the Johann Wolfgang Goethe University Frankfurt / Main, no date. 24p.

In order to insure the coherence of the three funds and to give more weight to the interventions, to avoid double expenditures and to ensure that the funds are working in a complementary way, a maximally integrated approach has been chosen for the funds' administration.

In MV for the period 2007-2013 the choice has been made<sup>18</sup> to have one single authority in charge of both funds (ESF and ERDF) - as was previously the case for the previous funding period - but also for the EAFRD, which is unique in Germany. This authority, which is called the *Gemeinsame Verwaltungsbehörde* (joint administrative authority) and was located in 2000-2006 at the Ministry of Economics, has seen its authority upgraded, being transferred for 2007-2013 period to the State chancellery (the administration of the Ministerpräsident who is from the SPD), which is also unique in Germany. This new central position is supposed to facilitate coordination tasks and ensure its neutrality (no longer being part of one ministry, it cannot be accused of acting in the interest of that ministry).

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<sup>18</sup> Cabinet decision of the State government from the 06.12.2006

Its main tasks are focussing both on the contents: it is responsible for developing a common and integrated funding strategy, and for setting up the regional development programmes; and on the process: it ensures cooperation and coordination between funds and establishes and leads the monitoring committee (*Begleitausschuss*) but it does not control fund administrations nor intervene in their implementation. It has delegated the execution of these tasks to the Ministry of Economy, Employment and Tourism (in the Hands of the CDU) that functions as the managing authority for EFRE and ESF as an intermediate body (*zwischengeschaltete Stelle*). But there are other administrations responsible for the implementation of programmes such as the Ministry of Health and Social Affairs, the Ministry of Education, Research and Culture, the Landesamt für Gesundheit, that play the role of authorization authorities (choosing the projects, authorizing them, supporting them and controlling them) for the ESF.

This structure made it possible to establish a real coordinated and integrated method to design the programmes, starting from the identified needs of the Land and then determining which fund would provide the best instruments. The inclusion of the EAFRD in this architecture is supposed to meet the special needs arising from the rural profile of the land, permitting, for instance, knowledge transfer from ESF to EAFRD, or synergies between the three funds on the rural infrastructure and social questions, and thus, according to the interviewees, a more territorialised approach to funding.

*\* Partnership - a very highly valued principle and an example of a "best practice"*

The existence of a joint administrative authority since 2000 is an exception in Germany, as is the existence of one monitoring committee (*Begleitausschuss*) common to both structural funds and the EAFRD. In MV the monitoring committee has been given a very strong and central position in the administration and implementation procedure of the funds, which exceeds the provisions of the EU. It is composed of members of three groups: representatives of the State government<sup>19</sup>, of the federal government<sup>20</sup> and of economic, social and environmental partners<sup>21</sup>. It is headed by the director of the joint administrative authority. Representatives of the European Commission can participate in its sessions and have an advisory role. The Monitoring Committee has established its own formalised rules of procedures<sup>22</sup> which not only state its area of responsibility, its missions, its presidency, its

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<sup>19</sup> The joint administrative authority, the ministries, and the parlamentarische Staatssekretärin für Frauen und Gleichstellung.

<sup>20</sup> The federal ministries for Nutrition, agriculture and consumer protection, the Ministry for Labour, the Ministry for Economy and Technology, the Ministry of Finance.

<sup>21</sup> The chambers of craft, the chambers of commerce and trade, the association of municipalities, the association of the Rural Kreise, the DGB-Nord (a trade union), the Landesfrauenrat, the environmental protection organisations BUND and WWF and Naturschutzbund, the Bauernverband, Waldbesitzerverband, the Landfrauenverband, the Landjugend, the sprecher of the Ökologische Anbauverbände, Liga der Spitzenverbände der Freien Wohlfahrtspflege, the churches.

<sup>22</sup> Geschäftsordnung für den Begleitausschuss des Landes Mecklenburg Vorpommern zur Durchführung der Operationellen Programme des EFRE und ESF sowie des Entwicklungsprogramms für den Ländlichen Raum



structure, its membership and its working method, but also formulate the rights of the economic, social and environmental partners which are exceeding the EU's requirements. Some are normally the Land government's task, such as the right to call a meeting or voting rights on the regulations for implementation of the measures, giving 7 votes to the administration, 7 to the social, economic and environmental partners and one to the head of the joint administrative authority. Furthermore, the economic, social and environmental partners speak of an informal veto right, which means that the administration, despite having the majority of votes, has never overruled them.

The partners are very closely connected to the whole process from preliminary design of regional strategy and the writing of regional programmes to subsequent changes, implementation, and control (through participation in the steering committees). The economic, social and environmental partners also have a right of assent to the Landes guidelines. While the monitoring committee does only meet twice a year, the meetings are prepared very much in advance through informal meetings between the administration and the economic, social and environmental partners, every guideline being discussed in detail.

*\* European partnership principle, a contribution to reinforcing social capital in MV*

This outstanding position of the partnership principle in the 2007-2013 period is the legacy of the already strong position given to the social and economic partners in the previous funding period by the head of the joint administrative authority and by the Minister for Labour and Construction. All interviewees agreed on the fact that there was a strong commitment on all sides to the work in the monitoring committee, excellent communication and good relations between all members. This is certainly partly due to the great stability of the staff on all sides (administrators in the ministries, members of the monitoring committee, and members of the joint administrative authority have been there since the mid-nineties) and a shared political and administrative culture (maybe due to the fact that most of them except the DGB-Nord representatives and the representative of the environmental associations are from western Germany). They underlined the quality of the cooperation and participation of the different members, the quality of the personal relations between all the monitoring committee members, the mutual trust and the strong interest in dialogue and cooperation at all levels (higher administration, political parties, social partners) and the great and shared feeling of responsibility for the programmes.

The high motivation of those involved in the Land to improve dialogue and cooperation would however never itself have made such a partnership relationship possible without adequate financial support from the technical aid of the structural funds, which is financing one to one and a half

qualified full time jobs for the main economic, social and environmental partners (at least for the DGB-Nord, the environmental partners, the trade associations). The latter all stressed the fact that without this financial support such a qualified participation wouldn't be possible i.e. their participation in the monitoring committee would be only formal. Those associations who do not benefit from such support say they are not able to play their role as a partner seriously, for instance in actively participating in the development of evaluation criteria. The European cohesion policy and the fund guidelines are considered very complex matters that require a high degree of expertise and a lot of time. But civil society organisations, especially in the new eastern Länder do not have enough financial or human resources of their own to draw on to be able to participate adequately.

The effects of this in-depth application of the partnership principle and the full involvement of the partners in all cohesion policy matters are many, and the consequences are to be felt in various areas. First, European matters are taken very seriously. In MV, European issues permeate deeply into social, economic and political life. Most stakeholders have, for instance, issued statements about their position on the main issues for the next funding period. Second, there are noticeable spillover effects. The experience started at the Ministry of Labour and Construction under the previous funding period, with the social partners associated with the ESF implementation and its labour market policies, and was extended to the environmental partners in 2007 because of the inclusion of the EAFRD into the scope of responsibilities of the monitoring committee and the broader focus given to it.

The good cooperation and communication channels created between economic, social and environmental partners have generated an inter-connection between the EU structural policies and the Land's policies. In terms of social capital, it is certain that interpersonal trust and communication have strongly benefitted from this experience and that good relationships between stakeholders are to be felt in other fields. The social partners say they have better access to the administration, and the administration likewise uses the informal contacts, the trust and the in-depth knowledge of one another's positions that have emerged, all of which enables it to act very quickly when needed. According to all stakeholders, participation in the monitoring committee caused the sectoral interests to dissolve and alliances to emerge which were not possible before (between trade unions and trade associations, for instance) and knowledge and understanding grew about the position of other parties and the logic behind their actions.

This in-depth participation in EU cohesion policy has also given the economic, social and environmental partners considerable influence on politics at the Länder level, which they would not have obtained otherwise. Through their participation in the monitoring committee and thanks to the increased professionalism of their staff in dealing with EU issues, they indirectly control a significant portion of the Länder budget (needed for co-financing) on which they can indirectly exert an influence. Furthermore, through the monitoring committee, they obtain information, knowledge and

insights about key Länder policies which they wouldn't have had or which they scarcely would have acquired otherwise, and which are useful in other activities. There are also noticeable learning effects: unilateral decisions taken by the government are no longer possible, and transparency and cooperation has extended to fields such as economic funding by the federation in the area of common tasks, for instance. All stakeholders report that transparency of decision-making has increased, which in return increases the legitimacy and influence of their decisions. Their sound knowledge of ministerial procedures and working methods allows economic, social and environmental partners to also be critical of the lack of coordination between different ministries, their sector-centric view of some problems or their internal administrative culture (such as in particular that within the Ministry for Agriculture that is still accused of acting in a very opaque way, not being used to such openness)

All stakeholders agree that partnership procedures have increased acceptance of the programmes and of their objectives and the quality of decision-making, first by enhancing their legitimacy, but also by improvements in taking local knowledge or specific needs into account. Furthermore, decisions taken by administrations are considered more sustainable since everybody is conscious of the necessity to find a consensus and to take into account the position of other parties. Ultimately, everybody feels responsible for the decisions taken.

*\* Challenges to development in Mecklenburg-Vorpommern*

Generally speaking, the economic situation in all eastern Länder remains difficult. The new German Länder still lag behind those in western Germany. Thus there is clearly an enduring need for structural funding. The latter plays a major role in MV and influences all thinking about development policies in the Land. Both are very densely intertwined. The sums that are at stake explain this influence.

All those interviewed agreed on the key impact and importance of European structural policy for MV's past and future development. If, to their eyes, it has demonstrated its effectiveness in increasing the economic strength and competitiveness of the region since 1991<sup>23</sup>, they all emphasize the fact that the convergence process is far from being finished. The Land still suffers from important structural deficits and lags behind the German and European average in many areas. No partner seems to have any criticism of the fact that all three funds are administrated together, nor does there seem to be any major disagreement between the economic, social and environmental partners

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<sup>23</sup> A study from the federal ministry of economics quoted by the head of the joint administrative authority states that the eastern German GDP was 1.4% higher in the funding period 2000-2006 than it would have been without EU funding ; that employment was 1.3% higher, and that even after the funding GDP will be an average of 0.4% and employment 0.2% higher than it would have been without EU funding.

on the content of the programmes or on the main development issues in MV. All seem to share the same views on the challenges MV has to face and on the strategy to follow.

They identify three main challenges that have changed slightly since the last programming period. These challenges used to be the continuing population decline, the lack of jobs, and the weakness of innovation activities in the eastern Länder in general and in MV in particular. These challenges are at the core of the operational programmes. They were true when the operational programmes for the current programming period were designed in 2005 and 2006, but since then, the severity of the lack of jobs (as shown by the number of unemployed) has decreased and has been replaced by a lack of skilled labour, becoming more acute every year.

Nevertheless, combating deindustrialization remains the key issue affecting development in MV. Conscious of the fact that 2007-2013 might be the last funding period for MV as an Objective One region and thus that the most efficient way to use the European money has to be found, all involved agreed on an integrated and coordinated strategy. The result was the definition of a joint strategy by the government with an overall objective termed "Increase economic power and creating and securing long-term jobs through sustainable economic growth". This overall objective is sub-divided into four main strategic objectives (increasing regional quality and attractiveness of location by development of infrastructure, strengthening of regional competitiveness esp. by increasing adaptability and competitiveness of employees and businesses, developing knowledge and innovation potential in society, and improving labour market entry and social integration) corresponding to the German National Reform Programme. These four strategic objectives are then split into priority areas of the ERDF, ESF and EAFRD. (See schema, annexed hereto)

Table no. 24

**Financial weight of EFRE priority areas**

Priority area	Resources in €m	Percentage
1/ Promotion of innovation , research and development, and education	276.0	22%
2/ Increase competitiveness and adaptability especially of SMEs	343.2	27.4%
3/ Improvement of the investment conditions for SMEs	167.9	13.4%
4/ Development and expansion of the infrastructure needed for sustainable growth.	440.3	35.2%
Technical Aid	25.0	2%
EFRE Total	1,252.4	100%

Source: Europäischer Fonds für regionale Entwicklung (EFRE), Operationnelles Programme des Landes Mecklenburg-Vorpommern im Ziel Konvergenz, Förderperiode 2007-2013. 24.08.2007, p. 63

Table 25

**Financial weight of ESF priority areas**

Priority axe	Resources in €m	Percentage
A/ Increasing the adaptation and competitiveness of employees in companies	85.173	20.4%
B/ Improving human capital	229.800	55.6%
C/ Improving access to employment and the inclusion of disadvantaged persons.	86.000	20.6%
Technical Aid	16.500	4.0%
Total	417.473	100%

Source: Europäischer Sozialfonds (ESF), Operationelles Programme des Landes Mecklenburg-Vorpommern im Ziel Konvergenz, Förderperiode 2007-2013. 25.06.2007p. 72

All stakeholders seem to endorse the overall objective of the funds. They consider that the funds that MV has received since 1991 made possible the emergence of a small industrial base that would not have existed without European funding. Today, it is still fragile. It still suffers from many weaknesses, such as the small size of the companies, the lack of capital, the absence of research and development in the companies, the low capacity for innovation, the relative inability to act on international markets combined with persisting significant deficits in regional infrastructures. All those interviewed agreed on the fact that what is at stake in the current (and the next) funding period is the stabilisation and strengthening of this industrial base, in order to ensure sustainable growth in the region since, as the ERDF- ROP notes: "today, despite the progress made, MV has not attained a self-sustaining state of economic development" (p. 41).

The choice has been made to orient the programmes and structural funding towards the main objective of raising MV's competitiveness, expecting economic spill over effects. In this budgeting period (2007-2013) support was focused on consolidation of the economic gains and on concentration on the growth potential of the Land ("Stärken stärken", "to strengthen the strengths"). The central strategic objective is to increase the innovation capacities of the local economy and to support high quality qualifications. A new emphasis is given to the "development of social potential for knowledge and innovation" that will underline the importance of support to a kind of development based on knowledge and oriented towards innovation in the funding strategy. Thus MV's strategic choices are congruent with the Lisbon agenda of the EU.

The ERDF and ESF regional development programme insists on the fact that "the logic of intervention in the assignment of structural funds is the activation of endogenous growth potentials and the improvement of the income-earning capacity. In contrast to a strategy of passive restructuring, which means a policy which aims at an equalisation of regional living conditions through emigration or the financial accommodation which means a policy though which merely ensures income compensation based on transfers in order to prevent migration" (p. 40/ 48).

However, there is a territorial dimension to this choice that was sometimes mentioned by those interviewed, which is the fact that MV has halted its policy of trying to attract and settle companies across the whole territory in order to ensure even development. Funding policy now concentrates on the existing economic base, which means on fewer areas, and on those where there is already a functioning industrial base (such as, for instance, wind power in Rostock, wood processing in Wismar, logistics in the districts of Parchim and Ludwigslust). Funding for infrastructure no longer attempts to help overcome general weakness, considering that resources are not extensive enough to benefit everyone, but will be employed to develop metropolitan regions or at least (since there are few and possibly only one such region, around Rostock) the growth centres, relying on the belief that there will be a spill over effect to the surrounding areas.

This reorientation away from the emphasis on social- and employment-oriented measures and towards increasing economic power happened in 2006 when the programmes for the new funding period were designed. It is a consequence of three things. First, the awareness that 2007-2013 might be the last funding period as an Objective One region and thus of the necessity to make the most of it. Second, there was a change of government in 2006 from a "red-red" coalition (former Communists with the Social Democrats) to a "red-black" coalition (Social Democrats with Christian Democrats) and therefore a more liberal approach was adopted which reflects the new emphases set by the conservatives in the government (which was embodied by the quite symbolic discussion about the percentage of funding that would be devoted to ESF and to EFRE, the right-wing parties being in favour of a 75% for EFRE and 25% for ESF, the left wing parties being in favour of 70% for EFRE and 30 % for ESF<sup>24</sup>). Third, because the decision was taken to put an end to an employment policy oriented towards employment initiatives for those that will never return to the first labour market.

As far as human capital is concerned, compared with other Länder, MV suffers no major deficits. The population enjoys a good level of qualifications, there are few school drop outs (much less than in the western Länder) and MV is a good location for sciences and research. It has a high level of public research and excellent universities but this sector has only weak links with business. The problems in this domain are considered to be more connected to weak economic performance and the structure of settlement of the Land, offering no local prospects to qualified people, who in turn migrate in order to find better employment possibilities elsewhere. The question is increasingly one of how to retain these people locally?

There has been a strategy shift (for which the trade unions have been calling for years and which is now supported by all stakeholders including the business associations), a change of direction that led to the profile of a low-wage Land with the funding of job-creation measures and support for low-

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<sup>24</sup> Nevertheless this discussion was mainly symbolic as those interviewed did explain to me that since it is possible to finance some measures with both funds and since the funds are administrated together the division of the money between the two is not very relevant.

wage jobs being abandoned, and instead attention directed towards concentrating on improving the quality of the jobs offered in the region (no more project with remuneration below collective agreement wages funded) in order to retain the qualified workforce indispensable for economic development in MV and a continuation of the efforts in training young people whose labour will be needed in the future. In this way, MV funding strategy addresses the challenge created by the population decline on the labour market, which is now considered as the main challenge for the Land.

However, one point that the strategy seems to fail to address is the territorial consequences of demographic change. The strategic choices of MV have important territorial implications at the sub-regional level, which do not seem to be heading towards more cohesion or social inclusion inside the Land itself. They imply the existence of few (mostly urban) areas (Rostock and its region, Wismar, Greifswald, Stralsund, and maybe Güstrow) that are economically developed and competitive and the rest of the territory where development lags behind. They reflect the ambiguities of European cohesion policy, or at least the difficulty in simultaneously promoting competitiveness and cohesion.

*\* Major obstacles to development and conflict points.*

As mentioned above, there are no major conflicts inside the monitoring committee. Still this doesn't mean that there are no diverging points of view among the stakeholders. During the interviews, various respondents pointed out what they felt are weaknesses that were either linked to the funding system or to the funding strategy.

Concerning the system, a common criticism is the fact that funding is prone to political vote-catching and not sufficiently oriented towards the search for general benefit. This is supposed to be apparent in the programmes which, according to some partners, do not adequately take location into account, and which do prefer visible measures such as investment in material infrastructure, believed to be politically more profitable, to less visible measures such as investment in education or research. For most of the interviewees, the centralisation of most funds (especially the EFRD) was not seen as a problem, except for the representatives of the association of municipalities and of the association of rural districts who thought that centralisation at the Länder / governmental level is too intense, which was reinforcing the tendency to concentrate on strengths and to neglect the more peripheral areas.

As far as the contents are concerned, the major friction points, or at least the most visible and politicised point, was the split between ESF and EFRD, or in other terms the importance given to social policies versus infrastructure policies. As mentioned above there was a shift in 2006 when the programmes were written and the CDU entered coalition government with the SPD (replacing the PDS) from 70% of the sum MV received from the funds dedicated to EFRD measures and 30% ESF to

75% ERDF and 25% ESF, which was in fact - as many interviewees pointed out - a purely political dispute without real effects, since the measures financed by the 5% that were shifted around could in reality be financed by either fund. Here it is important to note that 2005/2006, when the programmes were drafted, was the time when the social and economic situation was at its worst in Germany and in MV, and that since then, despite the crisis, growth has re-started and unemployment has fallen, and consequently social questions became less salient.

*\* Cohesion, yes but at what level?*

Of the major issues concerning the strategic orientation of the funds the question of how to conceive territorial cohesion in MV is central. Isn't there the need to finance more services of general interest in order to reach the people that are now living today increasingly isolated from the State? What should be the response to the crisis in the services of general interest (*öffentliche Daseinsvorsorge*) in many parts of the territory of MV?

The inclusion of the EAFRD into the joint administrative authority and its coordination with the other funds is supposed to add this missing territorial dimension. The question of rural development is a crucial one for MV since 80 to 90% of its territory is rural and is affected by a whole range of problems going beyond agricultural issues. All stakeholders would welcome the possibility to use this fund in a broader way, freed from the provisions of the German Common tasks, which are narrowly focussed on agricultural issues, in order to move in the direction of a broader understanding of rural development, the way EU funds do. With the population decline and the continuing migration trends, population density - especially in rural areas - is tending to become lower and lower and the population older and older (especially in the many municipalities with fewer than 500 inhabitants) and providing services of general interest to these municipalities becomes very expensive for the Land and for the districts. And of course, for such things as broadband internet, local public transport, energy supply or healthcare provision, there are no private economic actors willing to intervene. Among other things and following a cost/benefits analysis, the objective of which is to achieve significant savings in the Land's territorial administration and increase the Land's capacity to act, this has led to a highly-controversial administrative reform, scheduled for September 2011, that will reduce the number of districts from 18 to 6, similar to the current planning regions + 2 urban districts. A good example of a field in which public intervention should be reconsidered in the eyes of some interviewees is the restructuring of local traffic. The infrastructure problems added to the emptying of rural areas put the question of local traffic on the political agenda. In order to be able to keep people living in these areas, the relationship to the growth centres has to be improved or at least rethought. And the Land might have to assume the financing of transport from homes to the workplace and back.



*\* The question of the provision of services of general interest*

Some stakeholders wonder whether the funds are not excessively directed towards the private sector. They consider that the metrics chosen for measuring their success give short-term productivity an over-important role and that therefore this discourages investments in services of general interest which sometimes would be important to create sustainable growth. While all stakeholders agree that infrastructure services of general interest are one of MV's main problems, most of the social partners (except for the associations of municipalities and the association of rural districts, who both insisted on it) seemed to consider this as not worth mentioning since it has no solution, supporting the regional strategy which is mainly oriented towards investing in fields that promise short-term to medium-term economic growth and which are not in a position to ensure minimum services of general interest to most of the rural population. ("public spending for public good" - *Öffentliches Geld für öffentliche Güter*, such as health, knowledge, biodiversity, water, air, etc.)

Even though everybody is convinced that the electoral successes of the NPD and the high degree of xenophobia in some areas of the Land are an obstacle to development, and that the successes of the NPD are largely due to this feeling of abandonment in some populations living in the more peripheral areas, most of the stakeholders in MC have dropped the idea that it should be possible to provide equal living conditions across MV as a whole. Their argument runs that it is strategically more important to safeguard and reinforce the economic development that has been achieved so far than to invest in backward rural regions. Some partners are critical of how programmes are based on productivity measurement and thus investing in services of general interest seems not worthwhile. Here, the question does arise as to whether partnership structures established at the Land level through the monitoring committee enable fair representation of all interests. It seems that the voice of those living in the peripheral regions is missing, and that in the end they are only represented in the Lander parliament (which does not have a great say in structural funding matters) through the presence of the NPD, the latter acting in a completely unconstructive way through obstruction, demonizing everything that has to do with the European Union.

*\* What happens after 2013?*

There is a broad consensus on the fact that EU structural funding has to profit the weakest regions in Europe, and that these lie now further east and that therefore MV will no longer be an Objective One region in future. But because EU funding has been so useful in creating this industrial base and in overcoming the region's structural weakness, and because the growth pools that have emerged are still fragile and need to be strengthened and because there still is a development lag in MV (exit from

Objective 1 region, which is almost certain in the next period, a point on which all actors also agree and which no-one contests), it is of major strategic importance to prepare for the end of funding and to handle the exit in a smooth way with transitional arrangements: not abruptly stopping EU funding. All stakeholders are pleading for a phasing-out strategy, with transitional regions lying between 75 and 90% of the EU 27 average GDP per capita. They consider that a sharp drop in funding from about €180 per inhabitant annually in 2013 to €20 per inhabitant annually in 2018 would endanger the development that has been achieved. There have already been reflections at governmental level (cf. The Positionspapier des Landes Mecklenburg-Vorpommern : Die EU Kohäsionspolitik nach 2013, Staatskanzlei MV 26.01.2010), at party-political level, and within the economic, social and environmental associations on how to shape the conditions of this exit. The Land calls for:

- funding for cross-border cooperation especially with regard to EU region strategies like the Baltic Sea strategy,
- simplification of the administrative system and of financial controls,
- enough resources for funding of rural areas through EAFRD,
- better complementarity between structural funds and EAFRD, and between administrative regulations and those for financial participation<sup>25</sup>.

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<sup>25</sup> Cf. Presentation : EU-Förderung nach 2013 – Haushalt, Strukturfonds, Agrarpolitik. EU Politik 2010 und Mecklenburg Vorpommern, Vorstellung der Staatskanzlei, 3 March 2010.

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- Environmental associations : BUND and NABU
- Industrie und Handelskammer Schwerin and Rostock
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- Städte- und Gemeindetag
- Vereinigung der Unternehmerverbände
- Ministry for Economy : EFRE and ESF administration and Referat 250 responsible for INTERREG programmes
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