



Small Towns in Germany

24.4 million people live in small towns – almost as many as in the 80 largest German cities (26.6 million). The geographical location of small towns, central or peripheral, explains differences in local living conditions. Regardless of their location, small towns contribute significantly to equal living conditions:

- Despite a high proportion of detached and semi-detached houses, small towns also have municipal structures and urbanity. Residential location decisions pro and contra small towns are a substantial determinant of their demographic development.
- Small towns have a local employment market and sometimes develop a supra-regional or international economic relevance – also in terms of knowledge economy.
- The basic services of general interest is one of the main tasks of small towns – without distinction of peripheral or centrally located small towns. The less densely populated an area is, the more small towns assume the function of regional centres.
- In order to be able to perform their diverse tasks, small towns require sufficient resources, not only of a financial nature, but also with regard to administrative personnel and civil-societal commitment. Digital solutions and cooperative urban development can help to bridge bottlenecks.

by

Antonia Milbert
Lars Porsche

Foreword



Photo: Schafgans DGPh

Dear readers,

already, almost 30 % of the population in Germany live in small towns. Not all small towns correspond to the idea of the idyllic town in the countryside with good accessibility to the next large city. The more than 2,100 small towns in Germany are highly diverse. Some of the small towns are prospering, others are shrinking. Small towns are predominantly popular places to live, others are also labour market centres with sometimes highly modern industrial and/or service companies. Almost all small towns (still) have the necessary basic services, while some also have special research and service facilities.

In all their facets, small towns play a decisive role in ensuring equal living conditions. Above all, they are anchors of regional services of general interest in peripheral rural regions. This publication summarizes the main findings of the report “Small towns in Germany” (Kleinstädte in Deutschland). It spotlights the diversity of small towns by means of graphical and cartographic material from the BBSR’s ongoing spatial monitoring.

On the one hand, this stocktaking serves to break down common clichés, to present the conditions in small towns objectively, but also to name the challenges of small towns and to point out their strategic options. Simply copying the strategies for action from the heavily researched large cities is not effective in view of the potentials and limitations specific to small towns. The BBSR established a research cluster “Small Town Research” years ago to promote research in, for and with small towns. This publication also draws on the experience and findings from BBSR’s small town research projects.

I wish you a stimulating reading.

A handwritten signature in black ink that reads "Markus Eltges". The signature is written in a cursive, flowing style.

Dr. Markus Eltges
Head of the Federal Institute for Research on Building, Urban Affairs
and Spatial Development (BBSR)

Strengthening small towns – an introduction

Small towns should also be designed to be inclusive, safe, resilient and sustainable. Moreover, small towns are important partners in the establishment of equal living conditions. However, for both functions, the overall situation of small towns must be known.

Urban research is still a major issue in large cities. Yet although small towns are slowly gaining prominence, studies still fail to give sufficient weight to their significance and diversity. There is a lack of systematic research on small towns.

The data-based description and analysis of the structures and developments in small towns not only indicates the multiple facets of the challenges, but also of the potential of small towns, because coping with the future tasks of society as a whole will not succeed without their contribution. After all, small towns account for approximately 45 % of the national land area and accommodate roughly 24 million inhabitants, which is more than 29 % of the population.

One of the essential tasks for the future is the transformation of society into sustainable structures. Ever since the RIO Declaration of 1992, sustainable development has been a guiding principle, which many towns have taken up and put into practice through their local agendas. Special significance was attached to the prospect of sustainable urban development in the Leipzig Charter 2007, which was not only reinforced in the New Leipzig Charter 2020, but was also further intensified, aiming at an integrated and participative urban development policy oriented towards the common good. The New Leipzig Charter for the European City thus picks up what was agreed by the United Nations in the New Urban Agenda in 2016: Towns should not only become greener and more liveable, but also offer more social inclusion.

The common feature of these two political documents is that in the multi-level concept, they take into consideration all cities of all sizes as

places for horizontally and vertically integrated approach in terms of global, national, regional and local issues. In the case of small towns, this multi-level concept means that they should not only rely on intermunicipal cooperation more than ever before, but should also consider themselves much more as equal partners in a broader regional, functionally interrelated context, based on more complex networks and manifold functional dependencies, not only in rural regions, but also in metropolitan areas.

A proposal from the ministers responsible for urban development meets the requirements for inclusive, safe, resilient and sustainably planned towns and cities: To accomplish their aims, they seek to support the exchange of information at all levels, to improve links between the national urban development policies and the existing strategic partnerships at all levels, and to improve funding conditions and funding instruments in such a way that they are adaptable on the basis of a well-founded analysis of the specific local situation.

The aim is to prepare a systematic analysis of small towns. This aims not only to break down established stereotypes, to present the conditions in small towns in an objective and wide-ranging manner, but also to point out the challenges facing small towns and to illustrate their strategic options (cf. ARL 2019). The policy supports initiatives to promote model solutions and the exchange between small towns. Several years ago, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) had already established a research cluster on “Small Town Research” to intensify research in the subject, for the benefit and in partnership with small towns.

Small towns, an urban landscape

Germany has a dense urban network, integrating small towns in all parts of the country. They are an essential guarantor for the German spatial structure and the polycentric settlement system.

The distribution of small towns in Germany is heterogeneous and has historical reasons. In terms of settlement history, on the one hand, many small towns are situated along the rivers; and more recently along the supra-regional intercity rail and road networks (cf. Map 1). On the other hand, the influence of local government reforms and municipal incorporations can be seen, which can take different forms. From a statistical point of view, they can lead to the continuance of small towns, the emergence of new small towns, for example, by the merger of several rural municipalities, as well as their disappearance, for instance, by being incorporated into medium-sized and large cities.

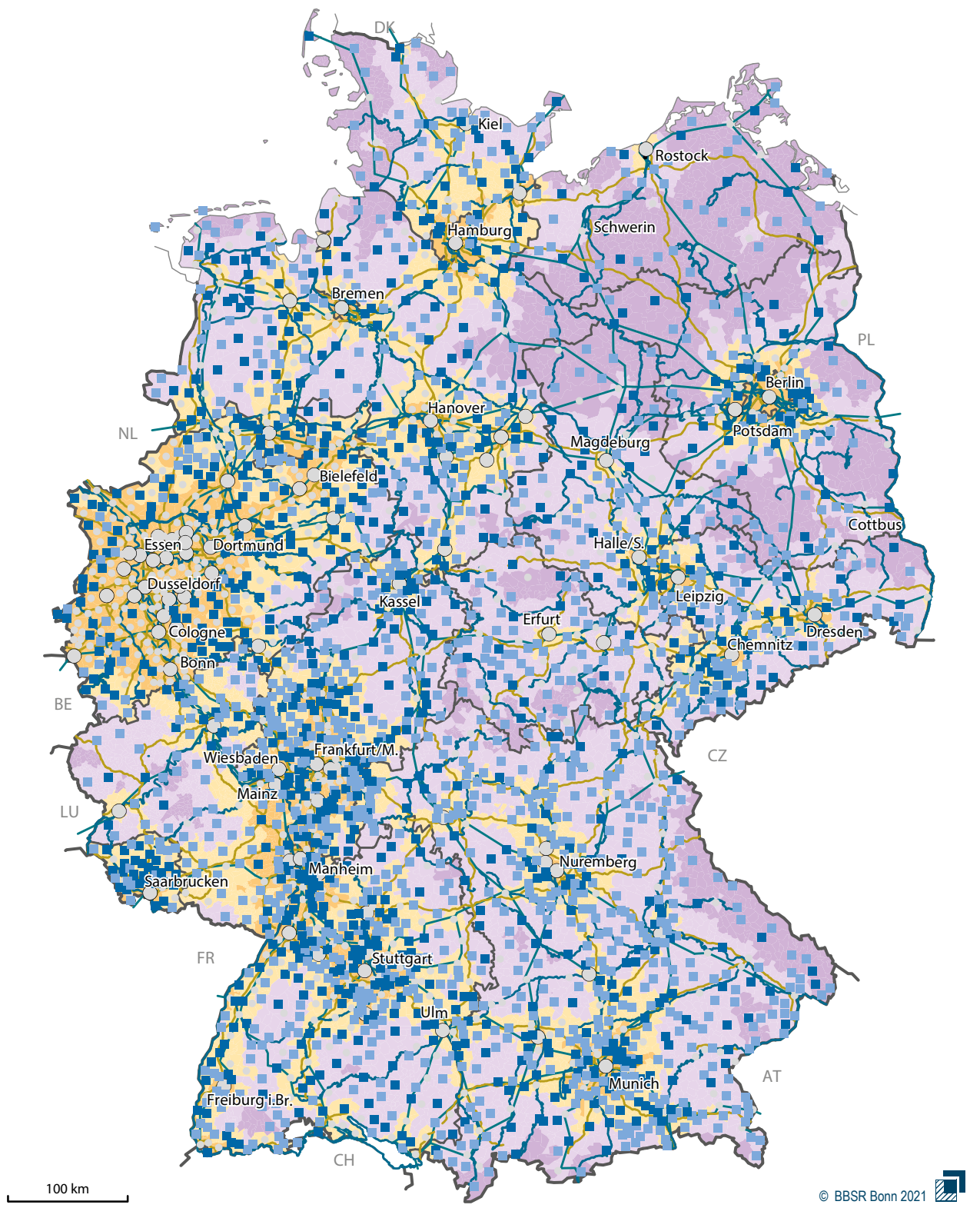
The Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) defines small towns as municipalities with between 5,000 and 20,000 inhabitants, and also smaller municipalities with at least one partial function of a medium-sized centre (BBSR, n.d., see infobox). According to this definition, there are currently 2,126 small towns in Germany (status 31.12.2019). In Germany, 24.2 million people, or 29 % of all inhabitants, live in small towns, which is almost as many as in the 80 largest cities. In terms of areas

and figures, small towns are even the prevailing type of town (cf. Fig. 1).

In many ways, small towns do not conform to a single standard. Small towns differ alone in their historical development and size structures: Small towns were initially founded in the Middle Ages and then later during the period of industrialisation. In recent times, many small towns have emerged due to the growth of population and the merger of several small municipalities. For a rough grouping of small towns in terms of development opportunities and development trajectories, it is appropriate to divide them into larger towns with more than 10,000 inhabitants and smaller towns with less than 10,000 inhabitants, and to differentiate between centrally or peripherally located small towns according to preferred geographical location. Small towns with an above-average connection to the national transport network are considered to have a central location. Heterogeneity increases when the other factors and functions of towns are taken into consideration, such as: their employment markets, demographic structures, infrastructural facilities, connection to transport and digital networks and their scope for action based on local government finances.

Map 1

Small towns in Germany 2019



Small towns, status 2019

- Larger towns (10,000 to 20,000 inhabitants)
- Smaller towns (less than 10,000 inhabitants)

Type of location

- Very central
- Central
- Peripheral
- Very peripheral

- Large cities
- Medium-sized cities
- Rivers
- Federal motorways
- DB-intercity railway network

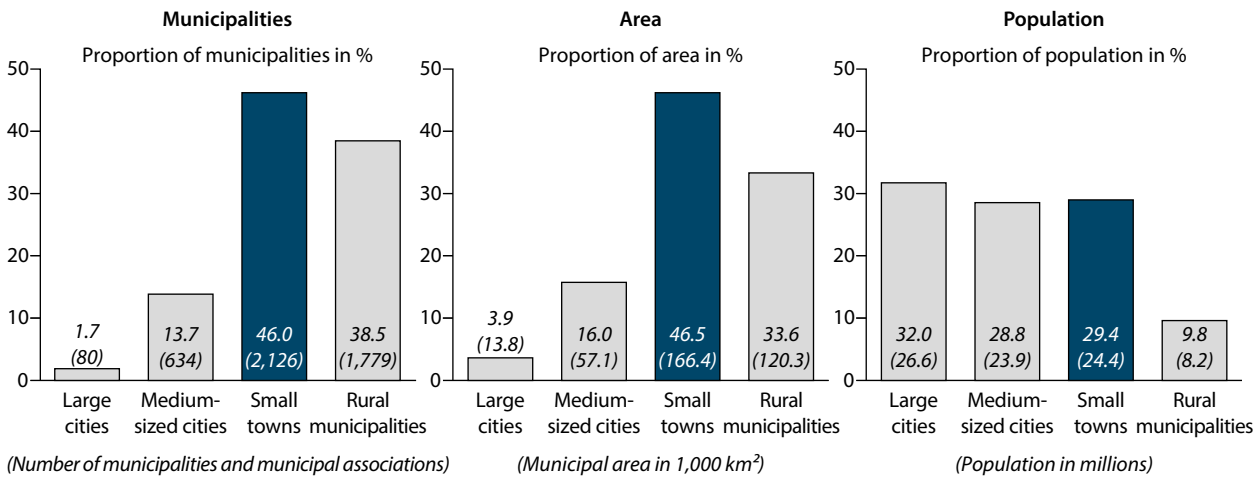
Small towns are municipalities or municipal associations with one municipality of 5,000 to 20,000 inhabitants or with at least a basic central function with part of the functions of a medium-sized centre

Source of data: Continuous spatial monitoring system of the BBSR
 Geometric basis: Municipalities and municipal associations (generalised), 31.12.2019 © GeoBasis-DE/BKG
 Processing: A. Milbert

BBSR-Analysen KOMPAKT 02/2022

Figure 1

Significance of small towns as a city type in Germany 2019



Source: Statistics of the Federal Government and the Länder, continuous spatial monitoring system of the BBSR

Type of municipalities

According to their own definition, the BBSR divides municipalities and municipal associations into the categories: large cities, medium-sized cities, small towns and rural municipalities. The two criteria for the definition of the type of town and municipality are the size of the municipality (size of the population) and their local central function according to state planning criteria. A municipality within a municipal association or the municipality itself is considered to be a "town" if it has at least 5,000 inhabitants or at least a basic central function with part of the functions of a medium-sized centre:

- **Large city:** The largest municipality of a municipal association or the municipality itself has at least 100,000 inhabitants. These cities usually have the function of a major centre, but at least that of a medium-sized one.
- **Medium-sized city:** A municipality of a municipal association or the municipality itself has 20,000 to 100,000 inhabitants or at least the function of a major centre.
- **Small town:** A municipality of a municipal association or the municipality itself has 5,000 to 20,000 inhabitants or at least the function of a medium-sized centre.

The group of small towns can be subdivided into **larger towns** with at least 10,000 inhabitants in the municipality of a municipal association or municipality itself, and **smaller towns** with fewer than 10,000 inhabitants.

- **Rural municipality:** A municipality of a municipal association or the municipality itself has fewer than 5,000 inhabitants and no significant local central function.

Source: BBSR (n.d.)

Living and housing in small towns

In central locations, small towns often register increases in population because they are locations that provide a place of compensation for the rapidly growing large cities, particularly among the younger and more prosperous sections of the population. In contrast, many of the peripherally located small towns have been facing losses in population for many years.

The inhabitants of small towns enjoy living in their place of residence and also have a great sense of attachment to these towns. A relatively large number of inhabitants do not want to leave their small town under any circumstances. The population in small towns outside the city regions is particularly attached to their place of residence (cf. Sturm/Walther 2010: 4). High levels of satisfaction with the living circumstances in small towns is based on the one hand on the high proportion of home ownership (cf. Sturm/Walther 2010: 7) and on the other hand, on the rural setting (cf. Winkler-Kühlken et al. 2019: 74).

Small towns have always been considered as places to create a home of one's own, particularly a detached or terraced house in the country. Existing housing in small towns is therefore characterised by a higher proportion of detached and semi-detached houses (average 89 %) than in medium-sized cities (82 %) and large cities (65 %). However, small towns generally have more densely built-up areas than rural municipalities and – at least in the town or centre – more multiple-dwelling housing (apartment buildings). Small towns in eastern Germany are more “urban” in the sense of having a development pattern predominantly characterised by blocks of flats. This is due to the fact that even in small towns, residential housing in the GDR was concentrated on the typical blocks of flats, e.g. the housing series 70, the most widespread prefabricated building system from 1970 onwards.

The former urban structure is vanishing in some of the small towns in two respects: On the one

hand, the incorporation of rural municipalities is leading to “ruralisation” (Steinführer 2018: 10) of small towns, and on the other hand, new-build housing is predominantly being constructed as detached and semi-detached houses. Particularly in eastern Germany, there seems to be a need to catch up on owner-occupied housing. Conversely, more apartment buildings are being built in places with a particular growth pressure, for example in the surrounding areas of Munich, Stuttgart, in the Frankfurt-Wiesbaden-Mainz triangle or in the south of the Halle (Saale)/Leipzig agglomeration.

Housing markets differ substantially, mainly on a large scale, depending on the location of the property. A strong demand for residential and commercial properties is putting pressure on the housing markets of small towns in central locations, close to large cities that are growing both economically and demographically, and in prospering regions, with at the same time, mostly a shortage of building land. These small towns are now subject to a surge of new citizens from home and abroad. The current changes in the social and income structure of the population are being accelerated by strong migration, particularly when a tight market is raising rents and property prices to a level which only the affluent can afford. Provided that they have sufficient capacity, small towns can therefore absorb the surplus demand of the larger centres. However, to do this, they not only have to offer traditional detached or semi-detached housing, but also more diverse forms, to meet the varying needs of a very heterogeneous resident population.

Population development – a result of residential location decisions

While small towns in central locations may partly benefit from the lack of sufficient housing in growing centres, small towns in less prosperous and shrinking regions suffer population losses to the same extent as rural communities. The population development of small towns therefore follows the principle of the favourable or unfavourable location and the housing market. Low housing costs alone are not sufficient favourability factor in peripheral locations if the residential environment is not also able to provide good local services and facilities for services of general interest.

The current growth of small towns in central locations started in 2011, approximately five to six years later than the recent growth of large cities (cf. Fig. 2). Until shortly after the turn of the millennium, small towns experienced significant increases in population, not only in very central, but also in central locations. The development curves level out as cities begin to grow. The new revival of small towns in central locations after 2011 is significantly more moderate than for small towns in very central locations. Small towns in peripheral locations were also able to register increases in population until 2000, but have been significantly losing population since then. Since the beginning of the 1990s, small towns in very peripheral locations have continuously lost on average about 20 % of their population. The population losses in

small towns in peripheral and very peripheral locations were only briefly interrupted during 2015/16.

Small towns with a growth in population grow primarily through the migration of certain age groups (cf. Map 2). In about half of the small towns, which are mainly small towns in central locations, the cohort of 30 to 39-year-olds is increasing. This age group in the phase of starting a family is highly sought-after, as their location decision is mainly a long-term one that promises potential growth in terms of children and adolescents. In contrast, the cohort of 20 to 29-year-olds in small towns is mainly shrinking as a consequence of people moving away, as small towns rarely have the educational institutions of a major centre. However, they are places of migration for migrant students if they are located near university towns (e.g. Dossenheim near Heidelberg, Gerbrunn near Würzburg, Unterföhring near Munich) or if they are themselves university towns (e.g. Mittweida, Clausthal-Zellerfeld, Neubiberg). In regions with attractive scenery such as the North Sea and Baltic Sea coasts (e.g. Grömitz, Malente, Kühlungsborn) or in the Alpine foreland (e.g. Isny im Allgäu, Füssen, Oberstaufen) as well as in old spa towns (e.g. Bad Pyrmont, Bad Lippspringe, Bad Sassendorf), small towns may also be places to which older people (cohort of 65 to 74-year-olds) migrate in search of a retirement home.

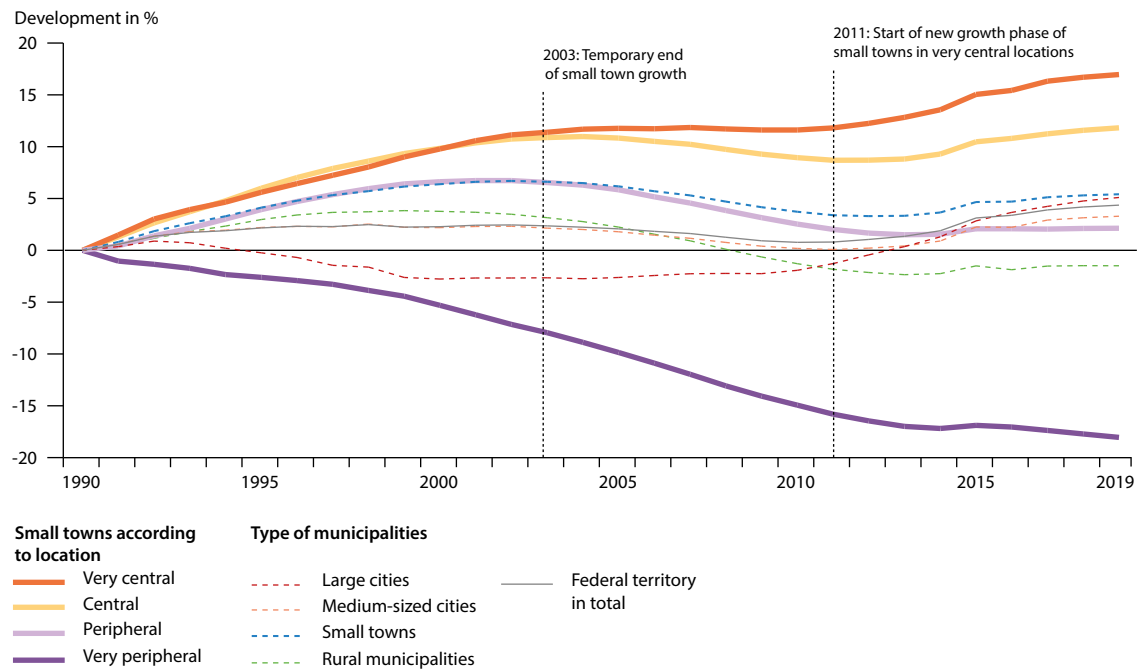
However, there is a tendency for young people to move away from

small towns. The persistent, age-selective inbound and outbound migration results in a growing gap between types of towns with regard to the average age (large cities with young populations versus small towns and rural municipalities with older populations) as well as the location of the towns (small towns with young populations in central locations versus small towns with older populations in very peripheral locations). Among the younger outbound migrants, there are frequently disproportionately young women. The ratio of women to men aged between 20 and 44 – an age group that is of great significance not only for demographic regeneration but also as a social link between generations – is therefore declining in small towns affected by outbound migration.

There are also differences in the social structure caused by migration. Moving from a large city to a small town in the surrounding area for the purpose of home ownership indicates that there are more households with higher incomes in small towns in central locations. In fact, on average, small towns in central locations have the lowest proportions of low income (less than 900 euros per month) and the highest proportions of higher income households (3,600 to less than 5,000 euros and over 5,000 euros). The highest variance in centrally located small towns is found when comparing all types of towns, so it is not generally true that there are more prosperous small towns in the affluent suburbs of large cities.

Figure 2

Population development in small towns according to their location and compared to the type of municipalities 1990 to 2019

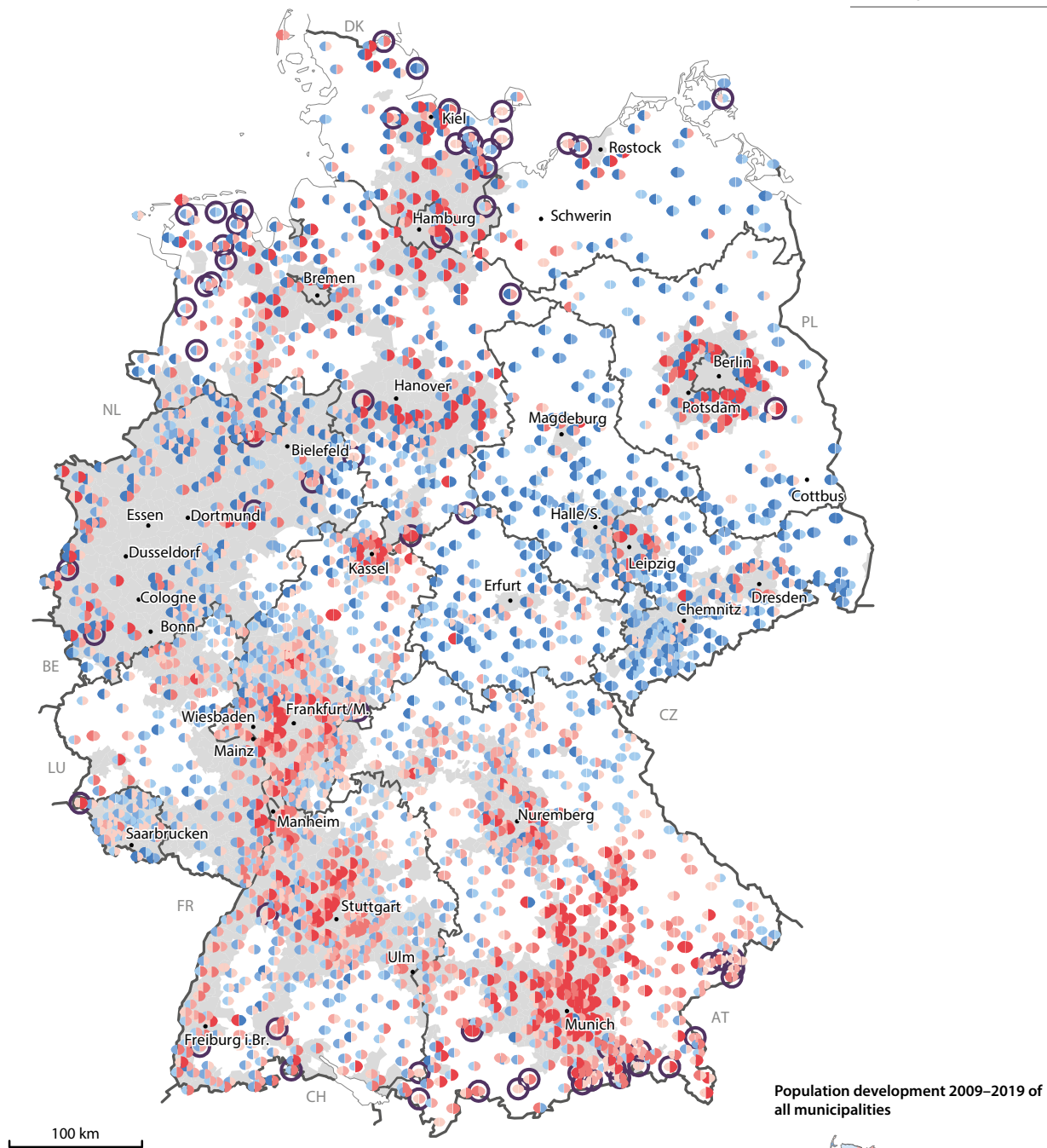


Note: Data from 1990 to 2010 census-adjusted

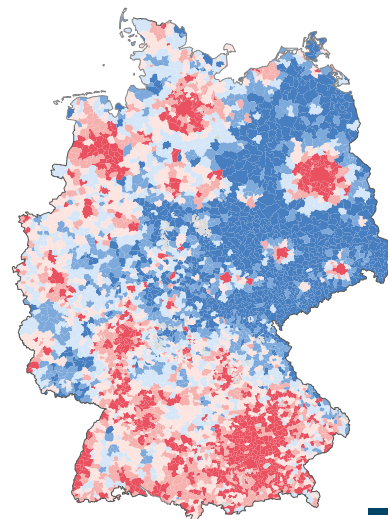
Source: Population statistics of the Federal Government and the Länder, continuous spatial monitoring system of the BBSR

Map 2

Development of small towns 2009–2019 according to selected cohorts



Population development 2009–2019 of all municipalities



Cohort growth of small towns 2009-2019 in %

<ul style="list-style-type: none"> ● up to below 80 ● 80 up to below 90 ● 90 up to below 100 ● 100 up to below 110 ● 110 up to below 120 ● 120 up to below 130 ● 130 and more 	<ul style="list-style-type: none"> ● up to below 80 ● 80 up to below 90 ● 90 up to below 100 ● 100 up to below 110 ● 110 up to below 120 ● 120 up to below 130 ● 130 and more
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- Small towns with cohort growth of the 65-74-year-olds 2009-2019
- central location

Population development of all municipalities 2009-2019 in %

- up to below -6
- -6 up to below -3
- -3 up to below 0
- 0 up to below 3
- 3 up to below 6
- 6 and below

Source: Population statistics of the federal Government and the Länder, continuous spatial monitoring system of the BBSR
 Geometric basis: Municipalities and municipal associations (generalised), 31.12.2019 © GeoBasis-DE/BKG
 Processing: A. Milbert

Small towns as work and economic centres

Peripherally situated small towns more often fulfil the function of regional employment centres. Conversely, small towns in central locations more frequently accommodate highly innovative companies and those in the knowledge economy.

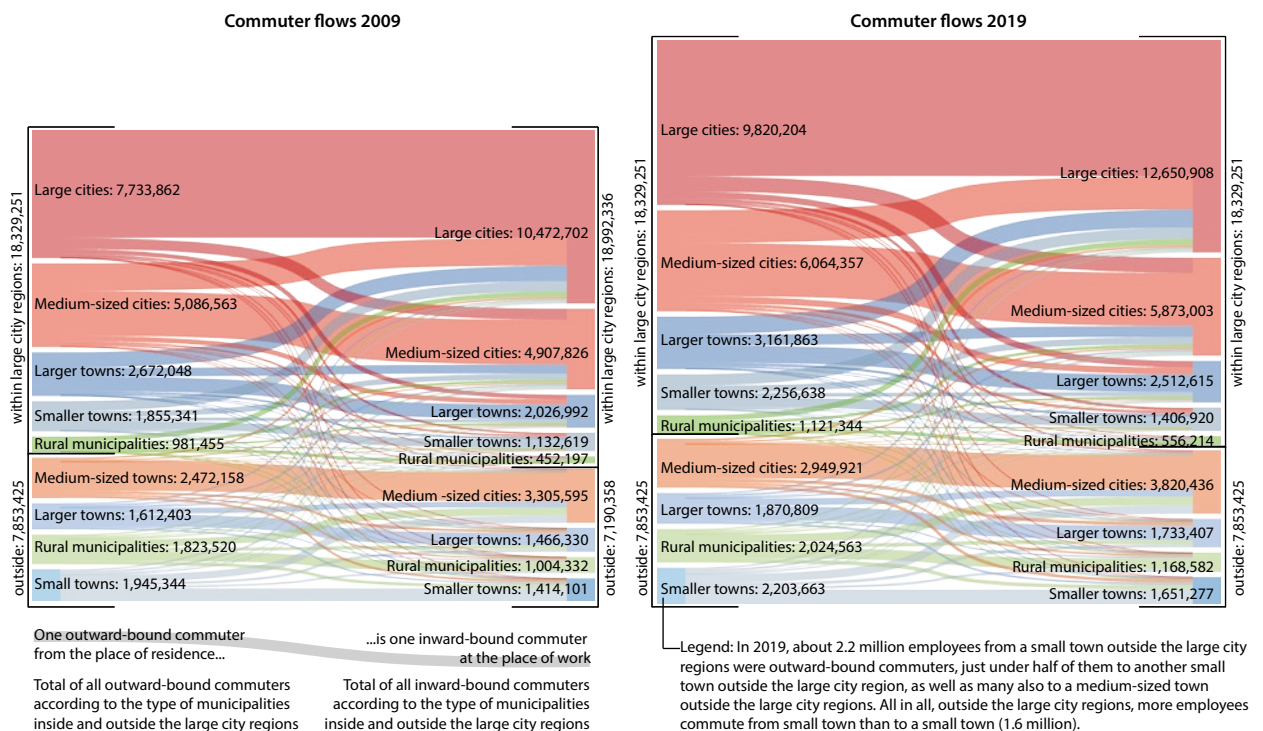
Whether cities can be seen as employment centres is often described in terms of an excess of inbound commuters. Then, more jobs (those subject to social insurance contributions) are available than can be staffed by employees living in this city or municipality.

Around 32 million employees subject to compulsory social security contributions commute from their place of residence to another place of work, an estimated 95 % of them on a daily basis. In absolute numbers, the strongest commuter networks are within the large cities regions, where they account for about 70 % of

all commuter links. Commuter links by no means flow exclusively into the centres from smaller towns and municipalities, but also run tangentially, for example, from centrally located small towns to other centrally located small towns (1.9 million commuters or 6 % of all daily commuters). Outside the metropolitan regions, medium-sized towns are the preferred commuter destinations, but there are also a great deal of tangential links between small towns (also 1.9 million). A total of 1.6 million people commute from large and medium-sized cities to small towns on a daily basis (cf. Fig. 3).

Figure 3

Flows of daily commuters according to type of municipalities, inside and outside the large city regions, 2009 and 2019



Note: The flow charts were created via SankeyMATIC; only daily commuters are depicted (commuters subject to compulsory social security contributions with a one-way journey between their place of residence and their place of work of less than 150 km)

Source: Commuter statistics of the Federal Employment Agency, continuous spatial monitoring system of the BBSR

Small towns in the knowledge economy

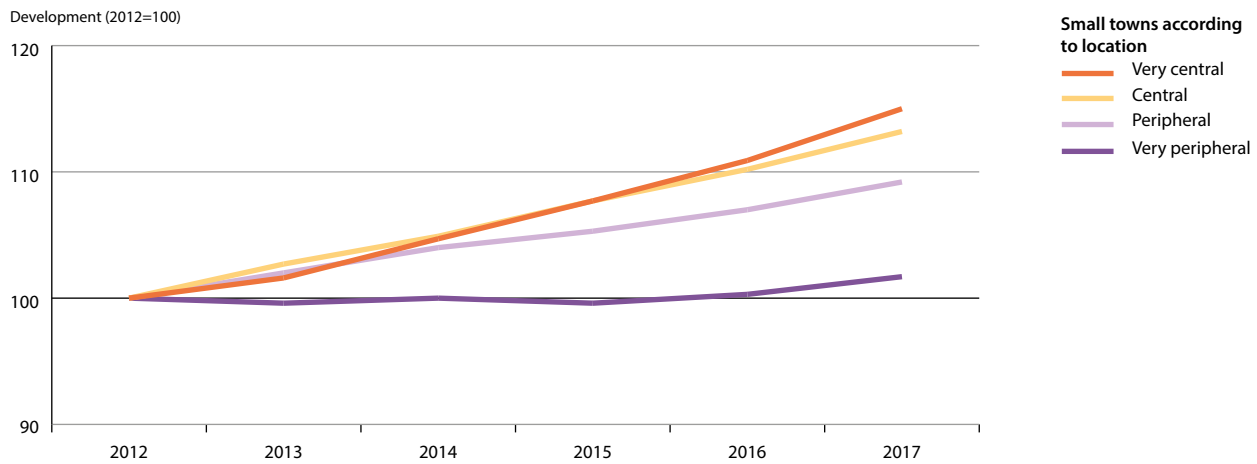
The increasing affinity for urban space goes hand in hand with a structural change and culminates in a knowledge economy. This is explained not only by the requirements from the world of work, which expects a high level of temporal and spatial flexibility, but also by the expectations of knowledge workers, whose lifestyle is characterised by the close interlinking of vocational, social and personal life. As a result, cities are becoming increasingly important as places to live and work.

The geographical distribution of knowledge-intensive employees in Germany confirms the great attractiveness of city living. The highest above-average concentration of knowledge-intensive employees can be found in the large cities as well as an above-average concentration in high-density areas. But small towns in southern Germany also have an above-average concentration of knowledge-intensive staff. Between 2012 and 2017, small towns in very central and central locations experienced a percentage increase in the number of employees in knowledge-intensive professions. Small

towns and medium-sized cities are also relevant locations for professions working with analytical knowledge (new knowledge is generated mainly by means of scientific work, e.g. biotechnology). Between 2012 and 2017, small towns in very central and central locations experienced a percentage increase in the number of employees in knowledge-intensive professions (cf. Fig. 4).

Figure 4

Development of knowledge-intensive employment in small towns from 2012 to 2017 according to location



Source of data: Employment statistics of the Federal Employment Agency, Anna Growe (Heidelberg University)

Further proof of the significance of small towns as attractive economic locations is the special group of so-called “hidden champions” among the small and medium-sized companies. The BBSR defines these as “[...] small and medium-sized companies, which operate in the global market and are more economically successful than the average. Apart from their global presence, hidden champions are often characterised by

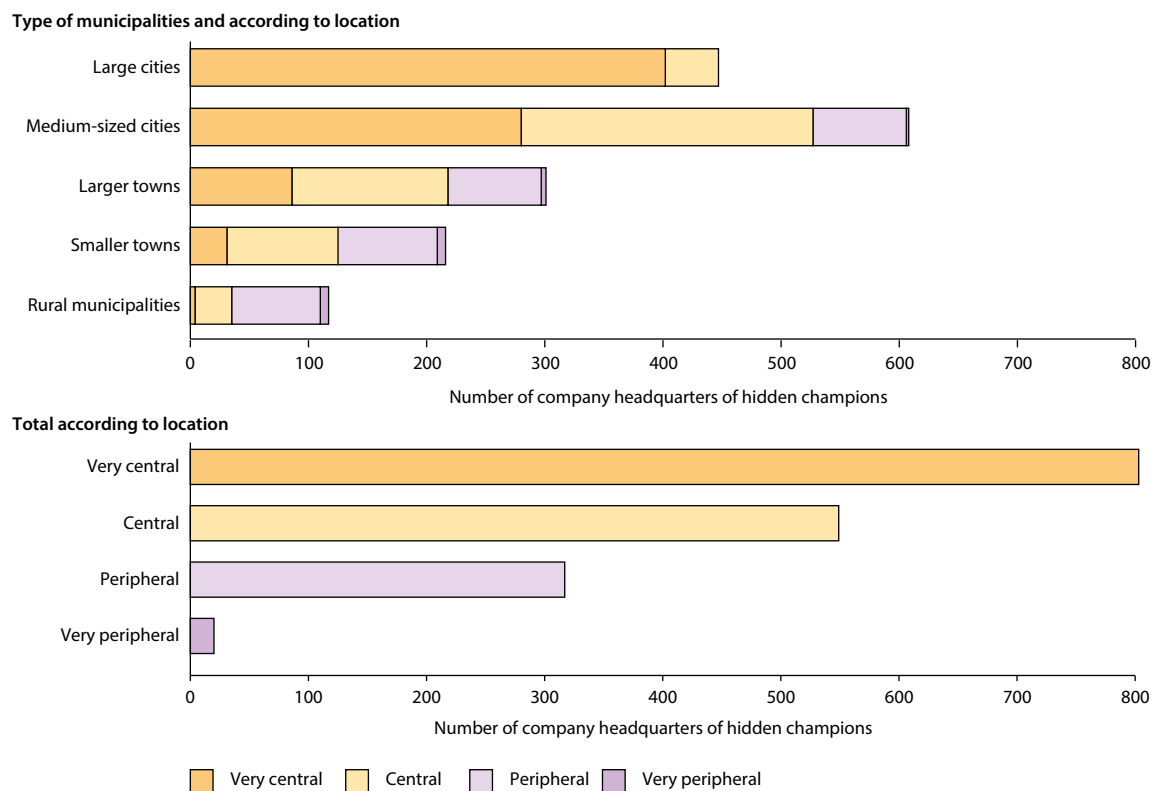
a close connection to their corporate headquarters, which originates in particular from the history of the company, the ownership structure and a close bond with the employees and possibly other local players and on-site institutions” (Lang et al. 2019: 16).

The headquarters of 518 of these 1,691 companies are based in small towns, 174 of them in peripheral

locations (cf. Fig. 5). Hidden champions are present in higher concentration in regions in southern and western Germany with a main focus on Baden-Württemberg, North Rhine-Westphalia, Hesse and Bavaria. In peripheral locations they are mainly found in Baden-Württemberg and Bavaria. In contrast, very few of these companies are situated in eastern Germany.

Figure 5

Company headquarters of hidden champions according to the type of municipalities and location 2016



Source of data: Prof. Dr. Bernd Venohr “Database of German World Market Leaders” & Weissman Group for Family-owned Companies, supplements and own research of the Leibniz Institute for Regional Geography, Types of location of the BBSR

Services of general interest in small towns

Small towns in peripheral locations more frequently fulfil the function of a medium-sized centre than in central locations, which is also effectively demonstrated by a higher level of social infrastructure. However: The provision of broadband to households is below average in small towns compared to that in large and medium-sized cities.

Small towns perform supply functions for their own population and that of the surrounding region, particularly in terms of daily needs, and partly also for upscale market requirements. The extent of these facilities depends on the location of the small town as well as on other competing towns in the neighbouring areas. In most small towns, people can buy daily consumer goods, visit their GP and their children can go to primary school. With these amenities, almost all small towns are supplied in a way corresponding to the average of all towns and municipalities (cf. Fig. 6). What is remarkable here is that in small towns in very peripheral locations, there is an above-average number of supermarkets, discounters and pharmacies. They also supply the surrounding rural communities that lack these services or where there are no alternative locations. In contrast, in a nationwide comparison, the supply of doctors, general practitioners and secondary schools is in most cases below average, even more so in the immediate vicinity and environs of large cities.

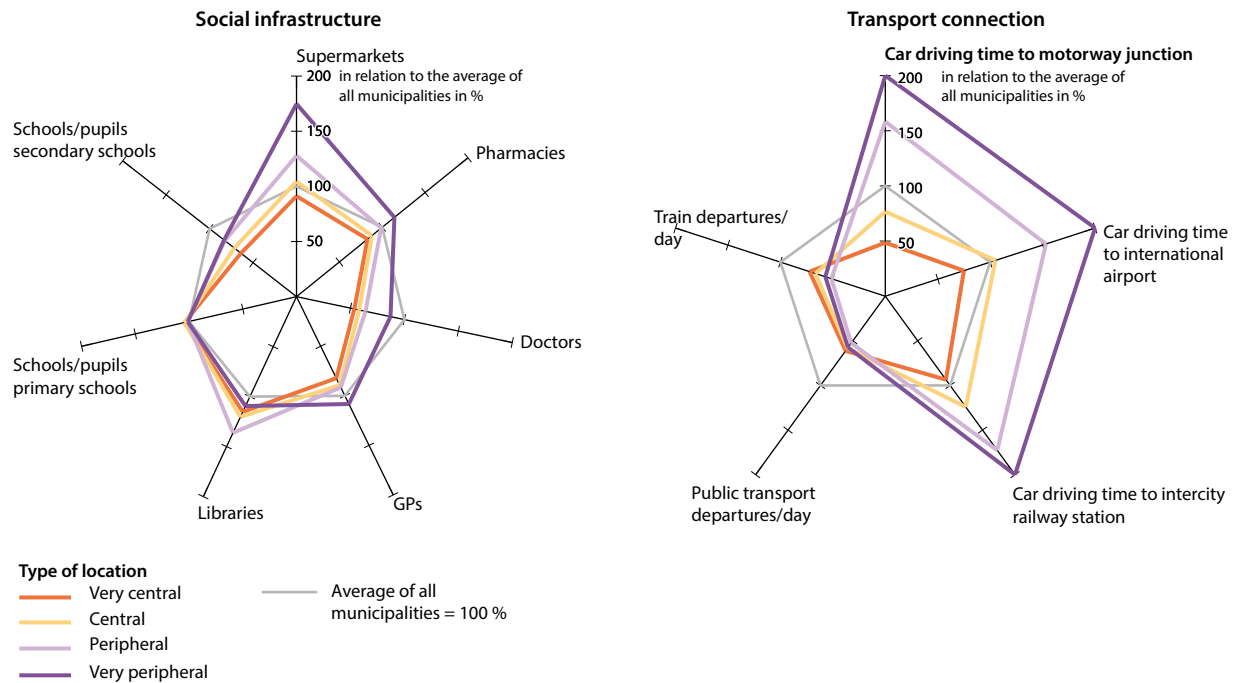
Some small towns offer specialist services beyond the basic service functions. Small towns with higher-value facilities such as universities, specialised hospitals, courts of law, locations of the federal and state police or locations of prominent businesses are rather under-represented, but can be found throughout the entire country, not only in central but also in peripheral locations.

Small towns are sometimes located on main traffic routes. Depending on their location, the larger spatial relationships also have an impact on mobility in small towns. For example, in small towns in peripheral and very peripheral locations, the average car travel times to selected infrastructure facilities of a higher standard (motorway, intercity railway station, international airport) are twice as long as the national average and more than double those of small towns in central locations (cf. Fig. 6).

In terms of public transport infrastructure, there are fewer differences or none at all between the small towns according to location. The number of public transport departures per inhabitant in general and of rail departures in particular is more or less identical, regardless of location and is considerably better than the national average. Of course, it should be noted that these are average values for the group of all small towns, meaning that the situation in individual small towns may deviate significantly from this. Depending on the basic conditions, good public transport infrastructure may be available even in peripheral locations, while it may be lacking in small towns in central locations (cf. Winkler-Kühlken et al. 2019: 57 f.). The quality of public transport frequently poses a far more urgent problem: Although most households have access to local bus stops, the residents questioned criticised the frequency of the service, the coordination with onward connec-

Figure 6

Services of general interest and transport infrastructure in small towns according to location in a nationwide comparison 2018/19



Source: Central Places Monitoring, continuous spatial monitoring system of the BBSR

tions, and the design and cleanliness of the stops (cf. Winkler-Kühlken et al. 2019: 58). These are also reasons why small towns are primarily characterised by individual motorised transport.

The bundling of functions such as housing, trade and commerce, culture and education as well as supply facilities creates space for communication and gatherings. Supply structures and vibrant town centres go hand in hand and are of

key importance. After (persistent) losses of population, shops and facilities close as they lose their economic sustainability. Among other things, vacant housing, shops and commercial buildings, weaken the appearance of the town centres. At least 40 % of all small towns lost 20 % or more of their population between 1990 and 2019. Small towns develop various strategies to respond to this, whereby in addition to the concentration of supply facilities in the town centre, there may also be an aim to

keep basic supplies decentralised in as many urban districts as possible. Particularly in small towns extending over a large area, the aim of providing local facilities within walking distance can pose a major burden for everyone. There is no explicit correlation between the surface area of small towns and the local supply of the population within walking distance, neither in small towns in central nor peripheral locations.

Broadband expansion as a prerequisite for digital transformation

One of the major prerequisites for digital transformation is the availability of fast Internet or high data transmission rates (Mbps). The “digital divide” is not the presence or absence of connectivity itself, but between towns and municipalities with low transmission rates in peripheral locations and towns in central locations that are the first to be equipped with the latest standard. “Only those with fast [Internet] access can also benefit from the opportunities associated with digital transformation or that initially arise from it” (Bertelsmann Stiftung 2018). The optimum provision of all areas and municipalities, irrespective of their size and type,

with the corresponding information technology (IT) infrastructure is a necessary component for the most equal possible development of society as a whole.

In 2020, the provision of high-capacity broadband (> 50 Mbps) for small towns showed that, for households that could potentially be supplied with broadband technology, a coverage rate of slightly more than 88 % was achieved. For large cities, this was far higher at 98 %. For a transmission speed of at least 100 Mbps, the figure for small towns was only 76 %, far below the rate for large cities of 96 %. This meant that small towns lagged behind by 20 percentage points. It is also obvious that the location of the small towns is also crucial for the rate of coverage. For

small towns in peripheral locations, this figure was 6 % lower than for small towns in central locations in relation to 50 Mbps and 8 % lower in relation to 100 Mbps (cf. Table 1).

In order to overcome the digital divide, the availability of high-speed Internet alone will not be enough to harness the opportunities associated with digital transformation for sustainable small town development. If it is empowered to do so, the participation of the local community plays a key role, particularly in small towns. Empowering people to make use of the opportunities arising from digital transformation is essential for improving their situation and shaping sustainable small town development (cf. Porsche 2019).

Table 1

Broadband expansion according to speed rates 2020

Transmission rate	Large cities	Medium-sized cities		Larger towns		Smaller towns		Rural municipalities	
	central	central	peripheral	central	peripheral	central	peripheral	central	peripheral
Households with broadband connection as a proportion of all households 2020 in %									
16 Mbps	99.3	98.0	96.6	96.1	93.7	94.4	88.9	94.6	85.8
50 Mbps	98.2	96.0	93.8	92.6	88.7	89.6	82.2	89.4	77.8
100 Mbps	96.3	89.5	87.5	81.4	78.0	75.7	66.7	72.2	59.9
1,000 Mbps	82.0	58.1	44.4	44.9	33.1	32.9	22.3	29.6	17.1
Increase in connected households in % points									
with 50 Mbps from 2015 to 2020	9.8	19.0	17.6	29.0	31.1	39.2	42.2	46.1	50.6
with 1,000 Mbps from 2018 to 2020	33.3	39.9	21.1	27.2	17.7	20.7	11.5	14.4	7.8

Source: Broadband atlas, continuous spatial monitoring system of the BBSR

Freedom of design in the case of special challenges

Local government is enshrined in the German constitution. Local politics and administrative staffing levels are just as important as funding through taxation and other revenues. Participative forms of governance can provide relief where there are organisational bottlenecks.

The municipalities have their own budgets for the performance of local tasks. Municipal revenues are an interaction of tax revenues, fees, compensatory transfer payments, as well as borrowing, which increases the financial resources for the fulfilment of the tasks in hand (over the short term). The municipalities also have an influence on tax revenues by determining the assessment rates for trade taxes and property taxes on agricultural and building land.

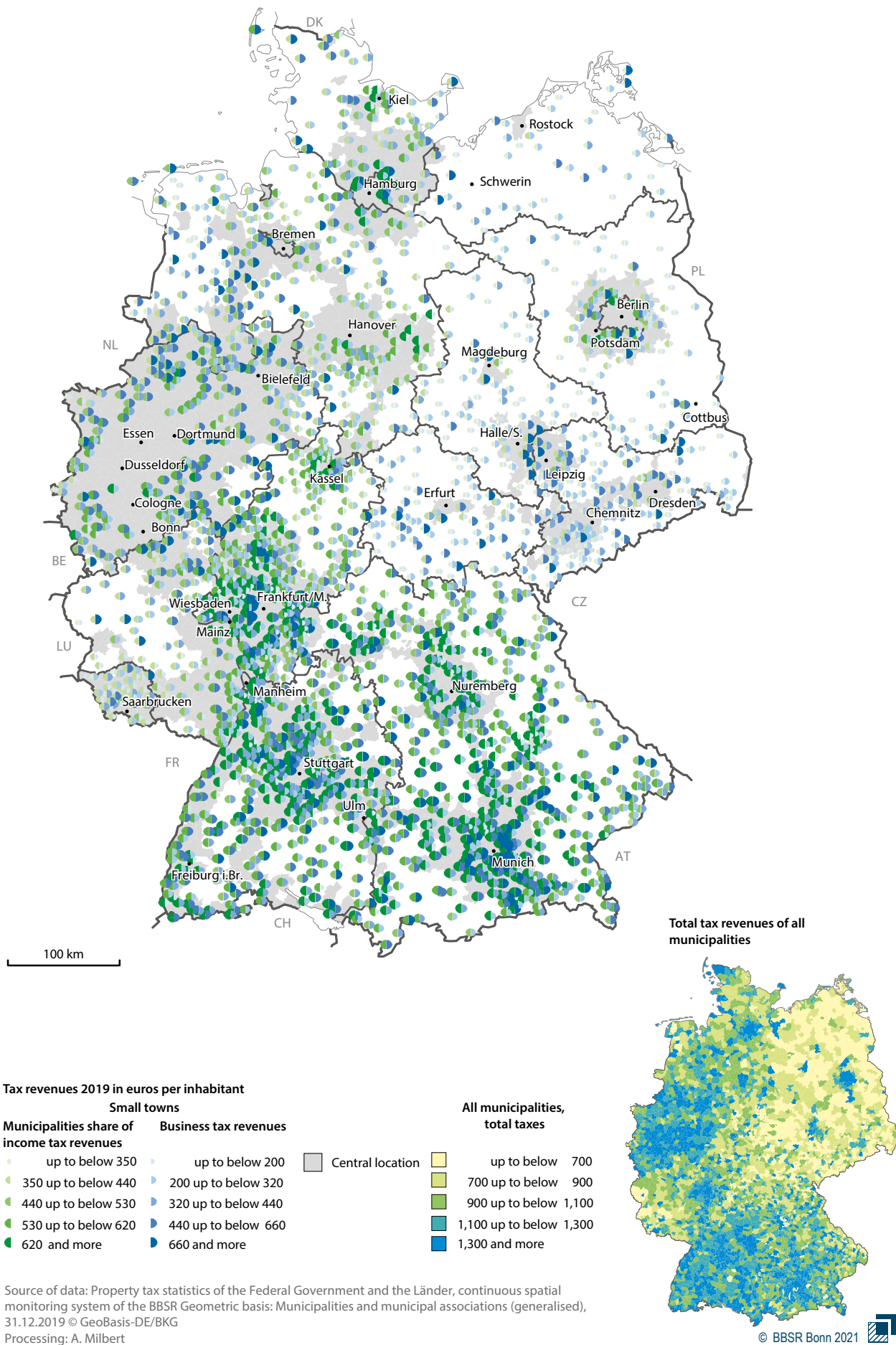
Outgoing funds are expenditures for compulsory and voluntary tasks as well as for the servicing of debts. In the case of investments and development, the municipalities can take advantage of funding for which they usually have to procure their own funds for co-financing; their contributions vary depending on the arrangements of the funding instrument. Municipalities subject to budgetary supervision due to high debts are unable to make full use of the funding instrument, as they lack their own funds due to budgetary consolidation. They are therefore at a disadvantage in terms of sustainable innovations.

The only available data is on the revenue side on a small scale via comparative regional statistics. The locations of small towns generating

high revenues can therefore only be estimated (cf. Map 3). For most municipalities, the largest positive tax items are the actual revenue from trade taxes, from which the trade tax levy is to be deducted, and the municipal share of income tax. In most towns and municipalities, both sources of revenue are of similar magnitude, including, of course, small towns. More prosperous small towns can record not only higher shares of income tax but also higher trade taxes, while financially weaker municipalities raise comparatively lower funds with both types of revenue. On the other hand, small towns stand out in which commercial taxes are considerably higher than income taxes. They are frequently located near larger centres and have industrial parks in the immediate vicinity. However, there are small towns in rather peripheral locations where local companies have an above-average taxable capacity in relation to their inhabitants (e.g. (bio-)industry in Teterow in Mecklenburg-Western Pomerania or a large mineral water manufacturer in Gerolstein in Rhineland-Palatinate). There are also several companies of national economic significance located in small towns (e.g. natural gas and oil storage facilities in Friedeburg in Lower Saxony).

Map 3

Tax revenues of small towns 2019



Integrated urban development and intermunicipal cooperation

Integrated urban development and its associated concepts have been a major topic in urban development since the 1960s. Today, urban development can be project-based and focused on implementation, cross-sectoral or sectorally integrating, city-wide or focused on sub-areas and is characterised by many different forms of governance.

With the development of consensual solutions, integrated urban development concepts (ISEK or INSEK) are an important instrument for the accomplishment of conflicting objectives with growing social and spatial imbalances, not only within a municipality but also on an intermunicipal level. However, INSEKs continue to gain importance, particularly with regard to community discussions concerning the desired future development of a town. An optimistic spirit and prospects for implementation can thus be generated and combined for important projects. In addition to the focus of municipalities on themselves, in recent years their outlook and activities have broadened in the direction of cooperation across municipal boundaries.

The requirements for a high level of management associated with an INSEK must not be underestimated; they include intensive intersectoral cooperation, close reciprocal exchange between the competent

authorities and planning levels, and the involvement of politics, business and civil society. These are objectives and frameworks subject to joint responsibility. This, along with the broad participative approach, gives public projects coordinated by means of INSEKs not only a strong weighting but also a social anchorage and planning robustness. One advantage of smaller towns is the comparatively small number of departments involved and participating external players. As a result, integrated planning and actions are usually performed “automatically”. Nevertheless, an INSEK is a tremendous challenge for small towns with limited human resources. Relief becomes noticeable as soon as a valid roadmap has been drawn up with an INSEK as an orienting framework. Depending on the action framework, the elements of integrated action do not all have to be processed simultaneously; this can also be done successively.

In order to strengthen towns and municipalities as places to live and work where services of general interest are provided, increased cooperation across municipal boundaries is required. In Germany, inter-municipal cooperation projects have, for many years, been an established instrument for supporting cooperation between several municipalities. Particularly smaller towns and municipalities make use of this. One of the big advantages of intermunicipal cooperation is that measures can be implemented that one municipality could not accomplish alone. New services can be added to the service

portfolio offered by individual municipalities. By creating larger units, efficiency, cost effectiveness and quality can be increased and costs reduced. The municipalities can thus accomplish more together, and by involving other partners, more than they could have achieved alone.

Intermunicipal cooperation is diverse. The main points of action range from superordinate issues such as safeguarding the provision of services of general interest, the provision of municipal services such as waste collection, street maintenance etc., registry office and other classic individual topics such as the promotion of tourism and regional marketing through to more recent topics such as IT infrastructure, urban development and administrative cooperation. In recent years, issues such as broadband provision, climate adaptation and the use of renewable energies have been added. Cooperation involves not only shrinking but also growing municipalities: for example in infrastructure planning, the designation of land for housing construction and economic development.

The success of intermunicipal cooperation projects is largely determined by the willingness of the players involved to cooperate. The explicit agreement of objectives and the implementation of projects are focussed on current local challenges. This requires the clear political will of all partners, trust and action as well as communication on an equal footing, common strategies combined with independent implementation and an adapted organisation.

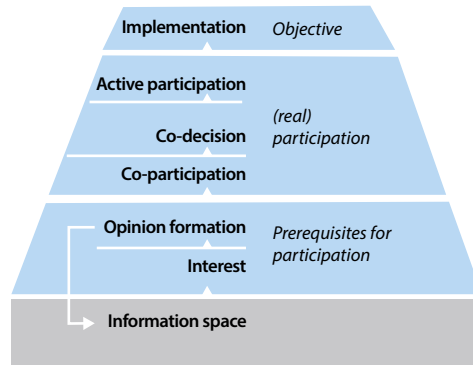
Participation and cooperative planning and development in small towns

Municipal administrations are facing increasing challenges including: the reduction in employment that has taken place over many years in order to reduce costs, the increasing complexity of tasks due to legal requirements, as well as changing working environments in the course of digital transformation. These are reflected in limited human resources, the foreseeable retirement of administrative personnel and an increasing shortage of skilled staff.

In the literature, one solution to the established challenges of small town administrations is increasingly being seen in process-oriented, communicative and cooperative forms of governance (cf. Dehne 2018). Finally, urban development has always been and still is a joint product, partly planned and controlled, and partly shaped autonomously by both business and citizens. When this interaction of the different groups of players is deliberately sought, shaped and moderated, we can speak of cooperative planning and development. Cooperative small town planning is thus a process based on partnership and cooperation between the local community, local economy, politics and administration with the goal of achieving a good life in the small town. Communication and cooperation play a central role here.

Figure 7

Levels of the participation pyramid



Source: Maier-Rabler/Hartwig 2007: 23 as cited in BBSR 2019: 73

On the one hand, the small town appears as a place where self-help, self-organisation and self-care traditionally play an important role. The groupings of the principal players and social networks are clear. Associations are still of great significance. They are closely linked to politics and administration. Politics and administration are in turn dependent on strong partners in the economy and among citizens. There are no differentiated administrative structures or service economies as there are in larger cities. Human resources and finances are limited. Especially in crises, it becomes evident that traditional, hierarchical administrative and planning actions clearly lose their creative power. Joint visions, cooperative strategies and informal networks can then lead to new solutions. This often involves the safeguarding and shaping of

services of general interest in the broader sense: educational networks, care and assistance structures, new forms of mobility, sports, cultural and educational opportunities, and vibrant town centres (cf. Dehne 2018, cf. Fig. 7).

Contrary to all stereotypical ideas, activating the population in small towns is often not easy. Many people are already involved in voluntary work, whether privately, professionally or otherwise. It is not easy for active citizens to take on additional tasks. Depending on their phase of life, citizens have little spare time. Last but not least, municipal incorporations and local government area boundary reforms contribute to a sense of alienation among inhabitants with their own town, resulting in a decreasing willingness to take on such commitments.

Strengthening small towns – an outlook

A balanced development of all sub-areas of Germany and the safeguarding of equal living conditions is inconceivable without the stabilisation and support of small towns. Targeted promotion of small towns requires knowledge of the small town landscape. The BBSR is therefore intensifying research in collaboration with and for the benefit of small towns.

If recent surveys are to be trusted, small towns can look forward to a bright future: More people – including younger people under 40 years of age – would rather live in a small town than a large city. The annual population growth of many large cities is declining again, mainly due to negative internal migration balances: More people are moving out of the larger cities than into them. Affordable housing is just one of the reasons. The desire for a more manageable size, a more peaceful atmosphere, more green spaces, home ownership and a greater community spirit are equally important factors in encouraging people to live in rural areas and small towns. Nevertheless, such developments do not happen automatically.

Small towns require good framework conditions for their development. The urban development programme “Smaller towns and municipalities – supra-local cooperation and networks”, which ran from 2010 until the end of 2019, focused explicitly on smaller towns and municipalities – and increasingly on municipalities in sparsely populated, rural areas threatened by outbound migration and affected by demographic change. Thus, many municipalities that formerly had no access to urban development funding came into contact with new processes and procedures for integrated urban development. Important and necessary developments have been successfully launched to maintain the long-term function of services of general interest, especially in regions beyond high-density areas, and to ensure the quality of life of the population (cf. BBSR 2020: 49, 11).

The “Small Towns in Germany” initiative was launched in 2018 by the Federal Ministry of the Interior, Building and Community (BMI). It replaces the “Rural Infrastructure” initiative, which has pursued the aim of strengthening urban and social infrastructure in rural areas since 2010. Through targeted communication, research and promotion, small towns in rural areas are slowly experiencing a renaissance, as well as more widely in politics and society. The “Small Towns in Germany” initiative aims to raise and sharpen awareness in politics and in the professional community of the social significance and economic capacity of small towns, but also of the challenges they face, and to support municipalities in their development. Due to the demographic, social and housing policy challenges, the “Small Towns in Germany” initiative now also includes small towns in high-density areas.

By means of various research projects and funding programmes, the BMI and the BBSR have in recent years increased their involvement in the urban development of smaller towns and municipalities. During this process, it became apparent that there was the desire and a need to provide permanent, institutionalised support for small town development through a “Small Town Academy”. As an essential component of the “Small Towns in Germany” initiative, this may become the interface for small towns, their decision-makers and their local communities. In doing so, it can support small towns in partnership-based structures to develop innovative solutions for current challenges and perspectives for the future development of small towns.



Source: BBSR

Before 2023, when the Small Town Academy will be permanently anchored within the framework of the funds available in the budget and financial plan, the pilot phase of the Small Town Academy (2019 to 2022) will conduct in-depth research on suitable content and formats to support the future urban development of small towns. This research is to be incorporated into the content and governance structure of the Small Town Academy. In the pilot phase of the Small Town Academy, innovative projects are on the one hand being promoted in the form of model projects that contribute to the sustainable development of small towns in Germany. On the other hand, a consolidation of the Small Town Academy is to be prepared from 2023. Local, decentralised as well as digital and mobile consultation and networking services on the topic of urban development are envisaged, focusing especially on the needs and wishes of small towns. A future Small Town Academy will bundle diverse opportunities for knowledge

transfer, networking and exchange of experience for small towns. A guiding principle for this is “Urban development of small towns, with small towns, for small towns” (Felker et al. 2021). In “Our Plan for Germany” (BMI 2019), the implementation of the Small Town Academy is recommended, among other things in order to strengthen small towns in their functions as central units, to enable them to make use of funding programmes and instruments and to involve the local population.

In its quantitative and qualitative research, which is oriented towards regional and urban development, the BBSR is traditionally concerned with the development of different types of towns and municipalities. With its 2012 publication “Small and medium-sized towns in Germany – An analysis”, the BBSR set a clear signal in the research landscape, which usually only dealt with small and medium-sized towns in individual case studies and a few more comprehensive studies (cf. Gatzweiler et al. 2012). In particular, the BBSR’s approach to quantitative analyses led to a supplementary view of existing qualitative research, which is often influenced by sociological aspects. The BBSR publication came at a time when the discourse was dominated by an atmosphere of crisis, especially

regarding smaller towns. A key statement based on the quantitative analyses was: The smaller the municipality and the more peripheral its location, the greater its challenges. This was the impulse and the reason for giving more attention to small towns in peripheral locations (cf. BBSR 2019). It very quickly became clear that this was not enough and that small towns in central locations with challenges of a different nature also deserved consideration (cf. Winkler-Kühlken et al. 2019). While in their first studies on small towns in Germany, the BBSR maintained a neutral view of the challenges facing this type of town, it simultaneously directed its attention to the question of the local potential of over 2,100 small towns, their economy and civil society.

Today, a small town research cluster has been established within the BBSR, which performs interdisciplinary research on the development of small towns from various departments and perspectives as well as across disciplines. This also includes consideration of European countries and the cooperative and collegial collaboration with partners such as the Leibniz Academy of Spatial Development (ARL) and the Research Institute for Rural Areas at the Thünen Institute.

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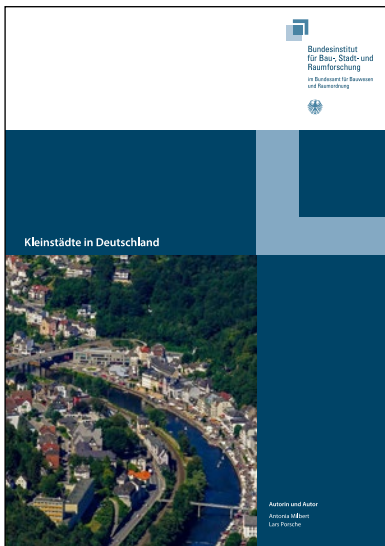
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Kleinstädte in Deutschland

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Small towns play a decisive role in ensuring equal living conditions. In rural and peripheral areas, they are anchors of regional public services and economic development. But what distinguishes small towns from medium-sized and large cities? Under what conditions can and must they meet the great challenges of the time? The concepts and strategies gained from metropolitan research cannot simply be transferred to small towns. Therefore, small towns need targeted support in their development. The report first presents the current state and development trends of small towns based on comprehensive quantitative empirical data and analyses, concluding by highlighting urban development strategies of particular relevance to small towns and detailing the federal government’s involvement through its initiatives and urban development funding, as well as the research activities of the BBSR.

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Contact

Antonia Milbert
antonia.milbert@bbr.bund.de

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