

SGI Sustainable
Governance
Indicators

2014 Germany Report

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Executive Summary

Unlike most other industrial countries in the period after the global financial and economic crisis, Germany recovered quickly, though only after suffering the most severe recession in its postwar history. However, the period under review was marked by an extraordinarily complicated political and economic environment, and once again offered an intriguing opportunity to study the strengths and weaknesses of the country's political and economic system with respect to adaptability.

This analysis reveals that Germany's economy is relatively robust and that the country has been both an anchor of stability and the economic powerhouse of Europe. Growth rates in 2010 and 2011 were exceptionally high, but by 2012 there was signs of another significant economic downturn, this time due to a combination of global economic developments, a delay in implementing structural reforms and the end of trade unions' wage-moderation strategy.

Despite those early signs of slowdown, the German labor market reached its highest employment rates since unification during the review period. Although various factors contributed to this performance, the controversial but ultimately successful Hartz reforms, which reduced structural unemployment, certainly played a role.

The country's fiscal performance also indicates that the past years of reforms have started to pay off. Although government deficits during the crisis soared to double-digit levels in many OECD countries, they remained below 5% in Germany despite the government's enactment of active stimulus packages. Although Germany's government debt-to-GDP ratio is currently 81.9%, only 0.5 percentage points lower than its all-time high in 2010, the country has not yet been downgraded by rating agencies.

Indeed, the country's ability to refinance its debt on capital markets is currently better than ever, thanks to the combination of its constitutional debt limit and investors' perception that Germany is a safe haven. In parallel with the economy's quick recovery, the budget deficit fell drastically. In 2012, net borrowing amounted to 0.32% of GDP, and was thus already in line with the

constitutional debt limit. In total, viewing revenues and expenditures at the federal, state and communal levels along with social-insurance revenues, Germany even achieved a slight budget surplus of 0.2% in 2012. Furthermore, foreign direct investment flows have increased considerably, and the favorable economic situation attracted the highest number of skilled migrants since 1995.

The euro-area debt crisis also enabled a revealing look at the efficacy of Germany's governance systems. In this context, the German government somewhat reluctantly took a leading role in organizing and establishing stabilization mechanisms, and in defining the principle of conditional solidarity (i.e., making credit support conditional on far-reaching institutional reforms and consolidation). The merits of the German approach are heavily contested. Some critics (particularly in Southern Europe) charge that Germany's actions have been driven merely by the defense of the country's own national interests, and that the policies it has imposed amount to an inappropriate austerity. Others (particularly domestic voters and prominent economic experts) argue that Germany has put its own future wellbeing and wealth at risk by providing massive guarantees for peripheral Europe in an irresponsible way. In any case, the German government had substantial influence over the eurozone's ultimate crisis-management strategy. Moreover, it was able to secure a far-reaching domestic consensus, as indicated by the overwhelming parliamentary majorities supporting the establishment of the European Stability Mechanism (ESM) and European Fiscal Compact, as well as by the limited success shown by new anti-euro parties.

Unfortunately, the assessment period showed little progress in a number of other critical fields. The health care system's cost trajectory is clearly unsustainable, although recent reforms have moved in the right direction. Pension reform came to a standstill with respect to ensuring effective protection against poverty in old age, while exclusion and decoupling from society seem to be of increasing importance.

Overall, the assessment period did not bring as much change as has been observed in previous years. However, it did provide evidence that prior reform efforts had substance. The question remains whether this positive trend is to be attributed mainly to Germany's own strength or to the structural weaknesses of its competitors.

Key Challenges

Any strategy aimed at improving the sustainability of governance should first of all take account of a country's existing key strengths and weaknesses. In the aftermath of the global financial and economic crisis, Germany recovered more quickly and in a more sustained manner than did most of its peers. Growth figures have mostly been exceptionally high since 2009, a year that marked the nadir of the worst downturn in the country's postwar history. In 2012, however, German's gross domestic product grew by only 0.7%, raising the prospect of a return to recession.

Germany's labor-market performance remains excellent, with labor-market policies proving highly effective compared to those in most other industrial countries. Its companies have also proved to be highly adaptable and productive. For the past three years, productivity has increased at rates above the EU average. However, unit labor costs also increased considerably (2.8%) in 2012. The increase could be a sign of an end to trade unions' long-term wage moderation in exchange for job guarantees, a restraint that has been regarded as an important factor in Germany's economic success in recent years. Taking these shifts into mind, two potential threats for the future development of Germany's economy become apparent.

First, in the context of a European Union with integrated economic and monetary policies, a number of developments will necessarily be outside the control of a single national government. The future course of Germany's economy will depend heavily on the success of the anti-crisis measures initiated in other European countries, as well as on the actual costs resulting from the financial obligations the country's policymakers have undertaken.

Second, German governments have difficulty persuading voters of the merits even of successful reform projects, in part due to a widespread public impression that past reforms may have been efficient but are not fair. For instance, the unprecedented expansion of atypical employment contracts – chiefly temporary, part-time and agency work – may have been an advantage in terms of industrial flexibility. But policymakers' approval of these comparatively less-regulated modes of contracting gives employers an incentive to increase the frequency with which they are used.

The consequent rise in atypical employment holds potentially severe consequences for the social welfare system in particular and social justice in general, and has thus fueled debates on the introduction of a general minimum wage and an unconditional basic income. However, reforms can be sustainable in terms of voter acceptance only if they are perceived as both efficient and fair. Therefore, any strategy aimed at improving the sustainability of governance should start by taking the fairness issue seriously. This is partially a matter of communication and partially of legislative substance. In terms of communication, the government should more clearly indicate, with convincing proof, how certain reforms benefit the most disadvantaged groups in society. In that vein, the education system, particularly with respect to early childhood, remains one of the top priorities on the German policy agenda. There is an increasing consensus that real problems have their roots in early childhood, and that a higher priority must be given to supporting the development of language skills and other basic competences in the first years of life.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 8

Over the last 10 years, Germany's economic policy has successfully addressed numerous serious economic weaknesses prevalent in the post-unification period. A wave of reforms (affecting labor-market institutions, unemployment benefits, the pension system, company taxation, the constitutional debt brake, and the liberalization of labor migration from outside the EU, among others) has improved Germany's competitiveness and increased its attractiveness as a destination for cross-border investment. Moreover, trade unions and employers' associations have eschewed ideology in setting wage policy, allowing for significant firm-level flexibility. Over the last decade, unit labor costs have remained largely stable, in contrast to significant increases in many other European countries. Only recently has the buoyant labor market led to trends of rising wages, along with a slight increase in unit labor costs. The new strength of the Germany economy was demonstrated impressively through its robust performance coming out of the 2009 recession and since the outbreak of the euro-area debt crisis. This economic performance provides a favorable contrast with other European countries.

Employment rates have risen continuously, while unemployment rates, after a modest increase in 2008 and a brief period of stagnation in 2009, have been in decline. The negative growth of the 2009 recession was quickly compensated for through high subsequent growth rates. In a comparative perspective, Germany's economic structure is characterized by a healthy mix of service and industrial sectors (cf. Statistische Bundesamt). Productivity has increased at a rate considerably higher than the EU average for the past three years.

Germany's ability to refinance its debt on international capital markets has never been better. Furthermore, the inward flow of foreign direct investment

has increased considerably. According to the United Nations Conference on Trade and Development (UNCTAD), Germany has received the sixth-largest absolute total of foreign direct investment worldwide (with a stock of inward foreign direct investment amounting to a total of \$713 billion by the end of 2011).

On the other hand, despite the considerable progress made in recent years, a number of concerns remain. For instance, a dual labor market has emerged, as has a population of working poor, due to the increase in less-regulated temporary work with low wages. The number of sectors with minimum wages has increased in recent years, and all political parties have given serious consideration to the introduction of general minimum wages. Separately, the tax system still creates labor-market disincentives for second earners in a family.

In spite of these imperfections, Germany's economic policy over the last 10 years has clearly been successful in making the German economy a highly efficient location that global investors today perceive as an economic safe haven.

Labor Markets

Labor Market Policy
Score: 9

The main problems of the German labor market up to the implementation of the so-called Hartz reforms in 2003 were related to a high degree of structural and long-term unemployment. The success in reducing structural unemployment since that time has been impressive: In the years prior and during the economic crisis, employment rates have risen continuously, while unemployment, after a modest rise in 2008 and a brief period of stagnation in 2009, has been on the decline following the end of recession. As a consequence, labor shortages could replace unemployment as the dominant problem of the German labor market in the future. Nevertheless, shortcomings remain. The German labor market is still characterized by inflexibilities such as a high level of employment protection (Global Competitiveness Report 2012 – 2013: 21).

The so-called German jobs miracle has several causes, including demographic change and wage moderation among them. The unemployed now have less ability to reject a job offer without risking a loss of benefits. Employed workers can also claim benefit support if their market income is below subsistence levels. Benefits offered in conjunction with work have reduced incentives to stay out of work. Furthermore, there is a comprehensive toolbox of active labor-market programs that includes financial support for training programs,

self-employment or reintegration into the labor market; workfare programs; and employment subsidies for the hiring of the long-term unemployed. Traditional instruments of active labor-market policy such as job creation and training or skills-improvement measures are now seen as combinable instruments. Tailored to individual needs, they are intended to allow particularly the reintegration of the long-term unemployed in the labor market. Vocational education, basic skills and preparatory training, retraining programs, counseling measures, placement premiums, and start-up financing all combine to form a versatile labor-market toolbox (cf. Federal Employment Agency Monthly Report 2012: 32-36). Furthermore, these tools are continuously evaluated and optimized.

In addition, the law for the reorientation of labor-market policy instruments (Gesetz zur Neuausrichtung der arbeitsmarktpolitischen Instrumente), passed in January 2009, marked a further step toward increasing the flexibility of labor-market instruments. The liberalization of short-term contracts and the use of temporary employment programs (Leiharbeit) represent milestones in this regard. The unprecedented expansion of atypical employment contracts such as temporary, part-time and agency work may have been an advantage in terms of securing industrial flexibility during the recession. However, the government's approval of these less-regulated contract styles has created incentives for employers to use them with increasing frequency, with potentially severe consequences for the social welfare system in particular and social justice in general. Furthermore, opportunities for advancement within the low-wage labor market are low. These developments have fueled the debate over the introduction of minimum wages and an unconditional basic income. As in other countries, these proposals have been controversial. Critics argue that such plans could in fact raise unemployment rates among low-skilled workers. At least through the end of the review period, German policymakers had taken a very cautious approach implementing individual specific minimum wages for selected sectors, an approach posing little risk to employment.

Taxes

Tax Policy
Score: 7

In the past several years, a twofold shift in the German tax structure has demonstrated a strategic reorientation toward supply-side economic policies. First, earnings-related direct taxation and social-benefit contributions were reduced or at least held constant, while indirect taxes such as value-added taxes rose considerably, and are now above the OECD average. Secondly, direct, earnings-related tax rates on businesses were cut as compared to personal income taxes. The overall corporate tax rate (including local-business taxes and

solidarity surcharges) fell from around 40% in 2005 to around 30% today. The effective marginal tax rate (which takes details such as depreciation allowances into account) fell from 37.9% in 1998 to 22.5% in 2012 (ZEW 2012). These changes have shifted Germany into a medium rank within Europe with respect to effective corporate tax burden, thus making the country a more competitive location.

A key problem within the German tax system is that the combination of income-tax rates and social-security contributions present even middle-income earners with marginal rates far above OECD averages. According to OECD data, an average worker in Germany gives up 39.9% of his gross wage earnings, exceeding the OECD average by 15.1 percentage points. Income tax takes 19%, while social security contributions for employees amount to 20.9% of average gross wage earnings, respectively exceeding the OECD averages by 4.2 and 10.9 percentage points (cf. OECD, Income tax and social security contributions). The OECD reports that this unfavorable situation has persisted for a decade, particularly harming the labor-market integration of single parents (OECD, Taxing Wages). A further related problem originates from the complexity of the German tax system, which imposes high compliance costs on households and firms.

Although Germany's tax burden (excluding social security contributions) falls on the lower end of the OECD spectrum, the tax system is doing increasingly well in terms of revenue sufficiency, showing a strong increase of revenue over the last three years without any significant explicit tax-rate increases (but with the help of bracket-creep, as the tax system has not been adjusted for inflation). The positive employment situation, in combination with an effective tax administration, has translated into quickly increasing revenues. This has brought government budgets close to balance and has created significant surpluses in the social-security systems.

In sum, German tax policy performs well in terms of revenue generation and in making the country a competitive location for investment. However, the redistributive capacity of the tax system has decreased as indirect taxes have taken a larger role, effective corporate tax rates have fallen, and – as a consequence of inflationary bracket creep – the progressivity of the income tax structure has declined.

Budgets

Budgetary Policy
Score: 8

Given the enormous fiscal efforts resulting from the recent euro-area debt crisis, as well as the liabilities assumed in order to overcome the effects of the financial and economic crisis, Germany's budgetary situation is surprisingly good. Although Germany's government-debt-to-GDP ratio amounted to 81.9% at the time of writing, just 0.5 percentage points lower than its all-time high in 2010, the country had not been downgraded by rating agencies and indeed retained the highest-possible credit ratings throughout the crisis. Budget deficits and gross public debt levels were pushed up by crisis-related revenue shortfalls, anti-crisis spending packages, and bank bail-out costs. To address challenges posed by the financial crisis and other structural problems, a constitutional debt limit has been introduced (Schuldenbremse) that restricts the federal government's cyclically adjusted budget deficit to a maximum of 0.35% of GDP, and requires the federal states to maintain balanced cyclically adjusted budgets. In the wake of the economy's quick recovery, and as a consequence of effective spending restraints, the budget deficit fell drastically during the period under review, ultimately coming unexpectedly close to the debt-brake target. In 2012, new net borrowing amounted to just 0.32% of GDP, and was thus already in line with the constitutional debt limit. In sum, regarding the combined revenues and expenditures of the federal, state and communal levels, as well as the public social-insurance carriers, Germany even achieved a slight budget surplus of 0.2% (cf. Statistisches Bundesamt). Furthermore, the course of fiscal consolidation has drawn strong support among voters; proposals to cut taxes are widely regarded with skepticism.

In its recent sustainability report, which takes the impact of the aging population on budgetary sustainability into account, the European Commission acknowledged that "Germany does not appear to face short-term, medium-term or long-term sustainability challenges" (European Commission 2012: 11). Nevertheless, this positive favorable development is not without risks. Germany currently benefits from historically low government-bond interest rates. And given its high debt level, a downturn in conjunction with the financial guarantees made to the European Financial Stability Facility (EFSF) and the ESM could jeopardize Germany's future financial soundness.

R&I Policy
Score: 8

Research and Innovation

Germany's performance with respect to research and development is good. Germany ranks seventh worldwide in terms of patent applications per inhabitant (Global Competitiveness Report 2012 – 2013: 177). Indeed, according to the World Economic Forum, Germany's capacity for innovation is among the world's highest. In the area of technological development, product and process innovation, the country ranks third worldwide, just 0.1 point behind Japan (5.8 points) (Global Competitiveness Report 2012 – 2013: 177).

The German government has started to put a higher priority on research and development. Its spending is now above the European average. In 2012, the government increased the budget of the Ministry of Education and Research by 11%, reaching an all-time high of €12.9 billion (BMBF). In addition, the Ministry of Economics and Technologies spent €2.5 billion on technological research. To boost the business innovation budget, the ministry established a program for small and medium-sized enterprises in 2008. The government plans to increase spending on research and innovation to 3% of GDP by 2015. In contrast to numerous other European countries, Germany does not offer general R&D tax incentives, but rather concentrates on funding provided through targeted programs.

In recent years, medium-sized businesses in particular have contributed to the development of innovation, but cluster development is comparatively underdeveloped (Global Competitiveness Report 2011 – 2012: 506). Companies' expenditure on R&D is strong, but public-private partnerships and collaboration between universities and industry leave room for improvement. In the 2012 – 2013 Global Competitiveness Report, Germany was ranked 10th out of 144 countries with respect to the quality of its scientific-research institutions, with a score of 5.6. That was 0.7 points behind top-seated Israel, but slightly better than countries including Finland, France and Canada (cf. Competitiveness Report 2012 – 2013: 513). The government has continued to pursue its so-called excellence initiative within the tertiary education sector. The federal government and states have agreed to resume the Joint Initiative for Research and Innovation, and intend to increase the program's budget by 5% every year (2011 – 2015).

Stabilizing Global
Financial Markets
Score: 9

Global Financial System

In the aftermath of the crisis, policy initiatives in the field of financial-market governance underwent a strategic realignment from private self-regulation toward public regulation, with the aim of avoiding costly public bailouts of private banks in the future.

Domestically, the regulatory framework for banks and financial markets is being comprehensively overhauled. The Restructuring Law (Restrukturierungsgesetz) has introduced rules allowing insolvent banks to be closed. This law has become a model for a similar EU regulation, which was under negotiation at the time of writing. Germany was among the first EU countries to introduce a legal obligation for banks to produce “testaments” that define plans in case of the bank’s collapse.

Internationally, Germany pushed strongly for coordinated, international steps to reform the global financial system. It helped the G-20 summit develop into a first-class forum for international cooperation. Despite this engagement, Germany has also clearly defended the interests of its domestic banking system, particularly with respect to the savings banks’ (Sparkassen) special-deposit insurance program.

Although skeptical at first, the German government ultimately revised its position regarding the implementation of an European-Union-level financial-transaction tax (EU FTT). The European Commission proposed to introduce an FTT within the European Union by 2014. The proposal won mixed reviews among experts and policymakers. However, for 11 EU member states including Germany, the FTT’s political benefits of reducing risky derivatives transactions, raising revenues and promoting justice outweigh the probable economic costs, such as a slightly negative effect on growth.

As a euro-area country, Germany has assumed a leading role in the fight against the sovereign debt crisis in Europe. Its maximum financial guarantee for the European Stability Mechanism amounts to €190 billion, while the country is also exposed to additional risks through the European Central Bank’s TARGET payment system, among other channels. Moreover, tax havens have become a prime concern for German policymakers. In February 2013, Germany, along with Britain and France, set itself in the vanguard of countering global tax evasion at the G-20 summit in Moscow.

II. Social Policies

Education

Education Policy
Score: 6

Education is consistently among the most controversial political issues in Germany. The OECD has often repeated its criticism that access to education in Germany is stratified, and that educational attainment is particularly dependent on pupils' social backgrounds. Germany was ranked 20th worldwide in the World Economic Forum's Global Competitiveness Report, trailing 1.1 points behind Switzerland, which achieved a score of 6.0 in the overall assessment of the educational system's quality (Global Competitiveness Report 2012 – 2013: 442). In comparison to other highly industrialized nations, German education structures seem segregated, stratified, federalized, segmented and socially highly selective. Educational opportunities are particularly constrained for immigrants and children from low-income families.

However, the various periods within the lifelong learning process (cf. OECD 2011: 26p), including pre-primary, primary and lower secondary education, upper secondary and post-secondary non-tertiary education, tertiary education and advanced vocational training, have very dissimilar performance profiles. For example, along with the United States, Germany achieves a mediocre 4.7 score and is ranked 30th worldwide with respect to the quality of primary education (Global Competitiveness Report 2012 – 2013: 436). The primary education enrollment rate was 97.7% in 2010, resulting in 33rd place in the ranking (Global Competitiveness Report 2012-2013: 437). On the other hand, Germany was in the top group with respect to the local availability of specialized research-and-training services in the same survey. Here, Germany ranked fourth, only 0.3 points behind Switzerland, the leading nation (with 6.4 points) (Global Competitiveness Report 2012 – 2013: 446).

In contrast to other countries, the proportion of individuals with tertiary education (International Standard Classification of Education (ISCED) level five) has remained constant for decades. In the OECD as a whole, the proportion of 25- to 34-year-olds with tertiary education is an average of 15.64

percentage points higher than within the 55 – 64 age cohort; however, this share is comparatively low in German, with the two age cohorts differing by just 0.38 percentage points (25.66% among the 25- to 34-year-olds as compared to 25.28% among 55- to 64-year-olds) (OECD 2011: 30; cf. statlink on this page).

Regarding segmentation, the OECD criticism is not uncontested, since it overemphasizes academic degrees as a criterion of educational success. Vocational education (IDCED levels three and four) “reduces the need for initial on-the-job training,” tends to increase the individual productivity that can initially be expected from a worker (OECD 2011: 122) and provides students with occupation-specific skills. In general, Germany’s education system is strong in terms of vocational training, providing skilled workers with good job and income prospects. The rate of vocational education and training (i.e., the level of education that is either upper secondary or post-secondary but not tertiary education (ISCED levels three and four) is 22.1 percentage points higher than the OECD average. Within the 25 – 34 age cohort, 52.4% of the total population has attained their formal qualification in this education category. In 2009, 81.2% of those were also employed (OECD 2011: 135p.). In addition, the German education system excels in offering competencies relevant to labor-market success, resulting in a low level of youth unemployment (OECD 2011: 32; cf. statlink on this page).

Defining education achievement primarily on the criterion of university degrees (as the OECD does) might not do justice to the merits of the segmented German dual-education system. In the category below upper-secondary education, only 54.9% of the total population of 25- to 64-year-olds are employed – 1.1 percentage points below OECD average. On the other hand, within the other categories of upper-secondary and tertiary education, Germany is slightly above the OECD average (respectively 75.5%, or 1.3 percentage points above the OECD average, and 86.4%, 2.8 percentage points above the OECD average). Although these figures fall short of placing Germany in the OECD’s leading group, they have improved considerably. In comparison to 1997, an increase of 9.2 percentage points in the employment rate of people with an educational attainment below secondary education reflects the country’s substantial progress in this area (OECD 2011: 41; cf. statlink on this page: 118 – 135).

Social Inclusion
Policy
Score: 7

Social Inclusion

Germany has a mature and highly developed welfare state, which guarantees a subsistence level of income to all citizens. The German social-security system is historically based on the insurance model. However, job-loss benefits have over the last decade required some supplementation, and to some extent have even been replaced by need-oriented minimum levels of income. Furthermore, the amalgamation of unemployment assistance and social-security benefits into a basic jobseekers' assistance scheme led to the creation of minimum-income levels for low-skilled single parents that may exceed this population's actual earning potential.

There is ongoing debate over whether the current definition of the subsistence level is sufficient. Minimum-income benefits recipients are also entitled to goods and services such as health insurance and education free of charge. Nevertheless, according to the latest figures released by the Federal Statistical Office, 15.8% of Germany's population was considered to be at risk of poverty in 2010 (Statistisches Bundesamt 2013). This rate has shown a slightly declining trend as a consequence of significant reductions in long-term unemployment.

In general, following the last decade's reforms to the social-security system, an increasing number of people have received social benefits despite being employed. The number of these so-called Aufstocker – that is, working poor who top up a low work-derived income with basic jobseekers' assistance – has increased considerably in recent years. In 2011, for example, 1.36 million people in Germany were dependent on just such a mixed income. Despite the aid of various programs, the proportion of working poor in the population has increased, and the issue has gained prominence on the political agenda. While some observers point to the positive work incentives of these in-work benefits, others stress the risk of continuing to subsidize cheap labor. Equally controversial has been the idea of minimum wages as an additional tool to fight poverty. In the past, Germany has left wage determination to negotiations between employers' associations and trade unions. However, the last two governments showed a more open stance on sectoral minimum wages. Empirical research has shown that no negative employment effects occurred in sectors in which minimum wages had been introduced since 2005 (Bosch/Weinkopf 2012). Looking ahead to the future, some observers expect that the risk of exclusion for the older generation will rise, due to lower

expected pensions and increasing social isolation derived from the loosening of family ties. The current government has started to design counter-strategies based on supplementing pensions of a particularly low level.

Overall, Germany has an effective welfare state, but has clearly reduced its generosity in favor of stronger work incentives in recent years. The marked reduction of long-term unemployment that has resulted represents a substantial contribution to the limitation of employment-related exclusion.

Citation:

Gerhard Bosch/Claudia Weinkopf, 2012: Wirkungen der Mindestlohnregelungen in acht Branchen, Berlin (Friedrich-Ebert-Foundation).

Health

Health Policy
Score: 8

The German health care system is characterized by very high medical standards and a high degree of medical innovation, the products of which are quickly made available to patients. Thus, financing issues rather than quality challenges top the health-policy agenda. However, after a decade of rapid policy change, reform zeal has come nearly to a standstill. The so-called health fund became effective in January 2009, but was recently reformed under the Christian Democrat-Free Democratic Party coalition. Contributions to the health fund have been fixed, which essentially means that future increases in health expenditure will have to be paid for by the insured via extra lump-sum charges. For the time being, however, the system is stronger than expected from a financial perspective. According to the Federal Health Ministry, the public health care insurers made a surplus of €5 billion in 2012, and no extra charges are currently being levied. The surplus even led to the abolishment of the €10 consultation fee in 2013.

High-income earners are allowed to opt out of the compulsory health care insurance program after one year of exceeding the state system's income threshold (instead of the previous three years previously), switching instead to a private insurance company. Under a previous legislative oversight, private insurers were unable to cancel contracts with insured persons who were not able or willing to pay their premiums. However, in 2009, health insurance coverage whether in the private or state sector became compulsory. Thus, Germany's population today has nearly universal insurance coverage.

The government has additionally sought to contain pharmaceutical costs. In 2011, the parliament passed a law reorganizing the pharmaceutical market

(Arzneimittelmarkt-Neuordnungsgesetz, AMNOG). Under the provisions of this measure, pharmaceutical companies are required to provide a dossier on the expected additional benefits of new drugs in comparison to older products. Based on this dossier, a federal joint committee consisting of insurers, doctors and hospitals decides what value a new pharmaceutical actually has. The evaluation in turn forms the basis for price negotiations between health insurers and manufacturers. However, the German health care system remains in dire need of further cost controls. In 2011, the cost of treatment, rehabilitation and care in Germany rose to more than €287 billion, 11.3% of GDP, or €3,590 per capita. This was a new all-time high.

The system does contain certain inequalities in terms of access. While patients with private insurance coverage get fast access to all kinds of diagnostic tests and specialized doctors, patients with coverage from the statutory health insurance plans face somewhat longer waiting times and the potential for a rise in copayments. As a consequence, some observers have proposed creating a fully integrated insurance system (Albrecht et al. 2013).

Families

Family Policy
Score: 7

For decades, family and work/care policies were largely uncontroversial in Germany. A broad consensus among political parties and major societal actors aligned the German system paradigmatically toward the male-breadwinner model. Universal family benefits, incentives tailored to the needs of married couples and single-earner families, and the minimal availability of public child care contributed to women's low rate of participation in the labor market, a political intended outcome.

Today, Germany's family-policy expenditure levels (about 2.8% of GDP in 2008) are among the European Union's highest, exceeding the euro-area average (EA-16) by 0.6 percentage points (Eurostat 2008). Parental leave periods, previously short and lacking adequate compensation, have been extended. Paternity leave has been introduced and promoted. Today, a parent's net income while on leave is on average just 25% less than net income before leave (OECD 2010; PF2.4 Parental leave replacement rates). Additionally, the number of public child care places has been increased. Especially in the federal states of the former West Germany, care infrastructure for young children had often been virtually nonexistent. In 2012, just 27.6% of children under three years of age had a spot in a child care institution. However, a legal right to child care beginning at age one was to come into effect in August 2013. At the time of writing, it appeared unlikely that the actual demand would be met by

this deadline, particularly in Germany's western states. Furthermore, the number of children per kindergarten teacher varies considerably between the federal states, with rather high child-teacher ratios seen in the eastern states. Thus, drastic investment in child care facilities remains necessary.

Another highly disputed policy on the government's reform agenda during the period under review was the introduction of a financial child care supplement for children aged up to three years who were not attending a child care facility. The child care supplement was hotly debated in and criticized both inside and outside the Bundestag, with critics arguing that it provided poor incentives and would serve as a hindrance to integration. Nevertheless, the supplement too was slated to take effect starting in August 2013. From that point onward, parents would be eligible to claim the new benefit for children beginning 15 months after birth (subsequent to the expiration of the parental-leave subsidy), for a maximum of 22 months. The benefit was expected to total €100 per month in 2013, and was scheduled to rise to €150 in 2014.

Overall, it is striking that these generous family-related support policies have not led to an increase in Germany's low fertility rates.

Pensions

Pension Policy
Score: 7

Germany has engaged in a significant number of pension reforms in recent decades. All these reforms have improved the long-run sustainability of the pension system, leaving it in a favorable condition compared to systems in France or the southern European countries, for example. However, given the increasing political power of pensioners, the long-term nature of this success cannot be guaranteed. During the period under review, age-related poverty was identified as an important area requiring additional reform. While German pensioners have a low risk of poverty today, projections indicate that this risk will grow over the coming decades.

Seeking to address this challenge, Minister for Social Affairs Ursula von der Leyen introduced a proposal in August 2012 that aimed at reducing poverty among elderly citizens. It was intended to create a supplementary pension that would increase pension benefits for those with minimal pensions to a maximum level of €850 a month. This proposal met with considerable opposition from within the ministers' own party, partly because it was deemed insufficient to the problem. The obstacles to obtaining a supplementary pension under the proposal were high. Benefit recipients would have to be insured for 45 years, including training or unemployment periods, and would have to have

contributed to the pension system for 35 years. Additionally, recipients would be required to have made private supplemental provisions. Ultimately, the proposal was not passed, meaning the problem still needs to be tackled in the coming legislative period.

Due to differences of about 15% in per-capita income, average pensions in the former East Germany differed by 11% from those granted for the same performance in the former West Germany in 2009. This uneven treatment has been an issue ever since reunification, particularly due to the observed levels of poverty among the elderly. In their 2009 coalition agreement, the Christian Democratic Union (CDU), Christian Social Union (CSU) and Free Democratic Party (FDP) promised to align pension levels in the former East and West. However, this task had not been implemented by the end of the period under review.

The question of whether the country's pension system puts an unacceptable burden onto the younger generation is controversial. A double burden on the younger generation in an era of falling fertility is unavoidable. Even today, the country's the old-age dependency ratio is the second-highest in the European Union at 31.2%. This is expected to rise to nearly 60% by 2060. However, previous reforms (mainly sustainability-oriented measures such as the increase in the retirement age to 67) have made the pension system quite robust with respect to withstanding demographic and economic changes and containing costs.

Integration

Integration Policy
Score: 8

About 15 million people in Germany (20% of the population) have a family or personal background of migration, a population share that is increasing over time. However, Germany still lacks a modern immigration law driven by the country's economic self-interest in attracting highly skilled migrants. For instance, by the close of the review period, dual citizenship was still allowed only until the age of 23, though the grand-coalition government formed in late 2013 had plans to change this policy. Since the German population is aging and shrinking, this protective approach to migration is problematic.

While Germany already has an extremely liberal regime for migrants from EU member states, the government in power during the review period also acted to liberalize labor migration from non-EU countries. According to the OECD (2013), "recent reforms have put Germany among the OECD countries with the fewest restrictions on labor migration for highly skilled occupations."

As a consequence of its good labor-market performance and the deep crisis in the European south, Germany has again become an attractive destination for migrants. According to preliminary results provided by the Federal Statistical Office, a total of 1,081 million people moved to Germany in 2012, the highest such figure since 1995. Also in 2012, Germany had a positive net migration figure of 369,000, or 123,000 more people than in 2011 (+13%). The naturalization rate, on the other hand, remains at a low level. In 2011, 106,900 people acquired German citizenship, representing a naturalization rate of just 1.44% of the country's immigrants annually.

Integration of immigrants is smooth with respect to most migrant groups from European countries. Integration of Muslim migrants (especially from Turkey) is more difficult, as evidenced by their lower educational achievements and higher unemployment rates compared to other immigrant groups. The problems are being addressed through the education system, as for instance through early German-language teaching in child care facilities, but this cannot yet be deemed a clear success story. Populist and outright hostile political positions toward migrants have thus far failed to attract significant voter support, in contrast to other western European countries.

There is a Federal Office for Migration and Refugees in Germany, but no ministry-level entity. An intercultural dialogue between representatives of Muslim organizations and government officials has been established with the assistance of the German Islam Conference (Deutsche Islam Konferenz). The government provides free language courses to support migrants' integration. Everyone who wants to become a German citizen has to pass a citizenship test.

Citation:

OECD, 2013: Recruiting Immigrant Workers: Germany, Paris: OECD.

Safe Living

Safe Living
Conditions
Score: 8

In general, residents of Germany are well protected against security risks such as crime or terrorism. Crime rates are on the decline: While in 1998, a total of 7,869 crimes were recorded per 100,000 inhabitants, this figure had fallen to 7,327 in 2012, with a slight increase in the detection rate from 52.3% to 54.4% (Bundesministerium des Innern 2013).

However, the National Socialist Underground (NSU) scandal revealed certain institutional problems inside domestic intelligence and police agencies. In

November 2011, right-wing terrorists Uwe Böhnhardt and Uwe Mundlos killed themselves in order to avoid arrest. Along with Beate Zschäpe, who was facing trial as of the time of writing, they had formed the NSU, a neo-Nazi group that had murdered nine individuals from immigrant families and a German policewoman between 2000 and 2007. As of the time of writing, five leading officials of various intelligence agencies on the state and federal levels had been forced to resign as a consequence of mismanagement and possible misconduct related to this case.

Along with extremist activities by right-wing and left-wing groups and organizations, Islamic extremism is perceived as a threat in Germany. However, authorities have to date been successful in preventing major terrorist attacks, largely by detecting conspiracies at an early stage.

Global Inequalities

Global Social Policy
Score: 7

In absolute terms, Germany ranks third among donor countries with respect to the provision of official development assistance. However, relative to its gross national income (GNI), it is positioned only within the middle of the OECD ranks.

The company's trading system is necessarily aligned with that of its European partners. In trade negotiations within the European Union, Germany tends to defend open-market positions and liberalization. This position is in line with the country's economic self-interest as a successful global exporter. For agricultural products in particular, the EU's Common Agricultural Policy still partially shields European farmers from international competition, thus limiting the ability of developing countries to export their agricultural products to Europe. However, Germany has been more open than peers such as France to a liberal approach that would provide greater benefits to developing and emerging countries.

In order to enhance efficiency and to cut administrative costs, three previously independent German developmental agencies were merged into the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in 2011. GIZ works with the Federal Ministry for Economic Cooperation and Development (BMZ) in the context of international cooperative ventures focused on sustainable development. This concentration of tasks into a single agency improved the efficiency of the country's development-focused activities.

III. Environmental Policies

Environment

Environmental
Policy
Score: 8

In recent years, there has been a change in focus in Germany from traditional regulatory policies to new environmental policies such as eco-taxes, tradable permits and environmental agreements. German environmental policy is embedded in and influenced by the European framework; however, Germany has established itself as a pioneer and market driver in the fields of renewable energy, offshore-wind farms, cogeneration, and the energy-efficient redevelopment of buildings and other infrastructure. In the latest Environmental Performance Index, Germany is considered to be a “strong performer,” achieving a score of 66.91. With a rank of 11th place worldwide in the survey, Germany trailed the lowest “strongest performer” by a margin of just 1.91 points, but fell almost 10 points behind Switzerland, the leading country (cf. Environmental Performance Index 2012).

The Fukushima meltdown in 2011, the largest nuclear disaster since the Chernobyl disaster of 1986, resulted in a controversial change in environmental policies. In May 2011, Chancellor Angela Merkel announced that nuclear power would be phased out by the end of 2022, completely reversing her previous policy. Although the decision was welcomed by the public, certain questions remain unanswered. Long-term radioactive waste storage remains a challenge to public authorities, and the costs from the consequent changeover in the energy mix, the financing of the much-needed grid expansion and additional renewable-energy subsidies will result in ballooning energy costs for consumers in the medium run. In addition, it is highly plausible that the phase-out will result in a higher share of fossil fuels in the country’s energy mix, making it more difficult for the country to achieve its CO2 emissions goals.

This policy change will over time add new difficulties to an already mixed environmental-policy picture. While environmental concerns have been among the top issues of Germany’s policy agenda in recent years, policymakers have in some cases failed to align measures implemented with market incentives. The extremely expensive subsidies provided to renewable-energy producers represent one such example. In this case, the Renewable Energy Act (Erneuerbare Energien Gesetz, EEG) has guaranteed fixed prices for renewable-energy suppliers over a long-term investment horizon. The EEG, in

addition to its distorting effects on prices, is highly discriminatory between different types of renewables. In particular, the EEG heavily promotes and subsidizes photovoltaic electricity production, which is extremely expensive in comparison to other renewable energy sources.

However, the European trading system for industrial-carbon emissions permits, which is both in place and working, offers a comparative success story. Its introduction, despite its myriad complexities and difficulties, has without doubt been a fundamental step toward a market-oriented strategy for reducing externalities. The energy tax, which is an indirect tax on the consumption of fossil and renewable fuels, is also driven by market principles.

However, the government faces a multitude of powerful pressure groups such as the automobile and energy industries that have sought to influence environmental policies. New pressure groups have also emerged representing the interests of newly created policy beneficiaries, such as the solar-energy industries that benefit from the massive subsidies for renewable energies.

Global Environmental Protection

Global
Environmental
Policy
Score: 8

Germany is a driving force in international climate policy, in the development of renewable energies, and in efforts to improve energy and resource efficiency. Since 1994, nature conservation has been enshrined as a national objective in Article 20a of the Basic Law. The Fukushima meltdown in 2011, the largest nuclear disaster since Chernobyl in 1986, resulted in a highly controversial change in environmental policies. In May 2011, Chancellor Angela Merkel announced that nuclear power would be phased out in Germany by the end of 2022, completely reversing her previous policy.

At the global level, the German government actively promotes strategies fostering environmental and climate-friendly development. Since 1990, Germany has reduced its greenhouse-gas emissions by almost 24%. Germany achieves high economic-performance levels with a relatively modest energy consumption by international standards. The World Climate Summit in December 2011 in Durban, South Africa, showed Germany to be one of the prime advocates and architects of a new, post-Kyoto climate order, despite ongoing difficulties in reaching compromise on the specific design of an international climate regime.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 10

Germany's constitution ensures that members of the Bundestag, the country's lower parliamentary house, are elected in general, direct, free, equal and secret elections for a legislative period of four years (Basic Law, arts. 38, 39). Parties that defy the constitutional order can be prohibited by the Federal Constitutional Court.

The Political Parties Act (Parteiengesetz, PPA) sets general criteria for the treatment of political parties and candidates. While independent candidates have to fulfill a signature-gathering prerequisite (modest by international standards) in order to qualify for the ballot, parties must meet strict organizational requirements (PPA Section II). If parties have continuously held at least five seats in the Bundestag or a federal-state parliamentary body (Landtag) during the last legislative period, they are allowed to contest the election without any initial approval by the Federal Election Committee (Bundeswahlausschuss, FEC). Currently nine parties fulfill these requirements, including the rightist National Democratic Party of German (Nationaldemokratische Partei Deutschlands, NPD), which remains under observation by the German intelligence services. All other parties have to register formally with the Federal Returning Officer (Bundeswahlleiter, FRO) at least 97 days before the date of elections, and must obtain at least 2,000 signatures in order to offer a list of party candidates on the state level.

In its report on Germany's last general election, the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) concluded: "A broad range of political parties and candidates contested the election, ensuring a wide and genuine choice of political alternatives for the electorate" (ODIHR 2009: 1). However, the ODIHR also suggested that more precise and measurable criteria be developed to decide which parties were eligible to participate in elections.

Finally, it must be emphasized that no irregularities with respect to the application of the rules described above have been reported.

Media Access
Score: 10

Political campaigning is largely unregulated by federal legislation. Article 5 of the Political Parties Act (Parteiengesetz, PPA) requires that “where a public authority provides facilities or other public services for use by one party, equal treatment must be accorded to all parties.” During electoral campaigns, this general criterion applies to all parties that have submitted election proposals (Art. 5 sec. 2). The amount of public services parties are able to use depends on their relative importance based on the results obtained in the last general election (Art. 5 sec. 3). This is called “principle of gradual equality,” and constitutes the basis of parties’ access to media in conjunction with the Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag). The gradual-equality principle is also applied to television airtime, although in this case, the time granted to large parliamentary parties is not allowed to exceed twice the amount offered to smaller parliamentary parties, which in turn receive no more than double the amount of airtime provided to parties currently unrepresented in a parliament. While public media networks provide campaigns with airtime free of charge, private media are not allowed to charge airtime fees of more than 35% of what is demanded for commercial advertising (Die Medienanstalten 2013: 12). Despite these rules, there is persistent criticism of the media’s tendency to focus coverage on the six largest parties in general, and on government parties in particular.

The ODIHR concluded with respect to the last general election in 2009: “The amount and pluralistic nature of the information available allowed the voters to make an informed choice” (ODIHR 2009: 2).

Voting and
Registrations Rights
Score: 10

German citizens (Basic Law, Art. 116 sec. 1) aged 18 or older are eligible to vote and run for election to the Bundestag, provided that they have resided in Germany for at least three months (Federal Electoral Act , secs. 12.1, 15). The right to vote can by judicial order be denied to criminals, persons lacking legal capacity or convicts residing in a psychiatric hospital (Federal Electoral Act, sec.13). Before the election every registered citizen receives a notification containing information on how to cast a vote, as well as an application form for postal voting. Postal voting is today widely used, largely without trouble (in the last general election, 21% of registered voters voted by this means). Citizens not included in the civil registry (e.g., homeless people) are eligible to vote but have to apply to the authorities in order to be registered.

After the Federal Constitutional Court declared some provisions regarding the voting rights of Germans living abroad to be unconstitutional, a new amendment on the issue was drafted and passed in May 2013. Today, Germans living abroad have the right to vote (Federal Electoral Act, sec. 12) if they have lived at least three months in Germany after their 15th birthday, and have not

Party Financing
Score: 8

lived more than 25 years abroad without interruption. Those who do not fulfill these requirements are still eligible to cast their vote if they can verify that they are both familiar with and are affected by German political conditions. Germans living abroad have to apply for registration to the authorities of their last domestic residence by 21 days before the election at the latest. They then can cast their vote by mail.

The period under review saw a number of elections on the state level (Berlin, Bremen and Mecklenburg-West Pomerania in 2011; Saarland, Schleswig-Holstein and North Rhine-Westphalia in 2012; and Lower Saxony in 2013). No irregularities or complaints about voter registration, voter lists or postal voting have been reported.

Germany's political parties finance their activities under the terms of the Political Parties Act (PPA) through state funding, membership fees, donations, and sponsorships. In order to be eligible for state funding, parties must win at least 0.5% of the national votes in federal or EU elections, or 1% in federal-state elections. A party's first 4 million votes qualify it for funding of €0.85 per vote; for every vote thereafter, parties receive €0.70. In addition, individual donations up to €3,300 Euro are provided with matching funds of €0.38 per €1 collected. State funding of political parties has an upper limit, which in 2012 was €150.8 million. From 2013 onward, this cap will be annually adjusted for inflation. Germany has no legislative campaign-finance or expenditure caps.

The transparency of party finances continues to receive some criticism. The Group of States against Corruption (GRECO) has identified some progress with respect to transparency, but continues to point out shortcomings in the system (GRECO 2011). In a recent assessment based on the accounting reports of all major parties, the nonprofit organization LobbyControl found that three-quarters of all donations to parties lack transparency. By law, the names and addresses of campaign donors must be made public only if donations from that source exceed €10,000 a year.

German regulation on party-financing monitoring is developed, but there is still room for improvement. Under Article 21 Section 1 of the Basic Law and Article 23 of the PPA, parties must file annual financial reports with the president of the Bundestag by the end of nine months after the close of the reporting year. If a party fails to comply, a fine of two or even three times the amount of a misstated donation can be imposed.

In recent years, several parliamentary parties have been accused of circumventing the PPA regulations.

Popular Decision-
Making
Score: 6

In Germany, referenda are of importance at the municipal and state levels. At the federal level, referenda are exclusively reserved for constitutional (Basic Law, Art. 146) and territorial issues. On the municipal and state levels, voter initiatives have been used in growing number since German unification, with their increasing frequency of use bolstered by legal changes and increasing voter awareness.

By the close of 2011, almost 6,000 direct-democratic procedures had been recorded in German municipalities. About 300 per year take place overall; these are held disproportionately in the south, with Bavaria leading by far. On the individual state level, the number of procedures fluctuates between 10 and 20 per year. At the end of 2011, 33 procedures were planned across a total of nine of the country's sixteen states (all data: Mehr Demokratie Volksbegehrensbericht, 2012).

In some states (e.g., Baden-Wuerttemberg, North Rhine-Westphalia, Rhineland-Palatinate), the government or parliament can under certain conditions call a referendum with the power to confirm or overturn a decision by the legislature. This opportunity was first employed in Baden-Wuerttemberg in the conflict over Stuttgart's new underground railway station. After more than 15 years of formal planning and approval procedures, as well as formal approval by Baden-Wuerttemberg's legislature, reconstruction of Stuttgart's main station started in February 2010. However, massive demonstrations and broad popular resistance soon brought this to a halt. The conflict resulted in an out-of-court dispute resolution in October and November 2010. The arbitrator's decision favored the continuation of the project with some additional construction requirements, which proved to be costly concessions to the opponents of the project. A referendum on the issue on 27 November 2011 provided popular legitimacy to the project, confirming the decision previously made by Baden-Wuerttemberg's parliament.

Access to Information

Media Freedom
Score: 8

Germany's Basic Law guarantees the freedoms of expression, press and broadcasting (Art. 5 sec. 1) and prohibits censorship with exceptions delineated by the standards of mutual respect, personal dignity and the protection of young people. The print media, which is largely self-regulated, is broadly independent of political interference. The German Press Council is tasked with protecting the freedom of the press. However, Germany was ranked only 17th in the Worldwide Press Freedom Index 2012 – 2013.

Media Pluralism
Score: 10

The Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag) provides a general nationwide framework for the operations of the public and private broadcast media. In the private broadcasting sector, governmental influence is limited to the general provisions, regulations and guidelines stated in the interstate treaty that prevent discrimination or other abuses. While the relationship between public authorities and private media can be seen as unproblematic, one can observe dependencies between authorities and the public media organizations (ARD and ZDF) that are at least questionable.

The Wulff scandal, in which President Christian Wulff sought to suppress reporting on allegations of his own corruption, can be seen as an example in which leading German politicians demonstrated misguided perceptions as to the essence and content of media independence. However, the fact that this scandal resulted in Wulff's resignation as president demonstrates how seriously the issue of media freedom is taken in Germany.

In Germany, the Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag, RfStV) defines a threshold of an annual average viewer share of 30% share, over which a broadcaster is considered to have an unallowable dominance over public opinion (RfStV, Sec. III, Subsection 2). The Federal Cartel Office (FCO) regulates most questions of oligopoly and monopoly in Germany, and has blocked several potential mergers in both the print and electronic media markets.

Two main public television broadcasters operate at the national level in Germany: the Arbeitsgemeinschaft der Rundfunkanstalten Deutschlands (ARD), a conglomerate composed of various regional TV channels, and the Zweites Deutsches Fernsehen (ZDF). According to the Arbeitsgemeinschaft Fernsehforschung (AGF), a broadcast-media research group, the public broadcasters together had a market share of 42.1% in 2012, slightly less than in 2009. In the private sector, the RTL Group holds a 25.4% market share, while the ProSiebenSat.1 Media AG accounts for 19.8% of the total television market.

The nationwide print-media market is dominated by five leading daily newspapers, including Frankfurter Allgemeine Zeitung, Süddeutsche Zeitung, Die Tageszeitung (taz), Die Welt, Frankfurter Rundschau and the tabloid Bild, the last of which has by far the biggest circulation in Germany. Additionally worth mentioning as agenda-setters are a number of weeklies, in particular Der Spiegel, Focus, Die Zeit and Stern.

The Internet has become an increasingly important medium for citizens to

gather information. This has forced the print media to engage in significant cost-cutting measures, including reducing the size of editorial staffs. In 2012, several newspapers closed down. The Financial Times Germany was the most prominent among them. Frankfurter Rundschau was taken over by the Frankfurter Allgemeine Zeitung, but is to keep its specific (left) profile. This structural change from print to the electronic media has not been accompanied by increasing concentration, since there is a high level of diversity among electronic news providers.

Thus, Germany has a diversified media ownership structure and comparatively pluralistic and decentralized television and radio markets.

Access to
Government
Information
Score: 7

In his third annual report, covering the years 2010 – 2011, Federal Commissioner for Data Protection and Freedom of Information Peter Schaar made clear that considerable effort is still required in order to create a transparent federal administration. Five federal states (Bavaria, Baden-Wuerttemberg, Hesse, Lower Saxony and Saxony) have not yet adopted their own freedom-of-information laws. Furthermore, citizens are not broadly aware of the national Freedom of Information Act. Although many federal agencies try to act transparently, some public authorities have interpreted the Act in a very restrictive manner. Some have sought to introduce delays in the process of providing information, while others have refused to provide access to documents altogether, arguing that the contents were of vital importance to ongoing government activities and were thus confidential. According to the Federal Commissioner, changes in governmental practices as well as a reduction in the number of statutory exceptions to the act are needed. The Commissioner's annual report listed 276 cases in which citizens sought help in response to federal authorities' reluctance to make documents available. In 45 cases, information access was granted by public authorities after the Federal Commissioner issued a formal complaint.

Civil Rights and Political Liberties

Civil Rights
Score: 9

In general, all state institutions respect individual freedoms and protect civil rights. Civil rights are granted by the Basic Law, and their modification is possible only by a two-thirds legislative majority. Some provisions concerning basic human rights are not alterable at all. The court system works independently and effectively protects individuals against encroachments by the executive and legislative powers. In the Economist Intelligence Unit's 2012 Democracy Index, Germany received a score of 9.12 out of 10 on the issue of civil liberties. However, 26 countries were awarded (slightly) higher scores.

Recent developments in the collaboration with other states in the war on terror display a worrying trajectory, however. The U.N. Committee against Torture, for example, criticized Germany's opaque involvement in extraordinary renditions, and also recommended that German authorities should eschew information provided by intelligence services that are suspected of using torture or ill-treatment (cf. Amnesty Germany Report 2013). In 2012, the European Court of Human Rights ruled that a violation of human rights had been committed in the case of the abduction and detainment of German citizen Khaled El-Masri by the CIA.

Despite these imperfections, the overall level of protection accorded to civil rights in Germany is high. The significance of civil rights is rooted in the country's particular political history, and the rule of law is given high priority.

Political Liberties
Score: 9

Due to Germany's historical experience with National Socialism, political liberties are highly protected by the country's constitution, or Basic Law. Political pluralism is in general guaranteed, with the exception of laws restricting the far left and far right. The freedom of expression is protected by the constitution (Art. 5), although there are exceptions for hate speech and Nazi propaganda such as Holocaust denial. Except in cases when individuals are deemed to be actively seeking to overturn the democratic order, the right to assemble peacefully is guaranteed (Basic Law, Art. 8) and is not infringed upon. The freedoms to associate and organize (Basic Law, Art. 9), as well as academic freedom, are generally respected. Non-governmental organizations operate freely. Every person has the right to address requests and complaints to the competent authorities and to the legislature (Basic Law, Art. 17). Freedom of belief is protected by the constitution (Basic Law, Art. 4).

Non-discrimination
Score: 8

Germany's Basic Law (Art. 3 sec.3) states that every person, irrespective of parentage, sex, race, language, ethnic origin, disability, faith, or religious or political belief is equally important and has the same rights. The General Equal Treatment Act of 2006 added age and sexual orientation to that enumeration of categories. The Federal Anti-Discrimination Agency (FADA) monitors compliance with legal antidiscrimination norms and principles, supports persons who have experienced discrimination, mediates settlements, informs the public about infringements, and commissions research on the subject of discrimination.

Nevertheless, discrimination remains a problem in various spheres of society. For example, there is widespread agreement that women should be better represented in the business sector's higher management positions, but political parties disagree on the proposed use of obligatory quotas.

The Federal Constitutional Court decided in June 2013 that treating same-sex and opposite-sex marriages differently from a taxation perspective was unconstitutional. Regulator changes reflecting this ruling were adopted within weeks by parliament.

In an October 2012 ruling, the Higher Administrative Court of Rhineland-Palatinate sent an important signal against police discrimination by prohibiting the practice of racial profiling by the federal police.

These examples indicate that legislators and administrations sometimes need a push from the courts to fight existing discrimination in a more uncompromising way.

Rule of Law

Legal Certainty
Score: 10

Germany's Basic Law (Art. 20 sec. 3) states that "the legislature shall be bound by the constitutional order, the executive and the judiciary by law and justice." In reality, German authorities live up to this high standard. In comparative perspective, the country generally scores very highly on the issue of rule of law in indices whose primary focus is placed on formal constitutional criteria.

In substantive terms, German citizens and foreigners appreciate the predictability and impartiality of the German legal system, regard Germany's system of contract enforcement and property rights as being of high quality, and put considerable trust in the police forces and the courts. Germany's high courts have significant institutional power and a high degree of independence from political influence. The Federal Constitutional Court's (FCC) final say on the interpretation of the Basic Law provides for a high degree of legal certainty.

In a nutshell, Germany's government and administration rarely make unpredictable decisions, and legal protection against unlawful administrative acts is effective.

Judicial Review
Score: 10

Germany's judiciary works independently and effectively protects individuals against encroachments by the executive and legislature. The judiciary also has an inarguably strong position in reviewing the legality of administrative acts. The Federal Constitutional Court (FCC) ensures that all institutions of the state obey constitutional dictates. This Court acts only when application is made to it, but it can declare laws to be unconstitutional and has exercised this power several times. In case of conflicting opinions, the decision made by the FCC is final; all other governmental and legislative institutions are bound to comply with its verdict (Basic Law, Art. 93).

The FCC engages in this review even in the case of policies that are extremely important to the government. For example, the court ruled that the provisions of the European Stability Mechanism (ESM) treaty were consonant with the German constitution, but set out requirements for the interpretation of the treaty. Most importantly, the FCC ruled that any payment obligations for Germany exceeding the €190 billion mentioned in the treaty must be approved by the German legislature. Moreover, the FCC strengthened the information rights of German parliamentarians, as government officials had been reluctant to provide the Bundestag with full information on this issue on the grounds of professional secrecy.

Under the terms of the Basic Law (Art.95 sec. 1), there are five supreme federal courts in Germany, including the Federal Constitutional Court (Bundesverfassungsgericht), the Federal Court of Justice (Bundesgerichtshof, BGH) as the highest court for civil and criminal affairs, the Federal Administrative Court (Bundesverwaltungsgericht), the Federal Finance Court (Bundesfinanzhof), the Federal Labor Court (Bundesarbeitsgericht) and the Federal Social Court (Bundessozialgericht). This division of tasks guarantees highly specialized independent courts with manageable workloads.

Germany's courts in general and the FCC in particular enjoy a high domestic and external reputation for independence. In the World Economic Forum's Global Competitiveness Report 2012 – 2013, Germany was ranked 7th place of 144 countries on the issue of judicial independence. Germany's court administration has also been successful in reducing the average duration of a lawsuit from 18.7 months in 2000 to 10.8 months in 2011 (Statistisches Bundesamt 2012).

Appointment of
Justices
Score: 8

Federal judges are jointly appointed by the minister overseeing the issue area and the Committee for the Election of Judges, which consists of federal-state ministers responsible for the sector and an equal number of members of the Bundestag. Federal Constitutional Court (FCC) justices are elected in accordance with the principle of federative equality (föderativer Parität), with half chosen by the Bundestag and half by the Bundesrat. The FCC consists of sixteen justices, who exercise their duties in two senates, or panels, of eight members each. While the Bundesrat, in accordance with the provisions of the Basic Law, elects justices directly and openly, the Bundestag delegates its decision to a committee, in which the election takes place indirectly, secretly and non-transparently. The composition of this 12-member committee reflects the various political parties' strengths in the chamber. Decisions in both houses require a two-thirds majority. To sum up, in Germany justices are 1) elected by

Corruption
Prevention
Score: 7

2) several independent bodies. The election procedure is 3) representative, because the two bodies involved do not interfere in one another's decisions. The 4) required majority in each chamber is a qualified two-thirds majority. By requiring a qualified majority, the political opposition is ensured a voice in the selection of justices regardless of current majorities. However, the non-transparent election procedure of one-half of the justices is potentially problematic. Although the FCC has ruled that this procedure is in accord with the constitution, Bundestag President Norbert Lammert appealed in 2012 for a change to a more public and transparent election procedure. Further hampering the interests of transparency, the media does not cover the election of justices in great detail.

Despite a series of corruption scandals and abuse revelations that has unfolded in recent years, Germany performs better than most of its peers in this issue. According to the World Bank's Worldwide Governance Indicators, Germany is in the top category in this area, outperforming countries including France, Japan and the United States, but falls behind Scandinavian countries, Singapore and New Zealand (World Bank 2011). In 2012, Germany was ranked 13th, with a score of 79 out of 100 possible points, in the Transparency International Corruption Perceptions Index (CPI) (TI 2012).

The country's Federal Court of Audit (Bundesrechnungshof) provides for independent auditing of national spending under the terms of the Basic Law (Art. 114 sec. 2). According to the 2011 Audit Report, the revenues and expenditures of the federal authorities were in general properly documented.

Financial transparency for office holders is another core issue in terms of corruption prevention. Until very recently, provisions concerning required asset declarations by members of parliament have been comparatively loose. For example, various NGOs have criticized the requirements for MPs in documenting extra income which merely stipulate that they identify which of the three tax rate intervals they fall under. This procedure provides no clarity with respect to potential external influences related to politicians' financial interests. However, beginning with the 2013 parliamentary term, members of the German Bundestag will have to provide additional details about their ancillary income.

In recent months, Bavarian parties, particularly the governing Christian Social Union (CSU), were shaken by a scandal concerning the employment of legislators' family members in parliamentary offices.

But the most notorious case of potential office abuse during the period under

review took place at the topmost level of the German political system. Federal President Christian Wulff reluctantly resigned in February 2012 after two months of well-publicized allegations of bribery and corrupt behavior. Prosecutors in Hannover asked parliament to lift Wulff's immunity. They argued that an initial suspicion of bribery and corruption existed, and that Wulff had improperly accepted gifts, vacation trips and loans with favorable conditions, and had in turn granted benefits to friends and business associates. The outcry provoked by these practices also demonstrated the German public's decreasing tolerance even for this grey area close to corruption. The incident also indicated that effective sanctions for detected abuses do exist, including a sudden end to a political career.

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 4

The coalition government in power during the period under review, which included the Christian Democrats (CDU/CSU) and the Free Democratic Party (FDP), showed little evidence of strategic planning. Indeed, the strategic planning performed by the parties in government was mainly concerned with how best to position themselves individually for the upcoming elections. No important organizational devices for strategic planning were introduced in the last parliamentary term. During the review period, the new head of the Federal Chancellery was again given the status of a minister without portfolio, strengthening his position vis-à-vis the minister-presidents of the federal state and the heads of the other federal ministries.

Although the Federal Chancellery is staffed by as many as 500 employees, the organizational structure of the German government is not well designed strategic planning. The government is strongly influenced by party-political considerations, and all main decisions are made by the heads of the governing parties. In addition, the principle and practice of ministerial autonomy (Ressortprinzip) contributes to the fragmentation of the governmental process and hinders the development of a coherent policy orientation. Cabinet meetings are not able to compensate for this weakness. As one permanent state secretary has lamented, policymakers are perpetually seeking to rationalize and decrease the excessive arbitrariness in political decision-making.

Scholarly Advice
Score: 6

In some policy fields, expert commissions advise policymakers on a regular basis. Most of their members are appointed by the government or by ministries. In addition, ad-hoc commissions are convened for specific complicated policy questions or major reforms. The German Council of Economic Experts (Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung) and the German Council of Environmental Advice

(Sachverständigenrat für Umweltfragen) produce reports on current policy problems at least once a year. In addition, most ministries maintain external, academic or legal advisory bodies. In addition, ministries commission studies assessing the likely impact of existing or planned measures. These independent evaluations clearly have some impact on legislation. For example, labor-market policies in Germany have gained a strong reputation for being guided by empirical evidence and independent academic researchers' insights.

Policymaking is heavily influenced by party positions, and is less open to independent advice in cases when the issue at hand is central to a party's ideology. But for issues outside the ideological fray, independent expert advice is widely heeded.

In some cases, expert commissions are clearly used as an instrument for gaining voter support. For instance, the Ethics Commission on a Safe Energy Supply was created by Chancellor Angela Merkel on 22 March 2011 in response to the Fukushima meltdown. Its goals were to evaluate the technical and ethical aspects of nuclear energy, and to develop phase-out scenarios and proposals for the transition to renewable energy. Many observers regarded the creation of the commission as a tactical trick to give ex-post justification to a political decision that had already been made within the government. Another expert commission evaluated the impact of the state's family benefits, and came to the conclusion that most are in practice ineffective and unsuited to the problem. However, even these critical studies are made publicly accessible, and thus influence political debate within the government, the parliament and the general public.

Interministerial Coordination

GO Expertise
Score: 6

The Chancellery is organized into six directorates, with various numbers of subgroups that are again subdivided to better mirror the line ministries (Spiegelreferate). With respect to European politics and international tasks, the Chancellery seems to coordinate with partners and function quite effectively. However, national policies are mainly worked out by the individual ministries in accordance with previously struck political compromises. In general, the Chancellery does not autonomously evaluate important draft bills or assess them according to strategic and budgetary government guidelines. In addition, it appears that its capacities are generally lower than those of the line ministries.

GO Gatekeeping
Score: 5

The Chancellery, and particularly its head, sets the agenda for cabinet meetings. However, real political power lies elsewhere. The cabinet's agenda is

Line Ministries
Score: 7

negotiated in advance between the coalition partners, and the cabinet simply works as a certifying institution for policy matters decided by the heads of the political parties. Thus, the Chancellery will only in exceptional cases refuse items envisaged for the cabinet meeting on the basis of policy considerations.

The preparation of bills is mainly the prerogative of the line ministries (Ressortprinzip). In the course of regular policy processes, the Chancellery is well informed throughout, but is not strongly involved in ministerial initiatives. Most disputes between ministries and the Chancellery are discussed and resolved in the often-weekly meetings between the state secretaries and the Chancellery's staff. However, in the case of the government in power during the review period, FDP ministries appeared to display increasing autonomy from the government and the CDU/CSU-controlled ministries.

Cabinet Committees
Score: 5

As a rule of thumb, the Cabinet functions as an institution that formally ratifies policy decisions that have been made elsewhere. In principle, line ministers are responsible for policies within their own jurisdiction. Therefore, they have at least some leeway to pursue their own or their party's interest, potentially hampering effective policy coordination. This leeway is quite substantial in international comparison, as coalition partners during the period under review mostly abstained from sending watchdogs in the form of state secretaries to ministries led by the other partner. Nonetheless, individual ministers' maneuvering room is circumscribed by the cabinet principle and the chancellor principle. According to the cabinet principle, all important decisions have to be made by the cabinet as a whole. However, the cabinet only rarely discusses policy issues. For most day-to-day issues, line ministries briefly present their proposals, and the cabinet simply accepts them.

Most bills are effectively rubberstamped by the cabinet committee, as most controversial issues have already been settled before reaching the cabinet agenda. The dominant mechanism for conflict resolution is the coalition committee. In some rare cases, the cabinet will meet for a weekend to discuss disputed policy matters or to try to bring about consensus if substantial conflict exists.

Ministerial
Bureaucracy
Score: 5

Ex-ante coordination between the line ministries' leading civil servants has not been particularly strong under past German coalition governments. In addition, an entrenched political practice ensures that no ministry makes any proposal that might be postponed or blocked by other ministries. Proposals are often heatedly discussed in public by party politicians, ministers or the federal-state minister-presidents before any interministerial coordination takes place. The federal Ministry of Finance must be involved when budgetary resources are concerned, while complicated legal or constitutional issues necessitate the

Informal
Coordination
Score: 6

involvement of the federal Ministry of Justice. But generally, every ministry is fully responsible for its own proposed bills.

There are a number of informal mechanisms by which government policy is coordinated. The most important of these is the coalition committee, which comprises the most important actors (the chancellor, the deputy chancellor, the chairpersons of the parliamentary groups and the party chairpersons) within the coalition parties. The coalition committee is typically expected to meet regularly at least once a month, or can be convened at the request of any of the coalition partners. However, during the final months of the review period, in which intragovernmental tension was rising, the coalition committee rarely met. Indeed, agenda-setting and policy formulation within the CDU/CSU-FDP coalition government proved to be much more difficult than originally expected. More than once, the coalition partners publicly displayed a substantial and sometimes fundamental discord.

Evidence-based Instruments

RIA Application
Score: 8

In 2000, the revised rules of procedure of the federal ministries (Gemeinsame Geschäftsordnung der Bundesministerien, GGO) came into effect, requiring that an impact assessment (Gesetzesfolgenabschätzung, GFA) be performed for every draft law. Thus, regulatory impact assessments are institutionally anchored in Germany. GFAs aim at limiting the amount of state regulation to no more than is necessary, examining alternative regulation possibilities and improving the quality of regulations. The GFA process analyses the intended effects and the unintended side effects of draft laws and potential alternatives. The Federal Ministry of the Interior has developed guidelines for the application of the impact assessment. An evaluation of actual effects, and therefore the production of a retrospective GFA of existing laws and regulations, is part of the assessment process.

The government's Bureaucracy Reduction and Better Regulation program, implemented in April 2006, created a number of new policies relevant to the assessment process. It established the National Regulatory Control Council (Normenkontrollrat, NKR) as an independent watchdog and advisory body tasked with assessing new legislation. It adopted the Standard Cost Model as a tool for measuring bureaucratic costs. Finally, it institutionalized the bureaucracy-reduction process by creating a coordination unit within the cabinet office and setting up a committee at the ministerial undersecretary level. However, the NRK only concentrates on potential bureaucratic costs, and not on impacts of laws foreseen through the evaluation process. In addition,

about 30% of laws – specifically, those which are initiated by parliament – are not reviewed under the NKR.

A separate program is in place for environmental-impact assessment. The likely budgetary and bureaucratic consequences of draft laws also have to be assessed.

Quality of RIA
Process
Score: 9

The National Regulatory Control Council (Normenkontrollrat, NKR) cooperates with a large number of different actors on various levels of the administration. Cooperation with German states and local authorities has been intensified, especially in the development of methodological standards for the assessment of compliance costs. Moreover, the potential to improve institutional dialogue between various administrative levels has been further enhanced by the seconding of experts from federal-state RIA units to the Federal Chancellery's Better Regulation unit (Federal Government Report 2012: 6). Since social security institutions are self-governed in Germany, their evaluation does not fall under the jurisdiction of the NKR. But in order to facilitate policy learning, coordination between the NKR, social insurance carriers, the federal statistical office and experts from individual federal ministries takes place, focusing on simplification measures and cost-reduction plans. Mechanisms for cooperation across the European Union and within the OECD also exist.

Sustainability
Check
Score: 8

RIAs examine alternative options and possibilities for improving the quality of regulations. They analyze the intended effects and the unintended side effects of draft laws and possible alternatives. The evaluation of the actual effects of existing laws and regulations (retrospective RIA) is part of the assessment process. In addition, the process examines future trends and conducts sustainability checks. The budgetary and bureaucratic consequences of a draft law must be assessed. The environmental impact is also assessed if the measure has an environmental dimension. No regular social-impact assessment is conducted. The main goal of the assessment process is evaluating the necessity of a regulation. Therefore, the assessment of alternatives is part of the impact assessment process. This includes the assessment of scenarios in which no additional regulation is introduced.

Societal Consultation

Negotiating Public
Support
Score: 7

Government representatives meet with societal stakeholders as part of their daily routine. Nevertheless, the CDU/CSU-FDP government did not make use of social pacts or other direct bargaining mechanisms to elaborate their policies or seek compromises that satisfied stakeholder organizations.

As under previous governments, ministries and parliamentary committees during the period under review relied heavily on information provided by interest groups, and took their proposals or demands into account when developing legislation. The impact of civil-society actors in general depends on their power resources and organizational status. Since interests are sometimes mediated through institutionalized corporatist structures, employers associations and unions play a privileged role. Interest groups play a key role providing in-depth information that ministerial officials must rely on when developing policy. Ministerial hearings are the main conduit for this influence. Under German law (Verwaltungsverfahrensgesetz sec. 28, VwVfG), stakeholders have the legal right to participate through hearings. Interest associations participate in the decision-making process as well. In general, German interest organizations do have a considerable impact on agenda-setting and policy formulation. In some cases, not every interest group involved is heard, and the proposals of comparatively less powerful lobby groups (environmental, social-interest and some religious groups) are not adequately considered. But in recent years, citizen groups, social movements and grassroots lobbying organizations have had increasingly greater impact, particularly on the local level.

Major economic interest groups are thus well integrated in the policymaking process. This high level of integration has helped ensure that associations are aware of the complexities of policymaking and of the positions of their adversaries. In general, the most important groups' and associations' proposals are thus reasonable and taken into account. However, public support is mostly negotiated on an ad hoc rather than a regular or institutionalized basis.

Policy Communication

Coherent
Communication
Score: 6

In a formal sense, the federal government's Press and Information Office is the focal point for communication, serving as the conduit for information from all individual ministries. However, this does not guarantee a coherent communication policy, which is a difficult goal for any coalition government. The persistent tendency of coalition partners to raise their own profile versus that of the other government parties explains what has sometimes appeared to be very dissonant communications policy.

The coalition government in power during the review period displayed rather incoherent communications on a wide variety of issues. At the start of the legislative term, the CDU/CSU and FDP were unable to present the program of the coalition treaty in a coherent way. Instead, the governing parties quarreled

with one another in public on a large number of issues. This tension continued during the government's entire term of office, although it improved somewhat toward the end.

In matters relating to the euro-area debt crisis, government communication was strongly concentrated on the chancellor and the finance minister. However, individual incidents evinced strong disagreements within the government. For example, Philipp Rösler, the federal minister of economics and FDP party leader, defected from the official government line, according to which it was vitally important to secure Greece's place in the European Monetary and Economic Union, when he declared that in his view "an exit by Greece from the euro zone lost its horror a long time ago" (The Telegraph 22.07.2012), thereby publicly opposing his own government's rescue plans.

Nevertheless, the government's communication on the issue of the euro-area debt crisis was largely successful in conveying a joint and coherent strategic approach, based on principles such as conditional solidarity, the rejection of so-called Eurobonds and a strong emphasis on better fiscal governance .

Implementation

Government
Efficiency
Score: 7

The CDU/CSU-FDP government's time in office was overshadowed by the financial crisis, disagreement within the coalition with respect to overarching strategy, and the realities of limited maneuvering room . Because the federal-state governments directly participate in federal-level decisions, and because judiciary and the growing importance of the European level create significant veto points, the central government's policy flexibility is greatly circumscribed. A comparison between the pledges contained in the government's coalition agreement and the achievements actually realized by the end of the review period reveals mixed achievements (cf. Coalition Agreement 2009). A major tax reform failed to materialize (at least partly because the opposition parties blocked it in the Bundesrat), but a tax simplification act was enacted in 2011 that reduced red tape within the tax system. Some liberalization steps envisaged in the coalition agreement were achieved, such as the deregulation of long-distance bus service, which overcame a market-entry barrier dating back to the 1930s. Nevertheless, the government proved split on several topics. The publicly perceived rivalry between the coalition partners was particularly manifest in the first half of the legislative period, with some improvement evident in the second half.

Ministerial
Compliance
Score: 8

The government did fail to deliver on several long-term policy agreements. The coalition agreement promised further investment in education, but this project was delayed and ultimately abandoned in 2012, due to difficulties securing financing and projected difficulties in implementation. The government did achieve its objective of budget consolidation, even reaching a structural surplus in 2013, although the favorable economic environment (particularly low interest rates) certainly helped.

In principle, line ministers are responsible for policies that fall under their jurisdiction. Therefore, individual ministers have some leeway to pursue their own or their party's interests. This leeway is not only quite substantial in international comparison, but is sometimes used in a surprising manner. Ministers sometimes operate in clear contradiction to the government's program or the head of government's policies, instead pursuing parochial party interests. However, during the period under review, Chancellor Merkel did not clearly outline her program or use her right to formulate the guidelines of government policy.

The federal minister of finance has a relatively strong position in comparison to other ministers. Particularly when supported by the chancellor, he or she is able to reject requests by other ministries. This gives this position an oversight function within the government, enabling the officeholder to influence the direction of economic policy in general and budgetary policy in particular.

A number of informal mechanisms are used to coordinate government policy, with coalition agreements being particularly important. Coalition partners also agree on procedures for dealing with conflicts. The most important institution is the coalition committee, which includes the most important actors within the coalition parties, and has often been quite effective in hammering out policy compromises. In the CDU/CSU-FDP government, the degree of ministerial compliance was sometimes low. However, compromises were usually found on issues of significance.

Monitoring
Ministries
Score: 5

According to the Basic Law, ministers are fully responsible for governing their own divisions. However, they are bound to the general government guidelines drawn up by the chancellor. On topics of general political interest, the cabinet makes decisions collectively. In case of dissent between ministers, the chancellor has the power to serve as an intermediary. The Internal Rules of Procedure require line ministers to inform the chancellor about all important issues. However, in many cases the Chancellery lacks the sectoral expertise to monitor line ministries' policy proposals effectively.

Monitoring
Agencies,

Executive agencies' competences and responsibilities are explicitly detailed in

Bureaucracies
Score: 7

law, edicts, statutes and other regulations. Their activities are not only subject to legal supervision, but also to functional supervision. Functional supervision implies that agency decisions and administrative instructions will be reviewed. This holds for the federal as well as the regional level. However, the ministries have not always made appropriate use of this oversight mechanism. The Audit Office has revealed deficiencies in the implementation of functional supervision by the line ministries. A number of independent agencies, including the Federal Labor Office, the Federal Network Agency, the Bundesbank and others have deliberately been placed beyond the effective control of the federal government.

Task Funding
Score: 5

The funding of tasks delegated from the national to the subnational level without a corresponding source of funding is a sore point in the German debate on fiscal federalism. Some progress was made on the expenditure side in 2006, when the Bundestag and Bundesrat agreed on the Federalism Reform I, which abolished some forms of mixed financing. Furthermore, draft laws connected with the provision of cash benefits or allowances in kind for third parties will in the future require the approval of the Bundesrat. Nevertheless, problems with the new provisions soon emerged when the grand coalition then in power sought to increase the number of child care places for children under the age of three. Since the first federalism reform of 2006, education has come almost entirely under the jurisdiction of the individual federal states. Moreover, the federal government is not allowed to fund state tasks unless the federal level also has legislative competences in the field. Thus, it was very difficult to find a way to provide the states with the necessary funding to create enough places in child care facilities. Though a way was found in the end, it came close to violating the new constitutional rules. The inadequacy of autonomous state-level tax resources remains a major issue requiring reform. The Federalism Reform II package failed to make any breakthrough in this regard, and discussions for further change under the second Merkel government also failed to reach a solution supported by all stakeholders.

A further particular problem exists with respect to municipalities: Although welfare benefits are defined on the central level in Germany, the municipalities bear the financial burden of this policy. For many transfer areas such as benefits for the handicapped, children or the provision of child care, municipalities do not receive (sufficient) compensation from the federal level. In 2012, a federal law began to phase in full compensation with regard to subsistence old-age benefits. But for several other spending categories, municipalities still do not receive sufficient funding for tasks defined at the national level.

Constitutional
Discretion
Score: 8

The allocation of tasks and responsibilities between the federal and state governments is defined in the Basic Law. Thus, police functions, cultural tasks and education, including both schools and universities, are the responsibility of the individual states. This distribution of tasks is largely respected by the central government. Thus, individual states have considerable flexibility in defining the organization of primary and secondary schools. Federalism Reform I brought some additional precision and clarification of competences for the states. Financially, a highly developed fiscal-equalization system that includes horizontal (interstate) and vertical (special-purpose grants from the central level) elements provides funding for state tasks. However, the states' lack of autonomous tax powers (with the exception of the real-estate transfer tax) represents a significant weakness.

National Standards
Score: 7

In Germany, public services are provided by various levels of government: the federal administration, the administrations of the individual federal states, municipal administrations, indirect public administrations (institutions subject to public law with specific tasks, particularly in the area of social security), nonpublic and nonprofit institutions (e.g., kindergartens or youth centers), and finally judicial administrations. While some standards have a national character and thus have to be respected at all levels, this is not the case for others in areas such as education. The principle of federalism implies that the provision of public services will not be uniform across the country. This principle limits the ability to set binding standards unless the states voluntarily agree. It is an essential feature of federalism that it respects differences in preferences, allowing for experiments and heterogeneity in the provision of public services.

The first reform of federalism, adopted in 2006, gave the states a number of (minor) new legislative competences, which they started to use during the period under review. Since the states have adopted differing policies in some areas, this has led to a very slight decrease in the national uniformity of public services.

Adaptability

Domestic
Adaptability
Score: 7

As in other EU countries, the influence of EU regulations is significant within Germany. The country's legal system is strongly influenced by EU law, but the federal government does not have a central policy lead for the management of EU affairs. Each federal ministry is responsible for all matters within its sectoral purview related to the adoption, implementation and coordination of proposals by the European Commission. Federal structures with their various layers of governments and mix of institutional actors present specific problems in terms of policy learning and adaptability to international and supranational

developments. The federalism reform of 2006 helped streamline these processes somewhat, but difficulties remain.

In order to address challenges posed by the financial crisis and other structural concerns, a constitutional debt limit was introduced as part of the 2009 federalism reform. Faced with significant complaints from the business sector regarding red tape, the federal government also launched a major program to reduce administrative burdens. The creation of a Better Regulation unit in the Federal Chancellery, along with the establishment of an independent advisory body, the National Regulatory Control Council (NRCC), has lately been of growing importance in terms of optimizing the country's regulatory culture, and can be seen as a example of policy learning. The NKRK Amendment Act (16 March 2011) substantially expanded the powers of the NRCC. Today, federal ministries are obliged to quantify measurable compliance costs associated with regulatory programs.

However, policy learning in Germany rarely leads to institutional reforms that improve the government's management capacities.

International
Coordination
Score: 8

The German government actively collaborates in various reform efforts promoted by the EU and other transnational and international organizations.

In the context of the euro-area debt crisis, the German government has played a leading role in organizing and creating stabilization mechanisms. However, this role is heavily contested. Some critics (particularly in Southern Europe) argue that Germany's actions have been driven primarily by the defense of the country's national interests. Others (especially domestic voters and economic experts) contend that Germany has irresponsibly put its own future wellbeing and wealth at risk through massive guarantees for peripheral Europe.

All in all, there is no doubt that Germany is a very constructive partner in international reform initiatives and is ready to accept substantial costs and risks in order to realize global and European public goods.

Organizational Reform

Self-monitoring
Score: 7

There is neither a particular institution nor commission that independently and impartially serves an oversight role with respect to the government's activities. Nor is there a governmental institution for self-monitoring. The creation of the Better Regulation unit in the Federal Chancellery and the establishment of the National Regulatory Control Council (NRCC), an independent advisory body, have pushed forward the cause of regulatory streamlining. The council is

tasked with the application, monitoring and further development of a standardized means of measuring the costs of legislatively created bureaucracy, using the Standard Cost Model as a basis. However, the NRCC evaluates drafts of laws and their estimated bureaucratic cost, and is not concerned with the efficiency of the final law. Additionally, the strategic relationship of the Better Regulation program to high-level public-policy goals, especially economic goals, is not yet evident. The program is not clearly linked to broader economic policies, and there is as yet no comprehensive framework designed to avoid fragmentation created by the operation of multiple programs on various levels, although these shortcomings are addressed by various cooperation agreements and aspirations for future integration with local- and state-level authorities, social-security institutions and other EU-level agencies.

Institutional Reform
Score: 8

In general, institutional reforms intended to improve the government's management capacities are extremely rare in Germany. As in other countries, strategic capacities and reform efforts are heavily influenced by constitutional and public-governance structures and traditions. Germany's federal system, which gives the federal states considerable independent authority and a crucial role in transposing and implementing federal legislation, creates a complex environment with many institutional veto players across different levels. Thus, institutional and organizational inertia leads to low levels of strategic capacity. For example, in the field of education policy, the shift of responsibility toward the state level led to a growing number of experiments. Competitive federalism in this regard enables states to experiment with practices from a variety of approaches, which leads to the diffusion and imitation of best practices.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 7

Empirical analyses of the German population's levels of political knowledge show an inconsistent development over time (cf. in the following Glantz, Bathelt, Maier 2012). On the one hand, the supply of independent political information has improved considerably in recent years. Germany has a diversified media-ownership structure and comparatively pluralistic and decentralized television and radio markets. Although the nationwide print-media market is dominated by five leading daily newspapers, the Internet has become an increasingly important medium for citizens to gather information, and broadcasters, radio stations and newspaper publishers have adapted to the

new circumstances by providing a great deal of their services online. Television news programs are the main source of information for most citizens. High-quality news broadcasts have comparatively large audiences. According to one survey, around half of the population watches a news program every day. However, the development of accurate policy knowledge requires that high-quality information sources be selected. Such a selection can only be made if the necessary cognitive and motivational conditions are met. Although cognitive capabilities have increased considerably on aggregate, the population's motivation to pay attention to political issues has declined in recent years. Older people are more interested in politics than are younger generations, and social status plays a key role as well. Decreasing confidence in parties and politicians is undermining the motivation to stay informed. As a consequence, political knowledge has not risen per se, as factors moving in opposite directions partially cancel each other out.

Germans rate their own political knowledge as extensive in international comparison.

Legislative Actors' Resources

Parliamentary
Resources
Score: 9

The German Bundestag has adequate personnel and structural resources to monitor government activity effectively. Members of parliament can conduct their own research or obtain information from independent experts. The parliamentary library and the parliamentary research unit respectively have staffs of 175 and 450 individuals. Every member of parliament receives a monetary allowance allowing him or her to maintain two offices and employ on average two experts. Although some other OECD countries do provide still greater resources, this is sufficient for monitoring the government's primary activities.

Obtaining
Documents
Score: 10

The German Bundestag is a "working parliament" – that is, parliamentary committees are of pivotal importance in formulating and preparing legislative initiatives. Outside their law-preparation activities, they also serve an oversight role with respect to government ministries. Committees can invite the ministers responsible for their sectoral policy areas to hearings, and have the right to ask for governmental information. The ministries' expert staffers are always present at committee hearings, often outnumbering the actual parliamentary committee members. Most documents can be accessed directly by any committee member. Nonetheless, the ministerial bureaucracy tries to withhold information in cases where the opposition may try to use it to support criticisms of the government or prepare policy alternatives. Moreover, there are some restrictions on which documents can be provided. Yet most documents are

made public and can be accessed in a variety of ways, including at larger libraries and on the Internet. In an important ruling on 12 September 2012, the FCC's Second Senate strengthened the information rights of German parliamentary representatives regarding the European Stability Mechanism Treaty (ESM), as government officials had previously been reluctant to keep the Bundestag informed on this issue, citing professional secrecy.

Summoning
Ministers
Score: 10

Parliamentary committees' right to summon ministers is established by the Basic Law. The Basic Law also gives members of the federal government or the Bundesrat the right to be heard in front of the plenum or any committee.

Summoning Experts
Score: 10

Parliamentary committees are able to hold public hearings at any time, and can summon experts to attend them. This mechanism is regularly used. Rule 70 Section 1 of the Rules of Procedure of the German Bundestag states that "(f)or the purpose of obtaining information on a subject under debate, a committee may hold public hearings of experts, representatives of interest groups and other persons who can furnish information. Where an item of business has been referred to it, the committee responsible shall be obliged to hold such hearings if one-quarter of its members so demand." Experts are often able to influence parliamentary discussions and bring about changes in the draft laws, thus enhancing the quality of lawmaking.

Task Area
Congruence
Score: 9

In general, the task areas of parliamentary committees and ministries coincide. But because the Basic Law provides for the establishment of several committees that do not have a ministerial counterpart (including the Committee on the European Union; the Petitions Committee; the Parliamentary Control Panel), this is not always the case. Furthermore, several committees sometimes deal with matters that are the responsibility of a single ministry (e.g., the Committee on Internal Affairs and the Sports Committee both monitor activities performed by the Federal Ministry of the Interior), and a single committee sometimes deals with matters that are not clearly assigned to a single ministry. Rule 63 of the Rules of Procedure of the German Bundestag provides guidelines for in cases in which multiple committees share responsibilities. Nonetheless, parliamentary committees' most important task areas fully coincide with those of the ministries, enabling effective monitoring.

Audit Office
Score: 10

The Federal Court of Audit (FCA) is a supreme federal authority, and thus an independent body which is not overseen or otherwise constrained by government or parliament. The FCA is subject only to the law, and provides assistance to both the federal parliament and the federal government in the course of their decision-making. According to the Basic Law, FCA members have the same independence as the members of the judiciary, and its task is to monitor the budget and the efficiency of the state's financial practices. The FCA submits its annual report directly to the Bundestag, the government and

Ombuds Office Score: 7

the Bundesrat. The Bundestag and Bundesrat jointly elect the FCA's president and vice-president, with candidates nominated by the federal government. According to the FCA's website, around 1,300 court employees "audit the (state) account and determine whether public finances have been properly and efficiently administered," while the FCA's "authorized officers shall have access to any information they require" (Federal Budget Act Section 95 Para. 2).

The standing parliamentary Petitions Committee is provided for by the Basic Law. As the "seismograph of sentiment" (annotation 2 Blickpunkt Bundestag 2010: 19; own translation), the committee deals with requests and complaints addressed to the Bundestag based on every person's "right to address written requests or complaints to competent authorities and to the legislature" (Basic Law Art. 17). It is able to make recommendations as to whether the Bundestag should take action on particular matters. Nonetheless, its importance as a citizens' advocate and initiator of governmental action in response to public concerns is limited, and it is sometimes viewed as a largely symbolic institution. However, the committee at least offers a parliamentary point of contact with citizens. Two additional parliamentary ombudsmen are concerned with the special issues faced by patients and soldiers.

Media

Media Reporting Score: 8

Public TV and radio broadcasters generally offer in-depth reports on the political process. The market share of the two main public television broadcasters, ARD and ZDF, has declined in recent years, forcing the public broadcasters' head editors to copy the private channels' successful infotainment and politainment formats. Nevertheless, by international standards, ARD and ZDF in particular offer citizens the opportunity to obtain a relatively deep knowledge of political decision-making. There are also two public and two private channels focused specifically on the provision of high-quality information relevant to politics and the economy, which together have a market share of 3%. The plurality and heterogeneity of the country's television broadcast market is enhanced by the availability of programming from international broadcasters. Journalists' organizations are trying to improve the quality of investigative journalism, which is underdeveloped compared to some other markets.

Parties and Interest Associations

Intra-party Democracy

In the period under review, the German political-party establishment came under pressure from various social movements supporting civil rights, direct

Score: 7

democracy and greater grassroots participation. The success of the Pirate Party, which managed to win seats in a number of state elections, prompted established parties to begin enhancing their own procedures of intraparty democracy. For example, FDP leader Philip Rösler initiated a member survey on the appropriate future course of action regarding the euro rescue measures. The proposal submitted by the FDP executive gained a slight majority. In November 2012, members of the Alliance '90/Greens party had the opportunity to elect their party's top two candidates for the upcoming general elections. The ballot drew 61.73% of registered party members. In 2011, SPD party leader Sigmar Gabriel failed to open candidate elections to non-members, while the Christian Democrats have retained traditional hierarchical decision-making practices and candidate-election procedures. In parties' day-to-day business, party members generally play little decision-making role.

Association
Competence
(Business)
Score: 8

Intermediary organizations such as interest groups and NGOs play a pivotal role on several levels throughout the policy cycle, but their impact depends heavily on their individual material and organizational resources. Since interests are sometimes mediated through institutionalized corporatist structures, employers' associations and unions play a privileged role. There is in some cases significant overlap between party members and association staff. But today, political priorities seem to be of greater importance than traditional affiliations when it comes to the formation of alliances between interest organizations and parties. Every German government, no matter which coalition is in charge, is strongly responsive organized interest representation. Indeed, interest groups play a key role providing the in-depth information the ministerial officials must rely on in developing policies. Ministerial hearings are the main conduit for this influence. Lobbyists sometimes work in ministries. According to the World Economic Forum's most recent Global Competitiveness Report, those strong personal and financial ties between ministries and interest groups can be seen as a threat to the efficient functioning of the system and to the fair representation of interests. Germany was ranked 19th worldwide in this report, with a rather low score of 4.3 (1.5 points behind Sweden) in the area of favoritism shown to well-connected firms and individuals in the course of government decisions (Global Competitiveness Report 2011 – 2012: 396). This high level of integration, despite the disadvantages noted, ensures that associations are both aware of the complexities of policymaking and the positions of their political adversaries.

Association
Competence
(Others)
Score: 8

As of April 2013, the government's official list contained 2,144 registered associations, 56 more than in 2010. One-third of these can be considered noneconomic interest associations. Within the process of policy formulation, interest-group expertise plays a key role in providing ministerial officials with the in-depth information necessary to make decisions. Citizen groups, social

movements and grassroots lobbying organizations are becoming increasingly influential, particularly on the local level. As the conflict over Stuttgart's main station showed, noneconomic interest associations are having an increasingly significant impact. Although the policy proposals produced by noneconomic interest groups can be described as reasonable, they tend to be focused on a single issue, and often ignore economic constraints in such a way as to make their suggestions less realistic. Although they often put painful subjects on the policy agenda, their lack of political weight gives them limited influence.

This country report is part of the Sustainable Governance Indicators 2014 project.

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