



Germany Report

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Sustainable Governance Indicators 2017

Executive Summary

During the period under review, the German economy and most other policy areas demonstrated remarkable stability, despite an economically and financially unfavorable environment in Europe. Employment increased further, reaching a postwar record in 2016. As a result, tax revenues again increased, enabling fiscal authorities to balance the general government budget for the third consecutive year. While the current economic and fiscal state is excellent, the government faces one overriding policy challenge: refugee immigration. The effective and rapid integration of refugees remains a complex challenge given its long-term fiscal implications and numerous angsts, ranging from security and to cultural identity.

Going forward, the German government must tackle several policy challenges. First, Chancellor Angela Merkel's resolve that Germany will not limit the number of refugees entering the country has received persistent criticism mainly from her sister party, the Bavarian CSU, but also from within her own CDU. At the same time, the number of incoming refugees has recently decreased substantially. Second, German society is increasingly divided in its response to the refugees. In particular, questions remain on how to integrate refugees into the education system and labor market as well as how refugees will integrate culturally and socially. Third, violence directed against asylum-seekers is increasing, with xenophobic attacks more than doubling in 2016. This will strain public security resources. Fourth, several incidents of crime and terrorism involving refugees have raised questions among the public about whether the copious entry of refugees involves unacceptable risks for public safety.

Also, public opinion polls consistently point to an increase in political support for Alternative for Germany (AfD), a right-wing populist party. Current public opinion surveys indicate that the AfD could gain between 12% to 15% of the vote in the 2017 federal elections, which would make it the third largest party behind the Christian Democratic Union (CDU) and the Social Democratic Party (SPD). This would increase fragmentation within the party system. As the party system fragments, traditional governing coalitions will become infeasible. In the past, governing coalitions have typically comprised either the CDU/CSU or SPD in coalition with a smaller party. In future, however, governing coalitions will likely be formed between three parties and/or involve a grand coalition between the CDU/CSU and SPD. These more fragmented coalitions increase political conflicts and lower the capacity to introduce reforms. Consequently, the threat of such fragmentation will have a strong

influence on the political parties' electoral strategies leading up to the autumn 2017 federal elections.

Fortunately, Germany's economy, social insurance systems and federal budget are in an astonishingly good shape. Consequently, future governments will retain some financial capacity to address policy challenges (such as family and education policies, a minimum wage, and European and international relations). Germany's current fiscal performance suggests the success of recent reforms. Since 2014, the general government budget (including federal, state and municipal levels as well as the social security systems) has been balanced. Germany's government debt-to-GDP ratio is currently 68% (end of 2016). This fiscal state is due to an employment boom, disciplined federal expenditure and very favorable interest rates. Indeed, Germany's ability to refinance government debt on capital markets is better than ever due to the constitutional debt brake and investors' perceptions of Germany as a relatively stable economy. Foreign direct investment into Germany also increased considerably, while the economy attracted more high-skilled migrants than at any time since 1995. In addition, consumer expenditure increased due to low interest rates and a strong increase of net real incomes.

The downside of the excellent short-term economic and fiscal position is that policymakers may lose sight of the long-term fiscal and economic challenges associated with demographic change. Current health policies are an example where government expands spending without paying significant attention to the long-term financial unsustainability of the system.

Concerning foreign policy, the current government remains intricately engaged in several recent economic (e.g., euro zone crisis) and political (e.g., Ukraine-Russia conflict) predicaments. While Germany led responses to the European sovereign debt crisis, its demand that EU member states agree to accept a minimum quota of refugees remains an unattainable political ambition. Although the European Commission supports Germany's "permanent and binding" proposal for the distribution of refugees, at the time of writing, a strong majority of EU member states remains strongly opposed.

Overall, there have been significant policy developments during the period under review. However, the question remains as to whether Germany will be able to successfully manage the complex policy challenges that will emerge from the refugee crisis. The upcoming 2017 elections will show whether current conflicts and polarization will be increasingly mirrored in parliamentary party fragmentation.

Key Challenges

Since 2015, Germany has been confronted with a significant policy challenge following the immigration of almost 900,000 refugees within that year. Policymakers and civil society are divided over how Chancellor Merkel and her government have managed the crisis thus far. These divisions have resulted in contentious debates on limiting refugee immigration, border controls and closures, and the viability of agreements between the EU and Turkey. A particularly visible dispute runs between the conservative CDU, led by the Chancellor, and the Bavarian sister party CSU, led by the Bavarian Minister-president Horst Seehofer. Even so, the course chosen by Merkel has significant support from the coalition partner, the SPD, and the opposition (particularly the Green Party). Opposing this large consensus among the established parties, several right-wing protest movements have emerged; these are deeply distrustful of political, economic and media elites. For example, these movements typically refer to the mainstream media as the “lying press” (“Lügenpresse”) and support a right-wing populist party, the AfD.

Merkel’s government has struggled to develop a comprehensive strategy to cope with the refugee crisis. Current efforts have emphasized speeding up asylum processes, limiting the right to asylum to people from countries deemed unsafe, and early integration of refugees into the education system and labor market. The government’s strategy has also sought more effective protection of the EU’s external borders, agreements with Turkey and other neighboring countries to expand refugee reception in their countries, and a reform of the Common European Asylum System targeted at more homogeneous reception standards and equal burden sharing. Over the course of 2016, this strategy has been successful in reducing the number of incoming refugees. The reception of the refugees who entered in 2015 has been smooth and proven the effectiveness of public administrations at the state and municipal level. However, it remains unclear how successful the overall approach will be in the medium term.

In the long term, the refugee crisis also poses financial challenges. For example, the refugee crisis will create distributional tensions between various states and government departments. Similarly, the government must consider the financial sustainability of Germany’s social security systems as they attempt to accommodate the spike in refugees. The majority of refugees are low skilled, which will create challenges for their integration into the labor market. As a result, social security spending will increase. Furthermore, young

and low-skilled refugees will increase the demands on the education and vocational training systems. Some refugees will need specialized support, which will further increase demands on scarce financial and institutional resources.

Fortunately, Germany recovered more quickly than many other countries following the global financial crisis. Economic growth rates have been exceptionally high in recent years. However, concerns that the very favorable financial and economic conditions (e.g., cheap oil prices, low interest rates and a weak euro) will end soon have increased. Such a development would weaken Germany's export-oriented economy. In 2015, GDP increased by about 1.7% according to the Federal Statistical Office. For 2016, GDP is expected to grow by between 1.5% and 1.8%. Meanwhile, social security contribution rates are likely to increase to match increasing social security costs. This particularly holds true for the pension, healthcare and unemployment insurance systems.

In addition to the refugee crisis, the government faces a number of substantive challenges. First, some developments will lie beyond the competencies of the German government due to economic and monetary integration within the EU. Germany's economic future will depend heavily on the success of policies introduced in other EU member states as well as on the financial costs of current policy commitments. Furthermore, a severe global economic downturn caused by, for example, a weakening Chinese economy, would harm Germany's export-dependent economy. Second, recent German governments have struggled to persuade voters of the merits of important reforms. This is partly due to widespread public sentiment that previous reforms, while possibly efficient, have been unfair. There is a widespread perception that the reforms of the last decade have exacerbated economic inequality. This has caused the current government to adopt an alternative policy approach. Since it came to power in 2013, the government has rejected the liberalizing labor market reforms of previous governments, such as the Hartz reforms, in favor of substantive new regulations. For example, a statutory national minimum wage was introduced in 2015. While previous pension reforms attempted to limit the costs to the pension system of an aging population, recent reforms have increased pension costs. For example, the age of retirement for workers with a long employment history was lowered, while the provision of pensions for mothers was expanded. These recent reforms have raised concerns about the long-term sustainability of the pension system. The Minister of Family Affairs, Senior Citizens, Women and Youth, Manuela Schwesig (SPD), and the Minister of Labor and Social Affairs, Andrea Nahles (SPD), are attempting to expand social and family rights.

The upcoming state and federal elections in 2017 will increase tensions within the government, as the governing parties compete for public support. In particular, the general election in September 2017 is likely to intensify conflicts between the governing parties with regard to the refugee crisis, the financial stability of the social security systems, and integration and education policies. Therefore, no major new reform initiatives are likely before election day. Beyond the election, the new government's capability to act will crucially depend on the level of parliamentary fragmentation and the governing coalition that can be formed.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 8

Germany's economic structure is characterized by a healthy mix of service and industrial sectors (see Statistische Bundesamt). In the five years following the 2003 "Agenda 2010" reform plan, Germany's economic policy successfully addressed numerous serious economic weaknesses prevalent in the post-unification period. This wave of reforms has affected labor market institutions, unemployment benefits, the pension system, corporate taxation, the constitutional debt brake and liberalized labor migration from outside the EU. It has also improved Germany's competitiveness and increased its attractiveness as a destination for foreign investment. Moreover, the European sovereign debt crisis, affecting several other euro zone member states since the end of 2009, continues to have benefits for Germany. For example, Germany's ability to refinance its debt on international capital markets has never been better, with international investors perceiving German government bonds as a haven for investment. As a result, the German state and wider German economy currently benefits from extremely low interest rates; these went so low as to turn negative in spring 2016 (Boerse 2016). These low interest rates have been feeding a new construction boom. Furthermore, the German economy profits from the ECB's expansive monetary policies. These policies contribute to the low value of the euro, which boosts German exports (Sachverständigenrat 2016: 13; Statistisches Bundesamt 2016a).

As the preceding government, the current government has abandoned the liberalizing policy agenda of the first decade of the millennium in favor of greater regulation. For example, recent policies have included the introduction of a statutory minimum wage, an expansion of the pension system, an increase in state support for nursing care and plans to more tightly regulate temporary forms of employment. Moreover, although trade unions and employers' associations have eschewed ideology in setting wage policy and granted firms

significant flexibility, there has been a change in wage policies. Germany's recent robust economic performance and buoyant labor market have led to an increase in wages and a slight increase in unit labor costs. Yet, neither greater government regulation nor increased wages have undermined Germany's export performance or employment growth. Meanwhile, higher wages have also stimulated domestic demand, which may in future help to limit Germany's large current account surplus (forecast to reach a record 8.8% of GDP in 2016, Sachverständigenrat 2016).

Citation:

Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung (2016): Jahresgutachten 2016/2017. <http://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2016-2017.html>

Statistisches Bundesamt (2016a)

https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/09/PD16_315_51.html

Boerse (2106): <http://www.boerse.de/konjunkturdaten/staatsanleihen/>

Labor Markets

Labor Market
Policy
Score: 8

Germany's success in reducing structural unemployment since the mid-2000s has been impressive. According to the German Council of Economic Experts (Sachverständigenrat), more than 43.6 million people were employed in Germany in August 2016, 0.6 million more than the previous year's record high. Unemployment rates are at their lowest level in 20 years (4.2% according to the OECD) and are further decreasing. Germany's youth unemployment rate is the lowest in the EU (6.8%), attributable largely to a highly effective vocational training system.

Germany has a comprehensive toolbox of active labor market programs, which includes financial support for vocational training programs, support for self-employed individuals, provision of workfare programs and the subsidized employment of long-term unemployed individuals. Traditional instruments, such as job creation and training programs, are now seen as combinable. Tailored to individual needs, these instruments are designed to facilitate the reintegration of long-term unemployed individuals into the labor market.

The expansion of atypical employment contracts – such as temporary employment programs (Leiharbeit), part-time and agency work – reflects an increase in industrial flexibility over recent years. However, atypical employment contracts have potentially severe consequences on the social security system and, more generally, social justice. Still, according to the Federal Statistical Office, growth in employment has not reflected a disproportionate increase in atypical employment. On the contrary, between

2009 and 2014, the share of “normal employment” has increased, while the share of fixed-term employment has decreased and the share of “mini-jobs” (i.e., jobs involving maximum monthly earnings of €450) has remained constant. Over the previous year, normal employment has again risen slightly by 0.5 percentage points to a total share of 68.7%.

A national minimum wage has been in effect since January 2015. There are exemptions, in particular for adolescents and the long-term unemployed. In addition, during a transitional period ending in 2017, sector specific minimum wages may be lower than the general minimum wage. The current minimum wage is set at €8.50 and will be reviewed after five years by a commission comprising representatives of employers and employees. The commission has already recommended an increase to €8.84, which will take effect 1 January 2017 (Sachverständigenrat 2016: 387). The minimum wage has elevated the earnings of four million employees (11%, Sachverständigenrat 2016: 388). The German Council of Economic Experts has not reported any detrimental macroeconomic effects, though it is too early to assess the long-term consequences of a national minimum wage.

The growth in overall employment may hide some negative side effects. So far, the German Council of Economic Experts observed a disproportionate increase in consumer prices in sectors where many wages were previously below €8.50 (Sachverständigenrat 2016: 289). With regard to employment, depending on the method of evaluation there is little or no decrease due to the national minimum wage (Sachverständigenrat 2016: 390, 292).

The enormous increase in refugees claiming asylum in Germany will be a key challenge for future labor market policymaking. Reducing barriers to labor market access, especially the regular labor market, as well as support for training and education will be crucial for the successful integration of refugees (Sachverständigenrat 2016: 3). In this regard, the introduction of a national minimum wage may restrict employment opportunities for the many low-skilled refugees.

Citation:

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2016): Zeit für Reformen, Jahresgutachten 16/17, Sachverständigenrat: Wiesbaden. Online: <http://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2016-2017.html>

Taxes

In recent years, German tax policy lost steam. This was caused by macroeconomic as well as political factors. On the one hand, sovereign debt

crises in other European countries favored Germany as a business location, signaling that there was no need to overhaul the tax system for competitive reasons. Moreover, zero percent interest rates on new government bonds and buoyant tax revenues indicated that there was no need to raise tax revenues further. According to the Ministry of Finance, between 2010 and 2015, total tax revenues have risen by more than 25% from €31 billion to €73 billion (Bundesfinanzministerium 2016), which enabled the ministry to achieve its aim of balancing the budget in 2014 and 2015 despite considerable costs related to the refugee crisis. In addition, the soaring labor market created significant surpluses in the social security system. As a consequence, the reform vigor of the previous decade gave way to a complacent uncertainty regarding the future direction of tax policy. The guiding principle of today is “steady as you go.” Legislative changes to taxation have largely been limited to areas that the Federal Constitutional Court had ruled were unconstitutional, such as inheritance tax and privileges for corporate wealth. With regard to the former, following a ruling by the Constitutional Court, a revised inheritance tax provides new regulations that spare company capital (Bundesfinanzministerium 2016a).

With respect to some major indicators, Germany is performing well at the moment. Earnings-related direct taxation and social security contributions are lower than, or have at least held constant with, previous levels. Indirect taxes, such as value-added taxes, are above the OECD average. The top marginal personal income tax rate (47.5%) is comparable to the OECD average (47.8%), but the average marginal rate continues to be a key challenge for Germany’s competitiveness since it is 15 percentage points higher than OECD average. The OECD report concludes that this is particularly harming the integration of single parents into the labor market (OECD 2016) as well as creating substantial work disincentives for a household’s second earner. Furthermore, the complexity of the German tax system imposes high compliance costs on households and firms.

Germany’s inefficient municipal tax system requires much needed reform, though municipalities have created budget surpluses in the past couple of years. Also, despite perennial discussions envisaging a tackling of bracket creep, there is no effective regulation for a systematic dissolution of the problem in sight. However, a one-off measure took effect in 2016 through an adjustment of the income tax schedule, which compensates taxpayers for a bracket creep effect of approximately two years. Finally, the German Council of Economic Experts has criticized the fiscal equalization scheme between states as inefficient and harmful to growth (Sachverständigenrat 2016: 35).

In summary, German tax policy performs well in terms of revenue generation. However, especially for middle income earners the system generates excessive work disincentives. The redistributive capacity of the tax system has decreased

as indirect taxes have taken a larger role. The relative competitiveness of Germany's tax system has continuously deteriorated since its last corporate tax reform in 2008 (Spengel and Bräutigam, 2015). The Global Competitiveness Report considers tax regulations and tax rates the two most problematic factors for doing business in Germany (Global Competitiveness Report 2016/2017). However, given to the overall positive economic environment these challenges have not as yet undermined Germany's relative attractiveness.

Citation:

Bundesfinanzministerium (2016a): Kassenmäßige Steuereinnahmen nach Steuerarten in den Kalenderjahren 2010 - 2015. Online:

http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Steuerschaetzungen_und_d_Steuereinnahmen/2016-05-24-steuereinnahmen-nach-steuerarten-2010-2015.pdf?__blob=publicationFile&v=4

Bundesfinanzministerium (2016b): Ge-setz zur An-pas-sung des Erb-schaft-steu-er- und Schen-kung-steu-er-ge-set-zes an die Recht-spre-chung des Bun-des-ver-fas-sungs-ge-richts. Online:

http://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Verordnungen/2016-11-09-G-z-Anpassung-d-ErbStR-u-SchenkSt-a-d-Rspr-d-BVerfG.html

Bundesfinanzministerium (2016c): Eck-da-ten zur Ent-wick-lung und Struk-tur der Kom-mu-nal-fi-nan-zen 2006 bis 2015. Online

http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Oeffentliche_Finzen/Foederal_e_Finanzbeziehungen/Kommunalfinanzen/Eckdaten-2006-2015.pdf?__blob=publicationFile&v=3

Global Competitiveness Report 2016-2017: World Economic Forum.

OECD (2016): Top statutory personal income tax rate and top marginal tax rates for employees. Online: http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I7 (last checked on 12/11/2016).

Spengel, Christoph und Rainer Bräutigam (2015), Steuerpolitik in Deutschland – eine Halbzeitbilanz der aktuellen Legislaturperiode im Kontext europäischer Entwicklungen, Ubg - Die Unternehmensbesteuerung 8, 113-121.

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2016): Zeit für Reformen, Jahresgutachten 16/17, Sachverständigenrat: Wiesbaden. Online:

<http://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2016-2017.html>

Budgets

Budgetary Policy
Score: 8

For Germany, the 2009 global recession and its aftermath implied higher budget deficits and gross public debt following revenue shortfalls, anti-crisis spending packages, and bank bailout costs. Since then, however, Germany's budgetary outlook has considerably improved. Germany's debt-to-GDP ratio has continued to decrease from 74.6% in 2014 to 71.0% in 2016 (Global Competitiveness Report 2016). This decrease resulted from surpluses in the general government balances since 2014, stable growth and historically low government bond interest rates. In addition to this favorable environment, a constitutional debt limit was introduced (Schuldenbremse) that restricts the federal government's cyclically adjusted budget deficit to a maximum of 0.35% of GDP and requires

German states to maintain balanced cyclically adjusted budgets from the year 2020 onwards.

Given the financial burdens associated with the refugee crisis, this positive development is even more astonishing. For 2016 and 2017, the German Council of Economic Experts estimates total expenses directly associated with refugees and asylum seekers to be €10 to €13 billion, roughly 0.3% to 0.4% of GDP (Sachverständigenrat 2016: 343). The Ministry of Finance stated that it would cover the cost of these additional funds through increasing tax revenue, the sale of mobile phone licenses and decreasing interest amortization spending.

While the federal budget remains balanced, uncertainties concerning the medium- to long-term budgetary outlook have increased. Germany's aging population will mean that recent increases to welfare spending (e.g., increased pension payments for mothers and allowances for nursing care) combined with very dynamic increases in healthcare expenditures will pose a significant challenge to future federal budgets. According to recent calculations of "implicit debt" (i.e., future liabilities resulting from uncovered payment promises by the social security system and other government programs), the sustainability gap has increased (Stiftung Marktwirtschaft 2016). In this context, the very large increase in refugees claiming asylum in Germany in 2015 introduces an additional risk factor to future federal solvency. While long-term budgetary consequences are highly uncertain, the fiscal consequences will crucially depend on how well immigrants integrate into the labor market.

Citation:

Global Competitiveness Report 2016-2017: World Economic Forum

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2016): Zeit für Reformen, Jahresgutachten 16/17, Sachverständigenrat: Wiesbaden. Online:

<http://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2016-2017.html>

Stiftung Marktwirtschaft (2016): EU-Nachhaltigkeitsranking 2016, Wenig Fortschritte in Europa, Konsolidierungsbedarf bleibt bestehen, Pressemitteilung 16. November 2016.

Research and Innovation

R&I Policy
Score: 9

Germany's performance in the area of research and development remains positive. According to the World Economic Forum, Germany's capacity for innovation ranks among the world's top performers. In the Global Competitiveness Report 2016 – 2017 (p. 61), Germany improves to rank 4, trailing less than 0.3 points behind leading nation Switzerland in the area of technological development, and product and process innovation. Furthermore, Germany ranked 7 out of 140 countries for patent applications per inhabitant, a one position deterioration over the previous year (Global Competitiveness Report 2016: 187).

Regarding funding, the German government continues to raise budgets on research and development. Its spending remains above the European average. The budget of the Ministry of Education and Research was increased to €14.1 billion in 2014, €16 billion in 2015, and €17.6 billion in 2016, a record setting mark that exceeds 2015 by 7%.

In contrast to numerous other European countries, Germany does not offer general R&D tax incentives, but rather concentrates on targeted funding of specific programs. Companies' expenditures on R&D are strong, but public-private partnerships and collaboration between universities and industry leave room for improvement. The government has continued to pursue its so-called excellence initiative within the tertiary education sector, introducing a third stage in June 2016. 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. Over the past years, as Germany increased the research and education budget and pursued its excellence initiative within the tertiary education sector, the quality of its scientific research institutions improved slightly. In the Global Competitiveness Report 2016 – 2017 edition (p. 187) Germany performs well in higher education and training. While maintaining its score of 5.6 (0.6 points behind leading nation Singapore), Germany improved by one position to 16th out of 138 countries.

Citation:

Global Competitiveness Report 2016-2017. World Economic Forum.

Bundesministerium für Bildung und Forschung - BMBF (2016): Der Haushalt des Bundesministeriums für Bildung und Forschung. Internet source:

<https://www.bmbf.de/de/der-haushalt-des-bundesministeriums-fuer-bildung-und-forschung-202.html>

Global Financial System

Stabilizing
Global Financial
Markets
Score: 9

In the aftermath of the financial 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 in the future avoiding costly public bailouts of private banks.

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. The country is also exposed to risks through the ECB's TARGET payment system.

Germany has been an early advocate of a European banking union, integrating several elements into national law (e.g., rules for bank restructuring in a crisis)

before EU standards emerged. Internationally, Germany argued vigorously in favor of coordinated, international steps to reform the global financial system and to eliminate tax and regulatory havens. In addition, Germany is one of the driving forces that helped to develop the G-20 summit into a first-class forum for international cooperation. Despite these efforts, however, Germany has also clearly defended the interests of its domestic banking system, particularly with respect to the special deposit insurance programs of state-owned savings banks (Sparkassen). The government remains concerned that pooling Europe's deposit insurance systems too early could result in the collectivization of bad bank debts.

Although skeptical at first, the German government ultimately revised its position regarding the implementation of an EU level financial transaction tax (FTT). The European Commission proposed to introduce an FTT within the European Union by 2014. Later on, implementation was postponed until 2016. The proposal received mixed reviews among experts and policymakers. However, 11 EU member states, including Germany, are determined to introduce the FTT driven by the (contested) argument that it may reduce risky derivatives transactions, raise significant revenue and promote justice. The FTT was endangered by the withdrawal of Lithuania, Slovenia and Greece in late summer 2015. The critical number of participating countries can still be met if the Greek government recommits. While there has been limited progress, Germany and France remain the strongest proponents of an EU FTT. Now that its strongest opponent, the United Kingdom, is going to leave the EU, an FTT is more likely (Sachverständigenrat 2016: 156). However, in June 2016, while preparing for the G-20 summit in China, Finance Minister Wolfgang Schäuble (CDU) renewed demands for a global financial transaction tax. This may indicate an end to the EU FTT plans (Welt 2016).

Citation:

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2016): Zeit für Reformen, Jahresgutachten 16/17, Sachverständigenrat: Wiesbaden. Online:
<http://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2016-2017.html>

Die Welt (2016): <https://www.welt.de/wirtschaft/article157289464/Das-schleichende-Ende-eines-linken-Steuer-Traums.html>

II. Social Policies

Education

Education Policy
Score: 7

Since the first PISA study in 2000, the OECD has often repeated its criticism that access to education in Germany is stratified and educational attainment is particularly dependent on pupils' social backgrounds. Educational opportunities are particularly constrained for children from low-income families and for immigrants. PISA results from 2012, however, had shown significant improvements (OECD 2013), reflecting possibly a catalytic effect of the “PISA shock” in the early 2000s. Germany ranked above the OECD average in mathematics, reading and science, and the importance of students' socioeconomic background had lessened. While in 2000, the level of social equity in German education was among the lowest of all OECD countries, Germany had risen to around the OECD average in 2012. The most recent PISA results from 2015 indicate a setback in science and mathematics, further stable performance in reading and confirm a looser link between socioeconomic background and performance compared to the 2000s (OECD 2016).

Other indicators confirm that Germany is still lagging behind the top education performers, but is steadily catching up. In 2012, Germany ranked twentieth 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 education system quality (Global Competitiveness Report 2012 – 2013: 442). In 2016, the overall quality of the education system improved slowly (a score of 5.6, ranking the country 17th in 2016). In 2016, Germany ranked 17th out of 140 countries with an improvement score of 5.6.

In contrast to other countries, the proportion of individuals with tertiary education has remained astonishingly low for several decades. The proportion of young people with tertiary education in 2016 (29.6% of the population between 23 and 34 years old) lags behind the OECD average and ranks sixth lowest among OECD countries. Overall, close to 60% of the population have completed upper secondary, with 13.2% possessing less than an upper secondary education.

However, Germany exceeds the OECD average in youth participation in vocational tertiary education programs by 4% (OECD 2014: 4). The success of Germany's dual vocational training approach has become a role model for southern European countries, which have high youth unemployment rates, such

as Spain (where a reorganization of vocational programs has been underway since 2012).

Regarding segmentation, the OECD's criticism is not uncontested, since it overemphasizes academic degrees as a criterion of educational success. Vocational education (ISCED levels three and four) reduces the need for initial on-the-job training, tends to increase the individual productivity that can be initially expected from a worker 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 post-secondary vocational education and training is about 20%, much higher than the OECD average. All in all, the German education system excels in offering competencies relevant for labor market success, resulting in a very low level of youth unemployment (rank 2 among OECD countries). Thus, defining educational 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.

Concerning the influx of refugees in 2015 and, to a lesser extent, in 2016, their inclusion in the education system will be one of the most important tasks for their successful integration into German society.

Citation:

<http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/#indicatorId=GCLB.05>

<https://data.oecd.org/eduatt/adult-education-level.htm#indicator-chart>.

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OECD (2016): Programme for International Student Assessment (PISA), Results from PISA 2015, Country Note Germany.

Social Inclusion

Social Inclusion
Policy
Score: 7

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, supplemented by a need-oriented minimum income. Unemployment benefits have required some supplementation over the last decade and have to some extent even been replaced by need-oriented minimum levels of income.

There are a variety of minimum income benefit schemes, comprising unemployed (“Hartz IV”), disabled, old age minimum income support and asylum seeker assistance. The total number of recipients across all of these schemes increased in recent years and reached 8 million in December 2015 (9.7% of the population, Statistisches Bundesamt 2016). The composition of this number has been changing, with a declining number of Hartz IV recipients (due to the employment boom) and an increasing number of asylum seekers and old age minimum income recipients. About 540,000 are people over 65 and their numbers continue to grow. Generally, the risk of poverty for current pensioners is lower in comparison to the general population but is expected to rise significantly for future generations. This risk is already much higher for women than for men; the risk of poverty for women is also higher in the general population.

Until recently, income support for the working poor was provided through tax financed government transfers. However, in January 2015, this approach was fundamentally augmented with the introduction of a national statutory minimum wage designed to increase the market income of this at-risk segment of the population. Whether this innovation fosters or damages social inclusion will largely depend on its employment effects. No massive job losses are as yet noticeable.

In addition to the increasing threat of poverty in old age, the massive increase in asylum seekers and refugees since 2015 constitutes a second major challenge for the successful inclusion of all segments in the population. At the time of writing, it is not possible to forecast how well refugees will socially integrate. However, in 2016, public agencies, supported by civil society organizations, were largely effective in managing the crisis and providing essential living conditions to asylum seekers. However, increasing costs and concerns are making integration policies and social inclusion much more difficult than in previous years.

Citation:

Statistisches Bundesamt (2016): 8,0 Millionen Empfängerinnen und Empfänger von sozialer Mindestsicherung am Jahresende 2015, Pressemitteilung vom 28. November 2016 - 419/16.

Health

Health Policy
Score: 8

The German healthcare system is of high quality, inclusive and provides healthcare for almost all citizens. It is, however, challenged by increasing costs. Recently, the system’s short-term financial stability was better than expected due to buoyant contributions resulting from the employment boom. However, long-term financial stability is challenged by the aging population. Healthcare

spending as a proportion of GDP in Germany is higher (11.0% of GDP compared to 8.9% of GDP for OECD average) and increasing faster since 2010 than the OECD average (OECD 2016).

In its coalition agreement, the current grand coalition negotiated a variety of reform measures to increase the quality of healthcare, redefine some financial details, and reorganize the registration of physicians in private practice and the distribution of hospitals. However, the government only introduced minor changes. The most important change is the so-called law of strengthening self-administration in healthcare (“Selbstverwaltungsstärkungsgesetz”), which tries to enhance ministerial influence over the self-governing bodies. With this law, the Federal Ministry of Health aims to strengthen its influence over the National Association of Statutory Health Insurance Physicians, which had been engaged in criminal financial activities. The law is still pending in the legislature. Other important policies were the reduction of the contribution rate from 15.5% to 14.6% of gross wages and the confirmation of a fixed contribution rate for employers of 7.3%. Employee contributions are 7.3% of gross wages and again equal employers’ contributions. The additional contribution from employees, which was previously a lump-sum contribution, is now calculated as a percentage of their assessable income and can vary between insurance companies, reintroducing an element of competition.

In 2015, the contribution rate for long-term care insurance increased by 0.3 percentage points. It will increase by a further 0.2 percentage points in 2017. Thus, a total of € billion will additionally be available for improvements in long-term care. A part of the additional revenue will feed a precautionary fund intended to stabilize future contribution rates. In addition, families that wish to provide care at home are given greater support. Two additional important policies were the Hospital Structures Act and an act to strengthen care provision in the statutory health insurance system. The aim of the Hospital Structures Act, effective from January 2016, is to improve the quality of hospital care and increase the financing available to hospitals. The care provision act guarantees a high level of access to medical care for patients in the future. These two acts will be key to increasing the quality of the German healthcare system.

While the government has been ambitious in fostering a high-quality health system, it is not sufficiently limiting spending pressure. In particular, it has been hesitant to open the system to more competition (e.g., with respect to pharmacies). When the European Court of Justice recently ruled against fixed prices for prescription drugs, the minister of health was quick to announce a ban on mail-order pharmaceuticals. This reaction is consistent with an overall protectionist approach with heavy market entry-regulation for pharmacies.

Citation:

<http://stats.oecd.org/Index.aspx?DataSetCode=SHA>

https://www.bundesgesundheitsministerium.de/fileadmin/Dateien/3_Downloads/Gesetze_und_Verordnungen/GuV/S/SVSG_Kabinett.pdf.

<http://www.bmg.bund.de/en/health>

Families

Family Policy
Score: 8

For decades, 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 a shortage of public childcare contributed to women's low rate of participation in the labor market.

Today, this traditional approach has been substantially corrected. Parental leave, previously short and lacking adequate compensation, has 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 their net income prior to leave. Additionally, the number of public childcare places has increased. A legal right to childcare beginning at age one came into effect in August 2013. By March 2015, the ratio of children under three with access to a childcare institution had increased to 32.9% (Datenreport 2016: 2). The number of children per kindergarten teacher varies considerably between states with higher child-teacher ratios in eastern states.

A highly contested financial childcare supplement for children up to age three not attending a childcare facility was introduced in 2012, but retracted in 2015. This childcare supplement was hotly debated inside and outside the Bundestag, with critics arguing that it provided poor incentives and would serve as a hindrance to integration. In July 2015, the Federal Constitutional Court (Bundesverfassungsgericht 2015) decided that the federal government exceeded its competences and declared the regulation unconstitutional. However, the Bavarian state government has continued to provide the childcare supplement on a state level.

In November 2014, a new bill was passed stipulating further measures to facilitate both work and family. Parents who want to work part-time while on parental leave may apply for parental allowance Plus (ElterngeldPlus).

In summary, these measures, in combination with an increasing shortage of qualified labor, have led to a considerable increase in women's labor market

participation. While in 2000 only 57.7% of 15 to 64 year old women were employed, this measure has increased to 73% (Statistisches Bundesamt 2016). In the EU today, Germany (together with Denmark) ranks second only behind Sweden in terms of female labor market participation (Eurostat). However, German women are particularly often in part-time work. Although low by international standards, Germany's fertility rate has started to increase. By 2014, after three successive year-on-year increases, Germany's fertility rate had reached 1.5 children per woman (Statistisches Bundesamt 2016).

Citation:

Bundesverfassungsgericht

(2015):

<https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2015/bvg15-057.html>

https://www.destatis.de/DE/Publikationen/Thematisch/Arbeitsmarkt/Erwerbstaetige/BroeschuereArbeitsmarktBlick0010022169004.pdf?__blob=publicationFile

https://www.destatis.de/DE/Publikationen/Datenreport/Downloads/Datenreport2016.pdf?__blob=publicationFile

https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdfhttp://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_10&language=en

Pensions

Pension Policy
Score: 6

Germany has engaged in a significant number of pension reforms in recent decades. In particular, a 2004 reform aims to make the pension system more sustainable through increasing the retirement age and reduction in future pension increases linked to demographic change. In 2014, the current government reversed the previous pension reform agenda. Subsequent reforms have been hotly disputed with critics claiming they would undermine the long-term sustainability of the pensions system. First, the government reduced the retirement age by two years for workers who have contributed to the pension system for at least 45 years. Second, it provided a catch up for housewives with children born before 1992 relative to those with children born after 1992. Finally, pensions for people with disabilities were improved. The calculation will now include two additional years of (fictive) contributions. The cost of these reforms is estimated to be €160 billion by 2030. Public subsidies for the pension fund will increase from €400 million to €2 billion by 2022.

In June 2016, pension payments increased by an astonishingly high rate of 5.03% in the east of Germany and 4.35% in the west of Germany. This is the largest increase in pension payments since 1993 and due to increasing wages and high employment rates. However, increasing healthcare contribution rates and long-term care insurance costs will reduce the level of net pension increases. Even so, the statutory pension level is expected to decrease about 6% by 2045 due to the current pension adjustment formula. This expected decrease has been hotly discussed, but no legislative reforms have been undertaken.

Integration

Integration Policy
Score: 7

According to a 2015 micro-census, more than 21% of the people living in Germany had a migrant background. Between 2014 and 2015, the share of the population with a migrant background increased by about 5.5% to a total of 17.1 million. This increase is consistent with the trend of the last decade (Statistisches Bundesamt 2016). The Federal Statistical Office calculated that 2.137 million people immigrated to Germany in 2015. This is an increase of 46% compared to 2014.

While Germany already had an extremely liberal regime for migrants from EU member states, a liberalization of labor migration from non-EU countries has taken place. According to the OECD (2013), these reforms “have put Germany among the OECD countries with the fewest restrictions on labor migration for highly skilled occupations.” Nevertheless, there is an ongoing public debate about the need to modernize immigration legislation further. In 2014, the government introduced the right to dual citizenship. This reform abolished the requirement for most children born in Germany to non-German parents to decide between the citizenship of their birth and the citizenship of their parents.

When in 2015 the number of refugees claiming asylum in Germany far exceeded prior levels, the topic of immigration and integration became a priority among the public. The reaction of civil society to the high number of asylum seekers (890,000 in 2015, Bundesministerium des Innern 2016) has been mixed. Although a majority of the population initially appeared to welcome the government’s open approach, skepticism increased as the numbers of refugees claiming asylum remained high and safety and crime concerns grew (in particular following the 2015 New Year’s Eve incidents in Cologne, where numerous migrants were arrested for sexual assault and robbery). Furthermore, xenophobic parties (e.g., AfD) quickly began to organize an opposition to the arrival of refugees. This opposition has been successful in most of the state (Länder) elections. The AfD gained seats in several state parliaments, though none of the traditional democratic parties are willing to cooperate with it.

Initially, the government lacked a comprehensive crisis management strategy. However, after disputes between the coalition parties, the federal government took a first step toward solving the problem in October 2015. The reform package includes substantial financial support for states and municipalities, the provision of early integration and language courses, and special support for child refugees travelling without their parents (Presse- und Informationsamt der Bundesregierung, October 2015). In addition, the registration of refugees was extended and improved; among other things, fingerprints are now taken.

These policies were followed by attempts to restrict and regulate the influx of refugees. The most important measures were the so-called asylum packages I and II. The first package included an expansion of countries of origin considered safe (Albania, Montenegro and Kosovo), accelerated the recognition procedures and strengthened financial support for the municipalities. Moreover, benefits were changed from cash to in-kind. The second package, introduced in February 2016, restricted the right to family reunion for people granted subsidiary protection and once again expanded the countries of origin considered safe (Algeria, Morocco and Tunisia), to mention only the most important regulations.

The short-term management of the refugee crisis has been largely successful with respect to the logistics of refugee reception. Given the very large numbers of people coming into the country in 2015, government authorities (at the municipal, state and federal level) have shown a remarkable effectiveness, in stark contrast to the miserable refugee reception in other EU countries in the south and east. This reception capacity benefited greatly from civil society's support.

The long-term challenge of integration remains a crucial concern, including the successful integration of the refugees into both the education system and labor market. Much will ultimately depend on whether broader cultural integration will succeed. So far, German civil society remains in favor of integrating refugees. However, there is a danger of strengthening xenophobia if problems of cultural alienation and safety concerns grow. This challenge will be much harder to manage and there remain substantial deficiencies. Success will require effective integration policies and broad political consensus. To date, the government has not provided any clear strategy to promote long-term integration and build political consensus.

A further stress factor for integration results from recent political developments in Turkey, where the policies of the Erdogan government also polarize Turkish communities in Germany. This has resulted in divergent perceptions on the importance of free media, the rule of law and separation of powers (values enshrined in the German constitution), raising concerns about an absence of common values.

In 2016, the German Islam Conference, which assisted in the development of an intercultural dialogue between government officials and Muslim civil society organizations, celebrated its 10-year anniversary. The respective festivities emphasized the existence of the Conference, but little progress has been realized. The main exceptions are efforts to introduce Islamic religious instruction at state schools and the establishment of chairs for Islamic theology at German universities.

Overall, the way Germany logistically dealt with the inflow of almost a million refugees in a very brief period of time is impressive. The main challenge for the future will be to integrate these people into German society. The government and political parties are still struggling to come up with a convincing strategy for this immense task.

Citation:

Statistisches Bundesamt:

<https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Wanderungen/Wanderungen.html>

<https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Mikrozensus.html>

BAMF 2015: Aktuelle Zahlen zu Asyl, Tabellen, Diagramme, Erläuterungen, Dezember 2015.

BMI 2015: <http://www.bmi.bund.de/SharedDocs/Pressemitteilungen/DE/2015/11/asylantraege-oktober-2015.html>

Presse- und Informationsamt der Bundesregierung 2015 (15 October): <https://www.bundesregierung.de/Content/DE/Pressemitteilungen/BPA/2015/10/2015-10-15-integration-asylpaket.html>

Bundesministerium des Innern (2016): 890.000 Asyl-su-chen-de im Jahr 2015, Pressemitteilung 30.09.2016.

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

The Economist 2015: <http://www.economist.com/news/europe/21676781-no-one-was-sure-germany-could-handle-its-migrant-crisis-it-turns-out-it-can-german-flexibility>

Safe Living

Safe Living
Conditions
Score: 7

In general, residents of Germany are well protected against security risks such as crime or terrorism. Crime rates had been declining for years, but are now increasing. Compared to 2013 and 2014, in 2015 witnessed an obvious increase. A total of 6,330,000 crimes were reported in 2015, a 4% increase over 2014.

The influx of nearly 900,000 refugees in 2015 fostered a heated discussion about a potential rise in crime. However, a special survey of the Federal Criminal Police Office (Bundeskriminalamt) made clear that refugees and asylum seekers do not display any increased propensity toward criminality compared to German citizens. On the contrary, crime rates of immigrants declined about 18% compared to 2015. Offences that do occur mostly take place between the immigrants themselves (resulting from ethnic or religious tensions) and often in welcome centers and other institutions for incoming migrants.

Notwithstanding, during the 2015 New Year's Eve celebrations in Cologne and other German cities, hundreds of sexual assaults, at least five rapes, and numerous thefts were reported. Victims and police officers reported that the perpetrators had been men mostly of Arab and/or North African origin. The attacks triggered a heated debate that often was accompanied by strong prejudices against migrants and foreigners. The attacks also lead to an increase of negative attitudes toward immigration into Germany and triggered more violent attacks from right-wing movements against immigrants and foreigners.

In addition, several terrorist attacks by Islamist extremists over the course of 2016 as well as planned attacks prevented by the police clearly indicate a significant increase in the risk of terrorist attacks. The group of Islamist extremists is quickly growing in number, attracting support principally among younger German Muslims, but also among some refugees.

Also, extremist activities by right-wing and left-wing groups and organizations have increased sharply. Politically motivated violence rose to about 40,000 incidents, a sharp 34% rise in right-wing and 18% in left-wing attacks. The number of xenophobic attacks on accommodations for asylum seekers increased dramatically at the end of 2015 (472 attacks in the last calendar quarter), but decreased slightly in the first quarter of 2016 (345).

Citation:

<http://www.zeit.de/gesellschaft/zeitgeschehen/2016-06/bundeskriminalamt-statistik-straftaten-asylbewerber>

<https://www.tagesschau.de/inland/straftaten-auslaender-erklaerung-101.html>

http://www.bmi.bund.de/SharedDocs/ExterneLinks/DE/01-Sicherheit/Kriminalitaet/bka_pks.html?nn=3356948

http://www.bmi.bund.de/SharedDocs/Downloads/DE/Broschueren/2015/pks-2014.pdf;jsessionid=BB52FF2F07734E52EFCFEA67A076B447.2_cid364?__blob=publicationFile

Die Zeit (2015): <http://www.zeit.de/politik/deutschland/2015-11/bundeskriminalamt-fluechtlinge-deutsche-straftaten-vergleich>

Global Inequalities

Global Social
Policy
Score: 8

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

The country'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 principals 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 countries and emerging markets.

The dramatic increase in refugees arriving in Germany in 2015 has increased the German government's awareness of the importance of stable social, economic and political conditions in developing countries. This has had a clear budgetary impact: the 2017 draft federal budget, proposes to increase the resources of the Federal Ministry for Economic Cooperation and Development by 15% (€1.1 billion), with a particular focus on fighting the causes of flight in North Africa and helping Syria and neighboring countries (Bundesregierung 2016).

Citation:

Bundesregierung (2016): Etat für die Entwicklungspolitik, Mehr Engagement für Flüchtlinge und für Afrika, 23.11.2016, [.bundesregierung.de/Content/DE/Artikel/2016/09/2016-09-08-etat-bmz.html](https://www.bundesregierung.de/Content/DE/Artikel/2016/09/2016-09-08-etat-bmz.html)

III. Environmental Policies

Environment

Environmental
Policy
Score: 8

In the latest Environmental Performance Index, Germany places only among the second tier of “strong performers,” ranking behind its European peers. After ranking sixth worldwide in 2015, Germany now is ranked 30th in the world, trailing behind frontrunner Finland by roughly 6.4 points (90.68, EPI 2016: 18). However, Germany improved its score from 80.47 to 84.26 (Environmental Performance Index 2016: 111). The authors note that in absolute numbers Germany improved considerably, exhibiting “historically good environmental records” (Environmental Performance Index 2016: 111). Germany performs well in the areas of water resources, sanitation, biodiversity, climate and energy. The reason for the huge ordinal drop in rank (other countries dropped significantly as well, Switzerland from rank 1 to 16) are mainly due to improvements in the methodology of the index (e.g., new indicators). In the case of Germany, “more robust and telling air quality measures” (111) led to a reassessment of Germany's air quality. Current government policies geared toward forests and fisheries likewise leave ample room for improvement.

The greatest environmental policy challenge remains adequately responding to the 2011 government decision to phase out nuclear energy by 2022. The coalition decided that the financial responsibility for the demolition of nuclear plants and resulting atomic waste would remain fully with plant operators. How this decision will influence energy prices remains an open question, but it will very likely place further burdens on consumers. With regard to alternative forms of energy production, Germany is comparatively well prepared. The country has become an investor friendly destination for renewable energy, offshore wind

farms, cogeneration, and the energy efficient redevelopment of buildings and other infrastructure. Nonetheless, today only 30% of Germany's total energy production is supplied by renewables (AG Energiebilanzen). As a key component of the energy system transition, the government seeks to increase the share of renewable energy in electricity consumption to at least 40% by 2025 and 55% by 2035. Thus, major challenges remain regarding how to organize and finance the demolition of nuclear plants and storage of wastes, expand the electric grid to supply renewable energy, and harmonize the phase out of nuclear energy while also reducing CO2 emissions.

All three challenges received attention in the current review period. The renaissance of lignite use after the shutdown of the first nuclear plants endangers the goal of successfully reducing CO2 emissions. In fact, according to estimates by AG Energiebilanzen, German CO2 emissions rose in 2015 despite an increase of renewable energy production (Cleanenergywire 2016) putting even more pressure on the government's ambitious CO2 emission targets.

Instead of a carbon tax, proposed by Minister of Economic Affairs and Energy Sigmar Gabriel, public investments and subsidies will be allocated for energy efficiency. To accommodate concerns from citizens groups in southern Germany, the building of new high-voltage transmission lines will be avoided or installed underground. This compromise implies additional costs of roughly €10 billion, which are to be covered by taxpayers. In particular with regard to the projected costs of underground power cables, one can expect public estimates to be overoptimistic. In September 2016, Bavaria's energy minister, Ilse Aigner, stated investment costs of approximately €6 billion. In reply, Lex Hartman, CEO of Tennet, an electricity company involved in the construction, estimated construction costs to be €15 billion.

In 2016, Germany also took steps to reform the Renewable Energy Act (EEG). The reform introduces market-based elements to support renewable energy investments and institutes an auction system that aims at keeping the annual capacity added into the grid steady. This new system replaces feed-in-tariffs that led to an uncontrolled, rapid rise in renewable energy sources which can no longer be accommodated by the energy grid's infrastructure.

Citation:

Environmental Performance Index 2014: http://epi.yale.edu/files/2014_epi_report.pdf

Environmental Performance Index 2016: http://epi.yale.edu/sites/default/files/2016EPI_Full_Report_opt.pdf

Energy mix:

<https://www.cleanenergywire.org/news/german-co2-emissions-rise-2015-despite-renewables-surge>

Power cables:

http://www.br.de/nachrichten/tennet-gleichstromleitung-kosten-100~_page-3_-c0952f36551827d5d4e31304bf17075108eca8d1.html

EEG Novelle:

<https://www.cleanenergywire.org/factsheets/eeg-reform-2016-switching-auctions-renewables>

<https://www.bmwi.de/BMWi/Redaktion/PDF/G/gesetzentwurf-ausschreibungen-erneuerbare-energien-aenderungen-eeg-2016,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf>

<http://www.wiwo.de/politik/deutschland/energie/wende-barbara-hendricks-kritisiert-sigmar-gabriels-energie-kompromiss/12006466.html>

Global Environmental Protection

Global
Environmental
Policy
Score: 9

Germany is a driving force in international climate policy, in the development of renewable energies, and in efforts to improve energy and resource efficiency. The German government actively promotes strategies fostering environment- and climate-friendly development. The G7 summit held in June 2015 achieved remarkable progress toward an international agreement for global climate protection. Germany, using its presidency of the G7, was able to ensure that climate policy had the highest priority during the summit, setting the stage for the Paris Agreement. The Paris Agreement committed to a maximum rise in average global temperatures of “well below 2 degrees.” The Agreement is a breakthrough because, for the first time, nations have to define their contributions to fighting climate change (Germany: 2.56%). The Paris Agreement was formally ratified by the EU on 5 October 2016 and put into force 4 November 2016 (European Commission 2016). Germany also ratified the Paris Agreement. The Bundesrat agreed to it in September 2016 after the Bundestag unanimously approved it.

In 2014, Germany had reduced its greenhouse gas emissions by almost 27% in comparison to 1990 and is committed to a reduction of 40% by 2020 (Umweltbundesamt 2015). The country has achieved high economic performance levels with relatively modest energy consumption by international standards.

Leaders’ Declaration G7 Summit, (7– 8 June 2015):
https://www.g7germany.de/Content/DE/_Anlagen/G8_G20/2015-06-08-g7-abschluss-eng.pdf?__blob=publicationFile&v=6

Umweltbundesamt (2015): <http://www.umweltbundesamt.de/daten/klimawandel/treibhausgas-emissionen-in-deutschland>

Greenpeace (2015): <https://www.greenpeace.de/presse/presseerklarungen/kommentar-zu-den-g7-beschlussen-zum-klimaschutz>

Statista (2016): Höhe der Treibhausgas-Emissionen in Deutschland in den Jahren 1990 bis 2015. Internet source:

<https://de.statista.com/statistik/daten/studie/76558/umfrage/entwicklung-der-treibhausgas-emissionen-in-deutschland/>

European Commission (2016): Paris Agreement. Online source:

http://ec.europa.eu/clima/policies/international/negotiations/paris/index_en.htm

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 constitution can be prohibited by the Federal Constitutional Court.

The Political Parties Act (Parteiengesetz, PPA) sets general criteria for the management 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 state parliamentary body (Landtag) during the last legislative period, they are allowed run in the election without any initial approval from the Federal Election Committee (Bundewahlausschuss, FEC).

Media Access
Score: 10

Political campaigning is largely unregulated by federal legislation, a fact modestly criticized by the latest OSCE election report (OSCE 2013: 1). 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 applications (Art. 5 sec. 2). The extent of public services parties are able to use depends on their relative importance, which is based on each parties' results in the last general election (Art. 5 sec. 3). This is called the "principle of gradual equality," and constitutes the basis for 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 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 they demand for commercial advertising (Die Medienanstalten 2013: 12). Despite these rules, there is a persistent debate as to

whether the media's tendency to generally focus coverage on the six largest parties and, in particular, on government parties is too strong.

The OSCE's Office for Democratic Institutions and Human Rights (ODIHR) concluded with respect to the general elections in 2009: "[t]he amount and pluralistic nature of the information available allowed the voters to make an informed choice" (ODIHR 2009: 2). This general evaluation is still valid and no important rules have changed since.

Citation:

OSCE (2013): Federal Republic of Germany. Elections to the Federal Parliament (Bundestag). 22 September 2013. OSCE/ODIHR Election Assessment Mission Report. Warsaw: OSCE/ODIHR. Internet source: <http://www.osce.org/odihr/elections/109518?download=true> (11/05/2014).

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, sections 12.1, 15). By judicial order, the right to vote can be denied to criminals, persons lacking legal capacity and convicts residing in a psychiatric hospital (Federal Electoral Act, sec.13). Prior to an election, every registered citizen receives a notification containing information on how to cast a vote as well as an application form for postal voting. Today, postal voting is widely used, largely without issue (according to the Federal Returning Officer, in the last general election 24.3% of registered voters voted by mail). Citizens not included in the civil registry (e.g., homeless people) are eligible to vote but have to apply to 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 fifteenth birthday and have not 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 affected by German political conditions. Germans living abroad have to register to vote with the authorities of their last domestic residence at least 21 days before the election. They can then cast their vote by mail (cf. Federal Elections Act sections 36, 39 and Federal Electoral Regulations).

During the period under review, there were several state elections (Baden-Wuerttemberg, Rhineland-Palatinate, Saxony-Anhalt, Mecklenburg-Vorpommern and Berlin). As in previous elections, no major irregularities or complaints about voter registration, voter lists or postal voting were reported.

Citation:

OSCE (2013): Federal Republic of Germany. Elections to the Federal Parliament (Bundestag). 22 September 2013. OSCE/ODIHR Election Assessment Mission Report. Warsaw: OSCE/ODIHR. Internet source: <http://www.osce.org/odihr/elections/109518?download=true> (11/05/2014).

Postal ballot:

Information provided by the Federal Returning Officer

<http://www.bundeswahlleiter.de/de/glossar/texte/Briefwahl.html>

Federal Elections Act (BWG) Sections 36, 39

Federal Electoral Regulations (BWO) Sections 20, 25 to 31, 66, 74, 75

Party Financing
Score: 8

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 vote in federal or EU elections, or 1% in 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 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. Since 2013, this cap has been annually adjusted for inflation.

Public financing, however, must be matched by private funding. Thus, parties with little revenues from membership fees and donations receive less than they would be entitled to based on votes alone. This has caused problems for the right-wing populist Alliance for Germany (AfD), which won many votes but produced little other revenues, limiting the party's public funding. Since any type of revenue counted, the AfD tried to inflate party revenues by selling gold. In January 2016, the Bundestag responded by passing an amendment making profits instead of turnover the basis for calculating the amount of public financing.

The insufficient transparency of party finances continues to receive criticism. The Group of States against Corruption (GRECO) has identified some progress with respect to transparency, but continues to point out shortcomings in the German system (GRECO 2011). However, as their 2013 report notes, the Bundestag's Committee on Internal Affairs and "the coalition parliamentary groups ... saw no need for further action" (GRECO 2013: 5) to implement GRECO's previous recommendations. 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. All donations less than €10,000 and revenues coming from party sponsorship remain opaque. By law, the names and addresses of campaign donors must be made public only if donations from that source exceed €10,000 per year.

German regulation on monitoring party financing is developed. In 2016, the public was reminded, however, that there is still room for improvement. Werner

Mauss, member of the CDU and former employee of the Federal Intelligence Agency (BND), had illegally donated more than €100,000 since 1999 using a false name and transferring the funds via an offshore company. Other scandals have also increased pressure to amend the party financing regulations. For example, in 2015, the CDU received approximately €80,000 in sponsorship money from Philip Morris International (PMI), a large tobacco company headquartered in the United States. The SPD, FDP, and party-affiliated foundations have also profited from PMI sponsorship. Sponsorship money totaling half a million euros, however, were not registered in the parties' statements of accounts. Although perfectly legal, experts have criticized this regulatory gap: revenues stemming from sponsorship currently do not have to be listed separately. This practice was also heavily criticized because lobby groups were invited to sponsor events in exchange for access to the leadership of the SPD.

Citation:

OSCE (2013): Federal Republic of Germany. Elections to the Federal Parliament (Bundestag). 22 September 2013. OSCE/ODIHR Election Assessment Mission Report. Warsaw: OSCE/ODIHR. Internet source: <http://www.osce.org/odihr/elections/109518?download=true> (11/05/2014).

GRECO (2013): Third Evaluation Round. Second Interim Compliance Report on Germany. Strasbourg. Available online: http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282013%2915_2nd%20Interim_Germany_EN.pdf.

<http://www.zeit.de/politik/deutschland/2016-10/rheinland-pfalz-cdu-spenden-patrick-schnieder>

<http://www.zeit.de/politik/deutschland/2016-08/bundestag-abgeordnete-nebenverdienste-abgeordnetenwatch-18-millionen>

<http://www.zeit.de/politik/deutschland/2015-12/afd-gold-parteienfinanzierung-kommentar>

http://www.bundestag.de/blob/189364/7ebd436e401e15cd784ec7b8e0884a8a/staatl_partei_finanz-data.pdf

Popular Decision-Making
Score: 6

In Germany, referenda are of importance on 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 grown in use since German unification, with their increasing frequency bolstered by legal changes and growing voter awareness. However, discussions about introducing referenda on the federal level are ongoing and intensifying.

By the end of 2015, 6,958 direct democratic procedures had been recorded in German municipalities, 3,491 of which led to a referendum. Approximately 300 procedures are processed per year. City-states (i.e., Berlin and Hamburg), North Rhine-Westphalia and Bavaria have disproportionately high numbers of direct democratic procedures (Mehr Demokratie 2016). In 2015, 348 direct democratic procedures took place, a moderate increase compared to 2013 and 2014.

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. In 2014, five state-level citizenship initiatives were initiated. Of these five, the Berlin citizen initiative, concerning the future use of Tempelhof Field (a former airport that is now a public park), was the only successful initiative in its original form (Mehr Demokratie 2015). No new initiatives were observed in the period under review.

Citation:

https://www.mehr-demokratie.de/fileadmin/pdf/2016-06-16_BB-Bericht2016.pdfMehr

Mehr Demokratie (2015): Volksbegehrensbericht 2015. Available online:

http://www.mehr-demokratie.de/fileadmin/pdf/volksbegehrensbericht_2015.pdf

Demokratie (2016): Bürgerbegehren. Available online:

<http://www.mehr-demokratie.de/fileadmin/pdf/bb-bericht2014.pdf>.

Access to Information

Media Freedom
Score: 8

Germany's Basic Law guarantees freedom 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. Print media, which are largely self-regulated, are broadly independent of political interference. The German Press Council is tasked with protecting press freedom. In the World Press Freedom Index of 2016, Germany ranked 16th out of 180 countries, a slight decline from rank 12 in 2015.

The Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag) provides a general nationwide framework for the operation of 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 ban 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.

Citation:

World Press Freedom Index 2016. Available online: <https://rsf.org/en/ranking>

Media Pluralism
Score: 10

In Germany, the Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag, RfStV) defines a threshold of average annual viewership share of 30%, 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 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, public broadcasters hold a market share of 44.3%, slightly more than in 2012. In the private sector, the RTL Group holds 24.3% market share, while the ProSiebenSat.1 Media AG accounts for 18.8% of the total television market. TV is the most used media (80%), followed by radio (65%) and the Internet (63%).

The nationwide print media market is dominated by five leading daily newspapers: Süddeutsche Zeitung, Frankfurter Allgemeine Zeitung, Die Welt, Handelsblatt and the tabloid Bild. Bild has by far the biggest circulation in Germany. Additional agenda-setters are a number of weeklies, in particular Der Spiegel, Focus, Die Zeit and Stern.

With newspaper circulation continuously falling, the Internet has become an increasingly important medium for citizens to gather information. This has forced print media to engage in significant cost cutting measures, including reducing the size of editorial staff. This structural change from print to electronic media has not been accompanied by increasing market concentration. In summary, Germany has a comparatively plural and diversified media ownership structure and modestly decentralized television and radio markets.

Citation:

<https://www.agf.de/daten/tvdaten/marktanteile/>

<https://www.agf.de/daten/tvdaten/marktanteile/>

https://www.bdzv.de/fileadmin/bdzv_hauptseite/aktuell/publikationen/2016/ZDF_2016.pdf

<https://de.statista.com/themen/101/medien/>

<https://de.statista.com/statistik/daten/studie/74804/umfrage/marktanteile-oeffentlich-rechtlicher-und-privater-vollprogramme/>

Access to
Government
Information
Score: 8

The Freedom of Information Act took effect in 2006. The act defines what government information is publicly available. In his fifth annual report (BfDI 2016), covering the period 2014 to 2015, Federal Commissioner for Data Protection and Freedom of Information Andrea Voßhoff acknowledges that – with the exceptions of Bavaria and Hesse – all German states have adopted their own freedom of information laws or are in the process of developing legislation.

Even so, citizens remain largely unaware of the federal Freedom of Information Act. Although many federal agencies strive for transparency, 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 thus confidential. In an overall assessment in 2016, Andreas Voßhoff concluded that citizens are increasingly making use of their rights and that federal authorities “no longer regard the information right of citizens as a nuisance but as a significant element of a civil society” (BfDI 2016). This is also mirrored in the position of the federal commissioner. In 2014, the Bundestag passed a law that took effect on 1 January 2016 elevating the federal commissioner to the status of an independent supreme federal authority. As a result, the federal commissioner is subject exclusively to parliamentary and judicial control. However, adequate resources as well as a strengthening of sanctioning powers of the federal commissioner remains advisable.

Citation:

BfDI (2016): Tätigkeitsbericht zur Informationsfreiheit für die Jahre 2015 und 2016, 5. Tätigkeitsbericht, http://www.bfdi.bund.de/SharedDocs/Publikationen/Taetigkeitsberichte/TB_IFG/5TB06_16.pdf;jsessionid=9D46E3C5F43A9D0C65D1FBEDD739E771.1_cid354?__blob=publicationFile&v=2

BfDI (2016): 10 Jahre Informationsfreiheit, Pressemitteilung, Bonn/Berlin, 05. Januar 2016.

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 legislature. In the Economist Intelligence Unit’s 2015 Democracy Index, Germany ranked 13th.

Recent scandals brought to light that the intelligence services neglected laws and disregarded national boundaries. In view of these revelations, it seems almost certain that state security agencies do not fully respect citizens’ civil rights. The federal privacy officer, Andrea Voßhoff, suggested in September 2016 that the Federal Intelligence Service (BND) systematically violated basic civil rights in collecting private data from citizens. His report claimed that data collection was illegal (Die Zeit, 1 September 2016).

In reaction to the increasing risk of radical Islamic terrorism, new measures have been taken which raise debates about the right balance between privacy and security. In June 2016, the German government expanded the competences of the BND for wiretapping. In addition, the government established a new state agency for continuous monitoring of Internet traffic, which was strongly criticized by the federal privacy office. In July 2016, the Federal Office for the

Protection of the Constitution (Bundesamt für Verfassungsschutz) was permitted to exchange data with their foreign counterparts. To sum up, the threat of radical Islamic terrorism has begun to change the structure of security policies in Germany and the balance between protecting and infringing liberal civil rights. Despite these changes, the overall level of protection remains high.

Citation:

http://www.eiu.com/public/topical_report.aspx?campaignid=DemocracyIndex2015

<https://netzpolitik.org/2016/das-neue-bnd-gesetz-alles-was-der-bnd-macht-wird-einfach-legalisiert-und-sogar-noch-ausgeweitet/>

<http://deutsche-wirtschafts-nachrichten.de/2016/06/24/bundesregierung-richtet-neue-behoerde-fuer-ueberwachung-im-internet-ein/>

<http://www.yabiladi.com/img/content/EIU-Democracy-Index-2015.pdf>

<http://www.zeit.de/politik/deutschland/2016-09/bundesnachrichtendienst-andrea-vosshoff-gesetzesverstoesse>

Political Liberties
Score: 9

Due to Germany's historical experience with National Socialism, political liberties are highly protected by the country's constitution (i.e., Basic Law). Freedom of expression is protected by the constitution (Art. 5), although there are exceptions for hate speech and Nazi propaganda, such as Holocaust denial. With the exception of cases where 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. All exceptions are applied very restrictively. For example, even extreme parties such as the far-right Nationaldemokratische Partei (NDP) currently have full freedom to operate. The Bundesrat appealed to the Federal Constitutional Court seeking to prohibit the NDP. The court's judgement is expected in January 2017. 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, religious belief or political conviction is equally important and has the same rights. The General Equal Treatment Act of 2006 added age and sexual orientation to that enumeration of protected categories. The Federal Anti-Discrimination Agency (FADA) monitors compliance with legal anti-discrimination 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 upper management. In 2015, the government adopted legislation to increase the number of women on corporate supervisory

boards. The law stipulates a 30% share of women on the boards of large companies.

The Federal Constitutional Court decided in June 2013 that treating same-sex and opposite-sex marriages differently from a taxation perspective was unconstitutional. Regulatory changes reflecting this ruling were adopted within weeks by the parliament. In January 2015, the court ruled that a bill banning headscarves for teachers at public schools must adhere to state laws (Ländergesetze). A general prohibition, incumbent on teachers in state schools, of expressing religious beliefs by outer appearance is not compatible with the freedom of faith and the freedom to profess a belief (Art. 4 secs. 1 and 2 of the Basic Law). However, in a dissenting opinion, two of the judges opposed the majority's reasoning, signaling that non-discrimination on religious grounds is a contested issue in society and in constitutional law.

Citation:

www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/EN/2015/bvg15-014.html

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 do 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 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 inarguably has a strong position in reviewing the legality of administrative acts. The Federal Constitutional Court (FCC) ensures that all institutions of the state obey the constitution. The court acts only when an appeal is made, but the court holds the right to declare laws unconstitutional and has exercised this power several times. In case of conflicting opinions, the decisions made by the FCC are

final; all other governmental and legislative institutions are bound to comply with its verdicts (Basic Law, Art. 93).

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), Federal Court of Justice (the highest court for civil and criminal affairs, Bundesgerichtshof), Federal Administrative Court (Bundesverwaltungsgericht), Federal Finance Court (Bundesfinanzhof), Federal Labor Court (Bundesarbeitsgericht) and 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 reputation for independence both domestically and internationally. In the World Economic Forum's Global Competitiveness Report 2016 – 2017, Germany's relative performance on judicial independence has declined in recent years, with Germany now ranked 24th out of 138 countries after ranking 17th in the previous year.

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 state ministers responsible for the sector and an equal number of members of the Bundestag. Federal Constitutional Court (FCC) judges are elected in accordance with the principle of federative equality (föderativer Parität), with half chosen by the Bundestag and half by the Bundesrat (the upper house of parliament). The FCC consists of sixteen judges, who exercise their duties in two senates of eight members each. While the Bundesrat elects judges directly and openly, the Bundestag used to delegate its decision to a committee in which the election took place indirectly, secretly and opaquely. In May 2015, the Bundestag unanimously decided to change this procedure. As a result, the Bundestag now elects judges directly following a proposal from its electoral committee (Wahlausschuss). Decisions in both houses require a two-thirds majority.

In summary, in Germany judges are elected by several independent bodies. The election procedure is representative, because the two bodies involved do not interfere in each other's decisions. The 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 judges regardless of current majorities. However, in the past the media has not covered the election of judges in great detail and it remains to be seen whether the new and open procedure will have positive spillover effects in this regard.

Corruption
Prevention
Score: 8

Despite several corruption scandals over the past decade, Germany performs better than most of its peers. According to the World Bank's 2016 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. Germany's overall performance has also improved relative to other countries. In 2016, Germany ranked 10th out of 215 countries compared to 15th in 2010 (World Bank 2016).

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 income 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 current parliamentary term, members of the German Bundestag have to provide additional details about their ancillary income in a ten-step income list. Auxiliary income exceeding €250,000 is the uppermost category. A total of 164 members of parliament declared additional income. Since the last general election, the auxiliary incomes of four parliament members (all members of the conservative party in government, CDU/CSU) exceeded €1,000,000. In addition, 40 parliamentarians declared additional income of at least €100,000. According to abgeordnetenwatch.de, the 10-step system is also flawed. It appears likely that, in order to avoid public attention, members of parliament may resort to partitioning their auxiliary income. Thus, the current system remains an insufficient transparency regime unable to eradicate corruption or conflict of interests. Instead, it incentivizes declaring auxiliary income in slices of lesser amounts.

Citation:

World Bank (2016): <http://info.worldbank.org/governance/wgi/index.aspx#home>
<https://www.abgeordnetenwatch.de/blog/nebeneinkuenfte2016>

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 4

Since December 2013, the government has been led by Germany's two most important political parties: the Christian Democrats (CDU/CSU) and the Social Democratic Party (SPD). This coalition government has shown no interest in improving the strategic planning of the Chancellery or federal government. The head of the Chancellery, Peter Altmaier, has the status of a minister without portfolio, strengthening his position vis-à-vis the minister-presidents of the federal states and heads of the federal ministries. Although the Chancellery has a staff of around 500 employees, the federal government's organizational structure is not well designed for strategic planning.

Critics diagnosed a lack of strategic planning when Chancellor Merkel opened the borders to incoming refugees without extensive prior coordination across government. Others noted that this partial loss of control was unavoidable given the unforeseen magnitude of external events.

After an extended period of muddling through – characterized by unclear competences, interparty competition within government, interministerial conflicts and the absence of a strong, coordinative center – Chancellor Merkel has established a coordination unit. This unit sits within the Chancellery and is led by its head, Peter Altmaier.

One handicap for developing a strategic policy approach is that the government is strongly influenced by party considerations, with all major political decisions determined in negotiations between the heads of the governing parties. Consequently, most governmental decisions are negotiated between the three heads of the parties that make up the current government (CDU, CSU and SPD) and not between members of government. Party leader of the CSU, Horst Seehofer, is not a member of the government. This practice

results in “party politicization” of the government, which undermines strategic planning.

Although there is a planning group in the Chancellery, its number of staff is extremely small. It is led by Eva Christiansen, who is simultaneously Chancellor Merkel’s media adviser. Strategic planning is not the main activity of the planning group nor is it afforded high-priority by the federal government.

Citation:

<http://www.zeit.de/2016/35/grenzoeffnung-fluechtlinge-september-2015-wochenende-angela-merkel-ungarn-oesterreich>

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 respective ministries. In addition, ad hoc commissions are created to provide scientific advice regarding major reforms that involve complex issues. There are other established expert advisory bodies providing the government with expertise and advice, such as the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung) and the German Advisory Council on the Environment (Sachverständigenrat für Umweltfragen), which produce reports on current policy problems regularly (the former at least once a year, the latter every four years).

Most ministries maintain external, academic or legal advisory bodies. However, the impact of experts is often less visible and policymaking is heavily influenced by party positions. Nevertheless, while advisory reports do not have an immediate impact, they do bear some influence on political debates within the government, the parliament and among the general public because they are made publicly accessible.

Concerning migration, Germany’s most important challenge, the Federal Office for Migration and Refugees has created the Academic Advisory Council to provide expert advice and scientific research. In addition, a research group within the federal office analyzes migration and integration issues. This research group collaborates with scientific facilities and other institutions, domestically and internationally.

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 to function quite effectively. However, national policies are predominantly worked out in negotiations between the party leaders of the respective coalition parties or 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 to budgetary government guidelines. In addition, it appears that its capacities are generally lower than those of the line ministries.

During the recent refugee crisis, the Chancellery gained some ad hoc competences to manage, coordinate and evaluate the related policies of line ministries. However, in all other policy areas the powers of the Chancellery remain astonishingly limited.

GO Gatekeeping
Score: 6

The Chancellery, and particularly its head, sets the agenda for cabinet meetings. However, real political power lies elsewhere. The cabinet's agenda is negotiated in advance between the top politicians of coalition partners, and the cabinet mostly 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 meetings on the basis of its own policy considerations. Generally, the heads of political parties, rather than the Chancellery, act as gatekeepers. During the refugee crisis, the government decided that every cabinet meeting would start with a discussion of this pressing challenge.

Line Ministries
Score: 6

The preparation of bills is mainly the prerogative of the line ministries (Ressortprinzip). Over 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.

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 interests, though each ministry must to some extent involve other ministries while drafting bills.

Formal cabinet committees do not play an important role in policymaking and are rarely involved in the review or coordination of proposals. Instead, the coalition committee is mainly responsible for coordinating policies (see Informal Coordination).

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. The federal Ministry of Finance must be involved when budgetary resources are concerned, while complicated legal or constitutional issues necessitate the involvement of the federal Ministry of Justice. But generally, every ministry is fully responsible for its own proposed bills. All controversial issues are already settled before being discussed by the cabinet. The dominant mechanism for conflict resolution is the coalition committee.

Informal
Coordination
Score: 6

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. According to the coalition agreement from November 2013, the coalition committee is expected to meet regularly at least once a month, or can be convened at the request of any of the coalition partners. The coalition committee rarely meets regularly. Only at the peak of the refugee crisis did the coalition committee meet frequently. Even then, it was sometimes unable to resolve political conflicts and develop coordinated policy responses.

Evidence-based Instruments

RIA Application
Score: 8

In 2000, revised rules of procedure for the federal ministries (Gemeinsame Geschäftsordnung der Bundesministerien, GGO) came into effect, requiring an impact assessment (Gesetzesfolgenabschätzung, GFA) for every draft law. Thus, regulatory impact assessments are institutionally anchored in Germany. The GFA process analyzes both intended and unintended effects of draft laws and potential alternatives.

The government's 2006 Bureaucracy Reduction and Better Regulation program 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.

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. Its cooperation with German states and local authorities has intensified, in particular with the development of methodological standards for

assessing compliance costs. In its 2015 annual report, the NKR claimed that it had reduced costs for German states and enterprises by around €600 million compared to the previous year, whereas between June 2015 and July 2016 costs increased by about €500 million. In 2016, the government introduced legislation that prevents subsequent legislative changes from increasing bureaucratic costs. In other words, every law or regulation that increases the costs of government bureaucracy must include some equivalent proposal to reduce the costs of government bureaucracy by at least the same amount. In July 2015 and July 2016, the government decided on two new laws which are expected to reduce bureaucratic costs. However, the NKR claimed that the current state of digitalization of public administration is lagging behind, wasting opportunities for further cost reductions.

Citation:

https://www.normenkontrollrat.bund.de/Webs/NKR/Content/DE/Publikationen/Jahresberichte/2016-09-21-nkr-jahresbericht-2016.pdf?__blob=publicationFile&v=2

Sustainability
Check
Score: 8

In October 2016, Chancellor Merkel (re)appointed the German Council for Sustainable Development (RNE). The RNE consists of 15 people selected by the chancellor. Its role is to contribute to the implementation of the National Sustainability Strategy by identifying areas for action, developing specific project proposals, and by increasing awareness on the importance of sustainability issues. Six members were newly appointed in October 2016 and the remaining members were reconfirmed. The RNE independently chooses its array of topics and actions. Examples of outputs of its current work include the Sustainability Code as well as statements on the government's National Sustainability Strategy draft, the UN's Global Goals (Sustainable Development Goals), climate policy, raw materials policy, fiscal sustainability and organic farming.

In addition, the parliamentary Council for Sustainable Development (Parlamentarische Beirat für nachhaltige Entwicklung, PBnE) supervises the government's sustainability strategy. Its political influence appears moderate and its primary task is to act as an advocate for long-term responsibility in the business of government. The PBnE was established in 2004 and must be reconstituted after every parliamentary election. On the whole, neither the RNE nor the PBnE are well integrated into the RIA framework.

Citation:

<http://www.nachhaltigkeitsrat.de/en/press-information/press-release/detail-view/artikel/federal-chancellor-reappoints-members-of-german-council-for-sustainable-development/>

https://www.bundesregierung.de/Webs/Breg/DE/Themen/Nachhaltigkeitsstrategie/3-nachhaltige-entwicklung-alle-sind-Partner/parlamentarischer-beirat/_node.html

Societal Consultation

Negotiating
Public Support
Score: 7

In general, government representatives meet with societal stakeholders as part of their daily routine. Nevertheless, the CDU/CSU-SPD government did not make use of social pacts or other direct bargaining mechanisms. As under previous governments, ministries and parliamentary committees 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. On a regular basis, experts and interest groups take part in parliamentary committee hearings in the course of the legislative process.

During the grand coalition's current term of office, all government parties, the CDU/CSU and the SPD, sought to live up to the promises made in the coalition agreement in order to satisfy the perceived interests of their respective electorates. Some major policy projects – such as the introduction of a minimum wage and a reduction in the statutory pension age (from 65 to 63) that have been advocated by certain interest groups (primarily trade unions), were indeed realized. However, bargaining processes are not highly institutionalized and interest representation is often highly selective and conducted on an ad hoc basis.

With regard to non-economic societal actors, the German Islam Conference is supposed to assist in the development of an intercultural dialogue between government officials and Muslim civil society organizations. The institution celebrated its 10-year anniversary in 2016, but little progress has been realized. The main exceptions are efforts to introduce Islamic religious instruction at state schools and the establishment of chairs for Islamic theology at German universities.

Policy Communication

Coherent
Communication
Score: 5

In a formal sense, the federal government's Press and Information Office is the focal point for communication, serving as the conduit for information originating from individual ministries, each of which organizes their own communication processes and strategies. However, this does not guarantee a coherent communication policy, which is a difficult goal for any coalition government. There is a persistent tendency of coalition partners to raise their own profile versus that of the other government parties. This became very clear during the political conflicts over migration policies in 2015. This

tendency has increased in light of the upcoming elections in September 2017. Conflicts between the governing parties were widely and openly discussed with little evidence of a coherent communication strategy, particularly with regard to migration, but also with regard to motorway tolls and other policy issues. Given that the traditional political parties are confronted with the success of a new right-wing populist party, the Alternative for Germany (Alternative für Deutschland, AfD), conflicts between the governing parties have increased and have become a burden for strategic and coherent governmental policy communication.

Implementation

Government
Efficiency
Score: 8

The current government has successfully realized many of the pledges made in the coalition agreement (cf. Coalition Agreement 2014). It introduced a pension reform that allows eligible workers to retire at 63 and increases pension payments to older mothers and those with a reduced earning capacity. The Bundestag also approved the country's first general statutory minimum wage, set at €8.50 per hour at the time and increased to €8.84 in 2016. In addition, the coalition parties agreed to introduce legal gender quotas for corporate boards in order to help break the glass ceiling for women in corporate leadership positions. Even for the motorway toll project, the responsible minister has been able to come to an agreement with the European Commission which makes compensatory tax cuts for German car drivers compatible with European law.

A less favorable example concerns a much more complicated project, Germany's energy transition toward renewable energy (Energiewende). A recent National Audit Office report fiercely criticized the project for lacking proper coordination, and being subject to the whims of too many federal and state ministries that often work against each other. In addition, the government was deeply divided over the topic of how to implement the energy transition. A first government agreement was only finalized in the summer of 2015 and since then frequently changed. The Federal Minister of Economic Affairs and Energy termed the 2015 agreement a "historic package" for Germany's energy transition and economic future. Germany's target of cutting carbon emissions by 40% by 2020 was reaffirmed. The Energiewende's implementation presents significant governance challenges. It is a complex challenge that requires cooperation from and coordination between various public and private actors as well as top-down decision-making. It also comprises diverse political levels and jurisdictions – global, European, federal, state, and municipal – as well as interest groups, cooperatives, alliances, banks, and individuals. As a result, political-programmatic goals as well as implementation strategies are continuously in flux.

Refugee and migration policies are a further imposing challenge. The government agrees on the need for smoothing asylum processes, with quicker decision-making in order to speed up the integration of refugees into the education system and labor market. Through a comprehensive reorganization and staff expansion of the responsible agency (BAMF), the objective of reducing the backlog in asylum applications made progress over 2016. Nonetheless, at the end of November 2016, almost half a million asylum applications had still not been decided upon (Asylgeschäftsstatistik November 2016).

Citation:

http://www.kas.de/wf/doc/kas_36853-544-2-30.pdf?140820093605

<http://www.spiegel.de/thema/energiewende/>

<https://www.mckinsey.de/energiewendeindex>

<http://www.spiegel.de/politik/deutschland/fluechtlinge-in-deutschland-die-grosse-aufgabe-der-integration-a-1069830.html>

Asylgeschäftsstatistik November 2016, available at http://www.bamf.de/SharedDocs/Anlagen/DE/Downloads/Infotehk/Statistik/Asyl/201611-statistik-anlage-asyl-geschaeftsbericht.html?jsessionid=312BFB40B6AEC15897595BF4C6877EDE.1_cid368?nn=1367522

Ministerial
Compliance
Score: 8

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 substantial in international comparison. Ministers sometimes pursue interests that therefore clash with the chancellor or coalition agreements. In the case of the current government, the coalition agreement bears considerable political weight and has thus far proved effective in guiding ministry activities. In terms of budgetary matters, Minister of Finance Wolfgang Schäuble is particularly powerful and able – when he has the chancellor's support – to reject financial requests by other ministries.

Coalition agreements provide for clear rules when a coalition committee will meet and who will join the meetings. As in previous coalitions, it consists of the chancellor and the vice-chancellor, the leaders of parliamentary groups and party leaders (if they are not already covered by the persons mentioned above). During the period under review, the coalition committee informally became the most important institution in resolving political disagreements within the government.

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 or the coalition agreement. Concerning topics of general political interest, the cabinet makes decisions collectively. The internal rules of procedure require line ministers to inform the chancellor's office about all important issues. However, in some cases, the Chancellery lacks the sectoral expertise to monitor line ministries' policy proposals effectively.

Monitoring
Agencies,
Bureaucracies
Score: 8

Executive agencies' competences and responsibilities are explicitly detailed in law, edicts, statutes and other regulations. Their activities are not only subject to legal, but also to functional supervision, meaning that agencies' decisions and administrative instructions will be reviewed. However, the ministries have not always made appropriate use of their oversight mechanism. A number of independent agencies, including the Federal Employment Office, the Federal Network Agency, the Bundesbank and others have deliberately been placed beyond the effective control of the federal government. It is important that monitoring agencies maintain organizational independence, so that they may monitor government effectiveness and financial impacts. The National Regulatory Control Council has tried to increase its powers over legislative and bureaucratic processes at federal and state levels. The Taxpayer's Association monitors levels of waste in the use of public resources.

Task Funding
Score: 7

The delegation of tasks from the national to the subnational level without commensurate funding has been a sore point of German fiscal federalism. For instance, municipalities suffer under the weight of increasing costs of welfare programs. However, a number of adjustments over the last years have substantially rejuvenated municipalities and states. The Hartz IV reform, which merged welfare benefits with unemployment benefits for the long-term unemployed, shifted minimum income payments for individuals capable of work from municipalities to the Federal Employment Agency. In 2009, the federal government began compensating municipalities for basic income support provided to pensioners, the percentage of which reached 100% in 2014. Financial burdens associated with education and childcare have also been shifted to the federal level.

For months, the federal government and state (Länder) governments wrangled over the costs of the migrants and refugees. In July 2016, the federal government increased the flat-rate payment for integration by about € billion until 2018, which is an exceptional improvement.

With respect to the future of the fiscal equalization system, an important compromise on the new system (in effect from 2020 onwards) was achieved in October 2016. In this compromise, the Länder receive higher shares of VAT revenues and a system of exclusively vertical equalization payments (from the federal to the state level) is replacing the current horizontal system (where richer states pay to poorer states).

Taken together, a comprehensive shift of financial resources from the federal to the state and municipal level has been achieved and remains under way. Complaints from the Länder about underfunding increasingly lack credibility.

Citation:

<http://www.spiegel.de/politik/deutschland/fluechtlinge-laender-bekommen-sieben-milliarden-euro-mehr-a-1101934-druck.html>

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 states. This distribution of tasks is largely respected by the federal government. A far reaching equalization system and an ongoing shift of tax revenues from the federal to the state level has also been improving the financial capabilities of states to fulfill these tasks (see Task Funding).

National
Standards
Score: 7

In Germany, public services are provided by various levels of government: the federal administration, the administrations of federal states, municipalities, 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 in areas, such as education.

Adaptability

Domestic
Adaptability
Score: 6

As in other EU countries, EU regulations have a significant impact on German legislation. The country's legal system is heavily influenced by EU law, but the federal government does not have a central policy unit specifically coordinating and managing 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 present specific problems in terms of policy learning and adaptability to international and supranational developments. In general, Germany did not seriously attempt to adopt government structures to the changing national, inter- and transnational context.

International
Coordination
Score: 9

The German government actively collaborates in various reform efforts promoted by the EU and other transnational and international organizations. In the context of the still ongoing euro zone debt crisis, the German government has played a leading role in organizing and creating stabilization mechanisms. The government strongly cooperated with European partners, particularly France, other countries, such as the United States, and international organizations in addressing the Crimea crisis and civil war in eastern Ukraine. Moreover, Germany had a significant role in achieving a consensus at the Paris Climate Summit in November 2015.

According to some observers, the great exception is the migration crisis, which Germany handled unilaterally. Only after Germany had opened its borders to the refugees coming from Hungary and other European states did the government start negotiating with other EU countries and the EU to develop

refugee quotas. Proponents argue that Germany's policy was well justified given its legal and humanitarian obligations. According to this view, Germany was ready to pay a high fiscal and political price for shouldering this humanitarian crisis. Based on this interpretation, the refugee crisis is an example where Germany is heavily involved in providing global public goods and acts in a non-selfish manner in-line with its international obligations.

Generally, Germany is clearly a 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 a commission that independently and impartially operates as an oversight body with respect to governmental activities. In addition, institutional self-monitoring capacities are still low. However, the creation of the Better Regulation Unit in the Chancellery and the extension of the competences of the National Regulatory Control Council (Normenkontrollrat, NKR) – an independent advisory body – have strengthened the capacities for self-monitoring.

Institutional
Reform
Score: 7

In general, institutional reforms intended to improve the government's management capacities are extremely rare. As in other countries, strategic capacities and reform efforts are heavily influenced by constitutional and public-governance structures and traditions. The federal system assigns considerable independent authority to the states. In turn, the states have a crucial role in implementing federal legislation. This creates a complex environment with many institutional veto players across different levels. Institutional and organizational inertia spells for low levels of strategic capacity. The German Federalism Reforms, which together represent one of the more far-reaching institutional changes of recent years, have started to have an impact on the adaptability of the federal politics (Reus/Zohlnhöfer 2015). Nevertheless, flexibility, adaptability, and acceleration are mainly achieved via informal political channels.

Citation:

Iris Reus/Reimut Zohlnhöfer, 2015: Die christlich-liberale Koalition als Nutznießer der Föderalismusreform? Die Rolle des Bundesrates und die Entwicklung des Föderalismus unter der zweiten Regierung Merkel, in: Reimut Zohlnhöfer and Thomas Saalfeld (eds.): Politik im Schatten der Krise. Eine Bilanz der Regierung Merkel, 2009-2013, Wiesbaden: Springer VS, 245-272.

Dominic Heinz, 2016: Coordination in budget policy after the Second Federal Reform: Beyond Unity and Diversity, in: German Politics 25 (2), 286-300.

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 6

Empirical analyses of German citizens' level of political knowledge point to inconsistencies. On the one hand, the supply of independent political information is high. Germany has a diversified media-ownership structure and comparatively pluralistic and decentralized television and radio markets. The Internet has become an increasingly important medium for citizens to gather information. Broadcasters, radio stations and newspapers have adapted to the new circumstances by providing a great deal of their services online. Nevertheless, television news programs are the main source of information for most citizens. According to one survey, around half of the population watches a news program every day.

However, a 2014 survey by the Bertelsmann Stiftung indicates a dramatic decline in public interest in politics and in parliamentary debates in particular. Only 25% of the respondents expressed interest in politics and regularly followed debates (compared to about 50% 30 years ago). Disproportionally younger cohorts were unable to mention any parliamentary debate they followed with interest. Furthermore, only about 50% of respondents knew that the grand coalition consists of the CDU/CSU and SPD. In addition, decreasing confidence in parties and politicians is undermining the motivation to stay informed. Compared to other European countries such as the United Kingdom, German citizens' knowledge of politics is substantially lower.

<http://www.spiegel.de/politik/deutschland/bundestag-nur-wenige-buerger-interessieren-sich-fuers-parlament-a-1006678.html>;

<http://www.bertelsmann-stiftung.de/de/themen/aktuelle-meldungen/2014/dezember/bundestagsdebatten-mehr-schlagabtausch-unterm-bundesadler>;

<http://www.infratest-dimap.de/umfragen-analysen/bundesweit/umfragen/aktuell/wenig-ver-trauen-in-medien-berichterstattung/>.

Legislative Actors' Resources

Parliamentary
Resources
Score: 9

The German Bundestag has adequate personnel and structural resources to effectively monitor government activity. 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 (about €16,000 per month) allowing him or her to

maintain two offices and employ, on average, two experts. The German Bundestag has a staff of around 2,600, while roughly the same number work at the constituency level. Parliamentary groups also have resources to commission independent research studies. Compared to the United States, German MPs' structural and personnel resources are modest.

Obtaining
Documents
Score: 9

The German Bundestag is a "working parliament" – that is, parliamentary committees are of great importance in preparing and discussing legislative initiatives. Outside their law preparation activities, they also serve in an oversight role with respect to government ministries. Nonetheless, the government bureaucracy sometimes tries to withhold information. But most documents are made public and can be accessed. 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). Government officials had previously been reluctant to keep the Bundestag informed on this issue, claiming executive secrecy. The parliamentary control committee and the secret service committee of inquiry had to fight hard to get access to documents and the "Selektorenliste" (list of selectors) to examine whether the Federal Intelligence Service (Bundesnachrichtendienst, BND) had illegally spied on citizens, politicians and organizations. In mid-September, the Green party and the Left party attempted to sue the government through the Constitutional Court for its lack of accountability regarding the Selektorenliste. At the time of writing, the Constitutional Court had not yet adjudicated on the issue.

<http://www.tagesschau.de/inland/nsa-selektorenliste-101.html>

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 "for 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." Experts are often able to influence parliamentary discussions or ministerial drafts and bring about changes in the draft laws.

Task Area
Congruence
Score: 9

In general, the task areas of parliamentary committees and ministries coincide. However, this is not always the case since 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). Furthermore, several committees sometimes deal with matters that are within 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. Nonetheless, parliamentary committees' most important policy 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 an independent public body. FCA members enjoy the same degree of independence as the members of the judiciary. Its task is to monitor the budget and the efficiency of state's financial practices. The FCA submits its annual report directly to the Bundestag, the government and 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 reports receive considerable media attention.

<https://www.bundesrechnungshof.de/de/veroeffentlichungen/bemerkungen-jahresberichte/jahresberichte/2015-weitere-pruefungsergebnisse>

Ombuds Office
Score: 7

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 is limited and largely symbolic. However, the committee at least offers a parliamentary point of contact with citizens. Two additional parliamentary ombudsmen are concerned with the special requests and complaints made by patients and soldiers.

Media

Media Reporting
Score: 7

Public TV and radio broadcasters generally offer in-depth reports on political processes. Competition between the two main public television broadcasters, ARD and ZDF, has forced them 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 and their market share has stabilized in recent years. The plurality of the country's television

broadcast market is enhanced by the availability of programming from international broadcasters such as CNN, BBC World, CNBC Europe and Al-Jazeera. However, public trust in the media has decreased considerably over recent years, particularly regarding mainstream reporting of the refugee situation.

Parties and Interest Associations

Intra-party
Democracy
Score: 6

During the period under review, party leaders of the coalition government were re-elected without facing major opposition for party leadership. No direct participation of party members regarding important policy decisions took place. The parties retain traditional hierarchical decision-making processes and candidate-election procedures. Particularly important policy challenges have led to fierce debates within the SPD (e.g., TTIP negotiations) and the CDU/CSU (e.g., refugee policy). However, party members have had little direct influence in these debates. Decision-making is limited to representatives at the party congresses and firmly controlled by party elites. Direct party member voting has become more common in disputes on the selection of election candidates. For example, CDU members in Baden-Württemberg decided that Guido Wolf, rather than Thomas Strobl, would be the CDU candidate for minister-president in the 2016 Baden-Württemberg election.

Association
Competence
(Business)
Score: 8

Economic interest associations like trade unions or employers' associations in Germany are well-functioning organizations endowed with rich analytical and lobbying resources. They are definitely able to develop policy strategies and proposals and to present alternatives to current politics. Both trade unions and employers' association have their own economic think tanks supporting their policy proposals through substantive research on costs and benefits of different options. Furthermore, these organizations also invest substantial resources in lobbying for their positions among the general public and do so successfully. For example, the decision to introduce a general statutory minimum wage had been preceded by trade unions' extensive public lobbying.

Association
Competence
(Others)
Score: 8

As of October 2016, the government's official list contained 2,289 registered associations (Bundesanzeiger 2016). One-third of those can be considered noneconomic interest associations. Within the process of policy formulation, interest-group expertise plays a key role in providing ministerial officials with in-depth information necessary to make decisions. Citizen groups, social movements and grassroots lobbying organizations are increasingly influential actors, particularly at the local level. Policy proposals produced by noneconomic interest groups can be described as reasonable, but their suggestions often appear unrealistic.

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