Germany Report
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Sustainable Governance Indicators 2019
Executive Summary

Germany remains a country with state institutions firmly grounded in the rule of law and democratic principles. At the same time, numerous indicators show that governmental and administrative performance has been somewhat hampered by non-optimal internal coordination and a lack of strategic orientation. This year’s report also points to a striking contrast between governmental communication and overall governmental performance.

German Chancellor Angela Merkel took the oath before Federal President Steinmeier on 14 March 2018 and the new government was inaugurated on the same day. It took 171 days to form the new government, much longer than for any previous government since 1949. Within weeks of its inauguration, the grand coalition government between the Christian Democrats (CDU/CSU) and Social Democrats (SPD) found itself in an escalating public conflict caused by a deep rift within the Christian democratic camp, and the long-standing dispute over immigration between Chancellor Angela Merkel (CDU) and Minister of the Interior Horst Seehofer (CSU). Seehofer’s erroneous expectation was that, by constantly and aggressively addressing the topic of migration, the Christian democratic camp could win back votes from the right-wing AfD. This conflict overshadowed the first year of the new government and was a disaster for the popularity of all grand coalition parties (CDU, CSU and SPD). After heavy losses for the Christian and social democrats in the two state elections in Bavaria and Hesse in the fall of 2018, the dispute was de-escalated through the joint resignation of Angela Merkel as CDU party leader and Horst Seehofer as CSU party leader. Nevertheless, this early phase of the new grand coalition has damaged the government’s reputation.

This phase of bad communication stands in a sharp contrast to the good-to-excellent performance of the German political, economic and social system as a whole. The success of the right-wing anti-immigration and anti-EU AfD in the general election, and in the state elections in Bavaria and Hesse indicates greater polarization in German politics. However, the political positions of the
traditional parties of government (i.e., the SPD and CDU/CSU) have substantially converged over the years. In the state parliaments, numerous variants of coalitions (none of which include the AfD) exist. All state-level coalitions have formed functioning and stable governments, indicating that the rise of the multiparty system has so far not damaged effective government formation. Furthermore, the recent state elections in Hesse and Bavaria have been followed by smooth subsequent coalition formations.

Germany’s success in reducing structural unemployment has continued with employment now counting more than 45 million, again up more than half a million over the last year. Unemployment rates are at their lowest level since German re-unification, decreasing from 5.7% in 2017 to 5.2% in 2018. The employment boom and rising real incomes are feeding strong growth in tax revenues and social security contributions. As a consequence, Germany’s debt-to-GDP ratio has decreased from 80.1% in 2010 to a value just around the Maastricht threshold of 60%. The ongoing employment boom has considerably reduced the number of households in need of welfare support. In November 2018, for the first time since the introduction of the Hartz system, the number of supported households has fallen below three million. In addition, women’s labor market participation rate continues to increase, reaching about 70% (10 percentage points above the OECD average), although a relatively large share of women work part-time.

The government’s internal conflict over migration is all the more surprising as Germany is not doing badly in this policy field. Not only has the number of incoming refugees continued to decline. There is also increasing evidence that the country’s integration policy performs better than in the past and also better than in comparable countries. This holds in particular for the labor market participation of migrants, including refugees, which proceeds relatively well and better than expected in 2015.

With respect to Germany’s reputation as a global leader in environmental policies, the last year saw a setback when the German government had to admit that it will fail to realize its carbon emission reduction targets for 2020. The lack of strategic orientation remains a weakness in German politics, with party politics often receiving more attention than the country’s long-run challenges. Following the last national election, the Chancellery rearranged the organizational structure, and introduced a new section for political planning, innovation and digital politics. It remains to be seen whether this indicates a move toward a more strategic policy orientation.

In summary, this year’s report confirms Germany’s current successful
performance and indicates that the country has started to cope with the integration challenge of migrants. However, a lack of coherent communication, political leadership and a long-term orientation could further damage citizens’ perception of policy performance, and start to undermine the functioning of German democracy.

**Key Challenges**

**Government communication and leadership**
The dismal performance of the government’s communication after its inauguration has further reduced the trust of citizens in the traditional parties of government, which received record-low results in the 2017 Bundestag election. This voter disappointment has contributed to the strikingly negative bias in many voters’ perceptions. While numerous facts point to improving conditions across various dimensions, a larger share of voters perceive recent developments to have been negative. This holds for various fields including crime (despite a fall in 2018), the economy (despite increasing real wages and declining unemployment) and social developments (despite a record low number of households receiving income support since the introduction of Hartz reforms). The government’s trustworthiness could definitely be improved with a stronger focus on strategic orientation instead of myopic election campaigning. The government should continue its recent attempt to further increase its strategic capacities. However, the role given to the new strategic units has been insufficient. These units must also be given greater voice in the policy formulation process.

**A possible end to the long economic upswing**
A large number of external developments has led to a cooling in the German economy toward the end of the reporting year. These developments include the Brexit process, and the threat to the European Single Market form the rise of populist and anti-EU parties across Europe. For the global economy, trade conflicts resulting from U.S. policies under the Trump administration are a substantial risk to the export-dependent German economy. But there are also more structural developments. It cannot be taken for granted that the success of leading German industries (e.g., the automotive industry) will continue given the enormous speed of technological change resulting from the move toward electric and digitalized cars.

**Environmental sustainability**
The foreseeable failure to comply with the carbon emission reduction target
for 2020 was a setback for Germany’s ambitious environmental agenda. This has intensified the debate over the timeline for phasing out coal-fired power plants and the combustion engine in car production. In these debates, environmental policy must try to define a change-over that reconciles ambitious environmental targets with the need to defend the global competitiveness of German industries.

The pension system and demographic change
The lack of policy interest in demographic trends that will emerge from the late 2020s onward is the clearest example of a lack of strategic foresight in German politics. Germany’s aging population will mean that recent increases in welfare spending (e.g., increased pension payments for mothers and allowances for nursing care) will pose a significant challenge to future federal budgets. Demographic challenges will become more urgent toward 2030 with the approaching retirement of the “baby boomer” generation. This development also entails risks for social inclusion since an increase in old-age poverty is a real risk for workers who have a history of low-wage work with long spells of unemployment and who will rely completely on a statutory pension. Solving distributional disputes regarding the acceptable combination of contribution rates and pension levels is a difficult task. But early decisions would increase predictability and help younger cohorts to adjust their saving behaviors in good time.

Health care system
In addition to pensions, the long-run sustainability of the health care system must be addressed. The system performs very well in providing high-quality health care services for the whole population but the government lacks an answer to the issue of financing the health care system over the medium term. German health care policies should urgently reconsider the rejection of more competitive elements, in particular with respect to pharmacies, and issues like distant sales or the market-entry of larger companies that promise substantial economies of scale and lower costs. Moreover, the health care system is much too slow in the take-up of efficiency-enhancing digitalized processes.

Digitalization and infrastructure
Preparing Germany for the digital age is a comprehensive task that requires adjustment across various fields like secondary and tertiary education, public administration, and innovation and infrastructure policies. Increasingly, critics point to insufficient digital networks, and more and more problems in the transport networks, including both rail and road. Government budgets must try to rebalance spending toward these types of value creation at the expense of current spending. But equal attention should be given to improving the conditions for private investment in digital infrastructure.
Tax policy
Tax policy in Germany has been too passive over recent legislative periods. High marginal income tax rates particularly harm the integration of single parents into the labor market and create substantial work disincentives for second earners. And due to the passivity of German tax policies, and corporate tax cuts in the United States and numerous other OECD countries, the country’s effective tax burden on companies is now among the highest of any industrial country. The federal government should return to a more pro-active tax policy that no longer only acts when court decisions force a change in tax legislation.

Migrant integration
Overall, the integration of migrants, including those who have come as refugees since 2015, seems to proceed better than initially expected and the numbers of arriving asylum-seekers has strongly declined. Labor market participation of refugees develops surprisingly fast. However, the whole issue remains an immense task. The education performance of migrants has improved but still lags far behind the German population. In some cities and milieus, there is a clear risk that parallel migrant societies will emerge. Further efforts are required because a failure to integrate migrants will undermine societal acceptance of the idea of an open society.

Citation:
SZ August 31, 2018:
https://www.sueddeutsche.de/politik/fluechtlinge-in-deutschland-drei-jahre-wir-schaffen-das-eine-bestandsaufnahme-1.4110671

Party Polarization

Since the general election in 2013, the German party system has not only changed but also become more polarized. The party system now reflects a typical multiparty system with six parties in the federal parliament, namely the CDU/CSU, the SPD, the FDP, the Greens, the Left Party and the AfD. The same tendency exists for the Länder parliaments where the anti-immigration and anti-EU AfD has gained seats in all states with particularly high shares in some of the new states of east Germany.

Because both the left and right poles of the political spectrum are represented in most of the Länder parliaments and the Bundestag, the German party system can now be classified as polarized. Although polarization is much
weaker today than it was during the Weimar Republic in the inter-war years, it is much stronger than in most periods of the post-war era. The political positions of the traditional parties of government (i.e., the SPD and CDU/CSU) have substantially converged over the years, opening up a political space for more extreme competitors. In the state parliaments, numerous variants of coalitions exist, which all form functioning and stable governments, indicating that the rise of the multiparty system has so far not damaged effective policymaking. The only exception in coalition formation refers to the anti-immigration right-wing party, the AfD, which hitherto all other parties have excluded from any coalition. Evidence for the 2013 – 2017 period shows, however, that the AfD was able to exert some influence over migration policy. Moreover, in many instances, coalition partners have a difficult time reaching a compromise and have adopted policies that have failed to satisfy supporters on either side, which tends to lead to a further decline in opinion poll ratings for the governing parties, particularly the SPD. 

(Score: 7)
Policy Performance

I. Economic Policies

Economy

Germany’s economy is experiencing one of its longest upswings in its postwar history. Prior to the current SGI reporting period, the economy had performed exceptionally well with high and stable economic growth rates, strong employment growth, and buoyant revenue growth for government budgets and the social security system. To some extent this performance was due to external factors like the very expansionary policy of the European Central Bank or massive capital outflows from euro zone crisis countries to “safe havens.” However, it was also due to an ambitious series of domestic reforms in the 2000s. These reforms adjusted labor market institutions, unemployment benefits, the pension system, corporate taxation, the constitutional debt brake and liberalized labor migration from outside the European Union. Combined, these reforms improved Germany’s competitiveness and increased its attractiveness as a destination for foreign investment.

Nevertheless, the German economy’s excellent performance over the last few years should not obscure the fact that it’s confronted with various internal and external challenges. The most important external risks concern uncertainties in the European and global economies. In Europe, the future of the European Internal Market, the euro and the European Union are at risk given recent developments, such as Brexit or the rise of populist and EU-skeptic parties and governments (e.g., in Italy). For the global economy, trade conflicts (as a result of U.S. policies under the Trump administration) are highly risky for export-dependent economies, such as Germany. Leading business indicators are pointing toward a deceleration in economic growth from the end of 2018 as a consequence of lower export dynamics. Internally, Germany is facing significant challenges associated with a rapidly aging population and the need to adjust to a digital economy. One should not take for granted that the continued success of the leading German industries (e.g., the automotive
industry) given the enormous speed of technological change resulting from the move toward electric and digitalized cars.

The country’s current short-run economic success may have made voters and politicians blind to the extent of the challenges that lie ahead, as the current coalition government’s economic and social policy agenda might not reflect the true necessities of the situation. In previous years, the policies of the grand coalition included the introduction of a statutory minimum wage, more generous pensions, an increase in state support for nursing care and plans to more tightly regulate temporary forms of employment. These examples indicate a strong focus on consumption and more regulation which could undermine competitiveness in the coming years. However, other examples signal that the government seems to be aware of the challenges of digitization. In late 2018, the federal government adopted an Artificial Intelligence (AI) Strategy, with the aim of becoming a global leader in the development and use of AI technologies. In August 2018, the federal government established a so-called digital council which consists of 10 members and will give advice on the most important issues concerning the new computer-based technologies. The digital strategy is based on a decision agreed upon by the federal cabinet on 18 July 2018.

In general, 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. However, this development so far does not seem to be a key risk factor for Germany’s competitiveness as it mirrors the excellent labor market situation and increasing shortages of skilled labor. But the Sachverständigenrat, in its recent report, strongly insists on the need for further tax reform to relieve taxpayers and abolish the so-called solidarity tax contribution (“Solidaritätszuschlag”). Another relative weakness of the German situation concerns the quality of infrastructure. Increasingly, critics point to the inadequacy of existing digital networks, and more and more problems in the transport networks including both rail and road.

Citation:

Labor Markets

Germany’s success in reducing structural unemployment since the mid-2000s has been impressive. Most recent statistics make it clear that Germany’s employment rate is again increasing, with 45.1 million people currently in employment. This is an increase of more than 0.55 million compared to October 2017. The unemployment rate is at its lowest level since German unification, currently 5.2% compared to 5.7% in 2017. The unemployment rate is expected to decrease further in 2019. Conversely, there is a shortage of qualified workers and the number of job vacancies has increased from 0.73 million to nearly 0.8 million. Between 2009 and 2018, there has been a constant increase in the number of job vacancies in 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 and may also reflect workers’ preferences, for example, for part-time schemes. However, atypical employment contracts may have negative consequences for the social security system and, more generally, social justice. Still, according to the Federal Statistical Office, atypical employment has slightly increased by 0.17 million people to a total of 7.72 million people, a smaller increase than in previous years. The number of “minijobs” has decreased in absolute numbers since the introduction of the minimum wage. The proportion of people in atypical compared to regular employment is about 20.8% and remains more or less constant.

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, which concluded at the end of 2018, sector-specific minimum wages may be lower than the general minimum wage. Since January 2018, a uniform minimum wage has been in force and is set at €8.84. It will increase in 2019 to €9.19 and in 2020 to €9.35. The minimum wage has elevated the earnings of four million employees, about 11% of the employed workforce. The German Council of Economic Experts has not reported any detrimental macroeconomic effects, though it is difficult to assess the long-term consequences of the national minimum wage.

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 enormous increase in refugees claiming asylum in Germany was and still is a key challenge for future labor market policymaking. Reducing barriers to labor market access, especially to the regular labor market, as well as support for training and education will be crucial for the successful integration of refugees. Germany is on the path to successfully integrating these refugees, as illustrated by the constantly decreasing unemployment rate of refugees. In addition, faced with a shortage of labor, the further training and – hopefully – further integration of refugees into the labor market is one of the main challenges confronting labor market policies.

Citation:

Taxes

In recent years, German tax policy has lost steam due to various causes. 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, 0% 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 2017, total tax revenues rose by 38% from €531 billion to €734.5 billion. This has enabled the ministry to achieve its aim of balancing the budget since 2014, despite the considerable costs related to the refugee crisis. In addition, the soaring labor market created significant surpluses in the social security system.

With respect to some major indicators, Germany is performing reasonably 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 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. Due to the passivity of German tax policies, and corporate tax cuts in the United States and numerous other
OECD countries, the country’s effective tax burden on companies is now among the highest of any industrial country.

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. For companies, the German tax system has lost competitiveness over recent years. The Global Competitiveness Report ranks Germany the third most competitive economy in the world. Tax rates, tax regulations and labor market regulations are seen as the most problematic factors for doing businesses in Germany. However, given to the overall positive economic environment these challenges have not as yet undermined Germany’s overall relative attractiveness.

Citation:


Budgets

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 80.1% in 2010 to (an expected) 59.9% at the end of 2018, just below the Maastricht threshold of 60%. This decrease resulted from surpluses in the general government balances since 2010, stable growth, strong employment 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 2020 onwards.
The costs associated with the influx of refugees were a significant driver of government expenditures in 2015 and 2016. Since then, a strong decline in the numbers of refugees arriving in Germany and the relatively successful labor market integration of refugees, these costs have been lower than expected over the last couple of years.

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 pension and health care expenditures will pose a significant challenge to future federal budgets. The demographic challenges for fiscal sustainability will grow substantially toward 2030 as the baby-boomer retirement wave peaks. Simulation studies indicate that, without substantive reforms (e.g., an increase in the state pension age, expenditure cuts and higher contribution rates), budgetary policy will be far from sustainable over the coming decades. The main reasons are substantial projected deficits in the pension and health care systems, which would have to be balanced by federal payments to the social security systems.

Citation:

**Research, Innovation and Infrastructure**

Germany’s performance in the area of research and development remains positive. According to the World Economic Forum, Germany’s capacity for innovation ranks highest among the world’s top performers. In the Global Competitiveness Report 2018, Germany ranked 3rd out of 140 countries. Furthermore, Germany ranked 5th out of 140 countries for patent applications per inhabitant, a two-position improvement over the previous year. For the quality of scientific research institutions, Germany ranked 4th out of 140 countries, a strong improvement over 2017 when Germany ranked only 11th out of 140 countries.

Regarding funding, the German government continues to increase budgets on research and development. Its spending remains above the European average. The budget of the Ministry of Education and Research was increased to €14.0 billion in 2014, €15.3 billion in 2015, €16.4 billion in 2016 and €17.6 in 2017, a record level. In 2018, the budget will remain the same amount, increasing in 2019 to €18.3 billion.
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 decided to continue its support for top research and education in the tertiary education sector through the so-called Excellence Strategy from 2019 onward, which will follow the earlier “Excellence Initiatives.” While the Excellence Strategy supports university research, the Joint Initiative for Research and Innovation strengthens the non-university research institutes. All these measures appear to have slightly improved the quality of scientific research institutions. In the Global Competitiveness Report 2018, Germany performed well in higher education and training. However, concerning digital skills among the population, Germany only ranked 16th out of 140 countries.

Citation:
Bundesministerium für Bildung und Forschung – BMBF (2018):

Global Financial System

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 European Central Bank’s TARGET payment system.

Germany has been an early advocate of the 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 in 2013. While there has been limited progress since then, Germany and France remain the strongest proponents of an EU FTT. The issue is currently at a standstill in the European Council. In November 2018, France and Germany took the initiative to unlock talks on the European level. The German minister of finance, Olaf Scholz, said that the French tax would be a good basis for future talks.

Citation:

II. Social Policies

Education

The Programme for International Student Assessment (PISA) is still an important indicator for the quality of a country’s educational system. 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 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, 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. Until 2018, the overall quality of the primary and higher education system constantly improved. Germany now ranks 4 out of 137 countries.

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 2018 still lags behind the OECD average but improvements are obvious. Overall, close to 60% of the population have completed upper secondary education. The risk of being unemployed is five times higher for people without upper secondary education
than for people who have completed tertiary education. The teaching workforce is one of the oldest in the OECD, only surpassed by Italy. Teacher salaries are among the highest of OECD countries. Participation in high-quality early-childhood education is high. In 2017, more than one-third (37%) of children under the age of three are enrolled.

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. The employment rate for vocation graduates aged 25 to 34 years old is almost as high as for those with tertiary education. 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 second 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.

Social Inclusion

Germany has a mature and highly developed welfare state, which guarantees a subsistence level of income to all citizens. The German social security system is historically based on the insurance model, 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 for unemployed (“Hartz IV”), disabled and elderly people, and asylum-seekers. The ongoing employment boom has considerably reduced the number of households in need of support. In November 2018, for the first time since the introduction of the Hartz system, the number of supported households (“Bedarfsgemeinschaften”) has fallen below three million (2.996 million). This amounts to a reduction of 6.2% over the previous year. This positive development is even more...
remarkable as, since 2015, 750,000 refugees have become recipients of income support. The number of individual recipients of income support with a German passport has strongly declined from 5.74 million in 2008 to 3.9 million in 2018.

Since January 2015, there exists a national statutory minimum wage designed to stabilize the market income of low-income households. Since January 2018, the statutory minimum wage has been €8.84 and is due to increase in 2019 to €9.19 and in 2020 to €9.35. No massive job losses are noticeable as yet.

Future challenges include an increasing threat of poverty in old age and the integration of a large number of asylum-seekers – with the number of arrivals having peaked in 2015 but decreasing significantly since then. Since 2015, public agencies, supported by civil society organizations, have been largely effective in managing these issues – not only providing essential living conditions to asylum-seekers but also showing some promising indications of successfully integrating asylum-seekers into the education system and the labor market.

Citation:

Health

The German health care system is of high quality, inclusive and provides health care for almost all citizens. Most employees are insured in the public health insurance systems, whereas civil servants, self-employed persons, persons with high income and some other groups are privately insured. The system is, however, challenged by increasing costs. Recently, the system’s short-term financial stability is better than expected due to buoyant contributions resulting from the employment boom. However, long-term financial stability will be challenged by an aging population. Health care spending as a proportion of GDP in Germany is the fifth highest in the OECD and considerably higher than the OECD average (close to 10% of GDP compared to an OECD average of 6% of GDP). In per capita terms, health care spending in Germany is far above the OECD average.

In its coalition agreement, the grand coalition negotiated a variety of reform measures to increase the quality of health care, redefine some financial details, and reorganize the registration of physicians in private practice, and the
distribution of practicing doctors and hospitals. The financing side, in contrast, has received little attention recently. The only substantial change has been the decision that the insurance company-specific additional contribution rate will be financed equally by both employers and employees from January 2019. This additional contribution is the only significant competitive element in the otherwise fully harmonized statutory insurance market. It comes on top of the general contribution rate of 14.6% that has always been shared equally between both sides. Recently, strong employment rates and incomes has allowed most insurance companies to reduce their additional contribution rates. Moreover, the federal subsidy for the national health fund was raised in 2017 by €0.5 billion to a total of €14.5 billion, which was kept constant in 2018.

In October 2018, the cabinet decided to increase the contribution rate for long-term care insurance by 0.5 percentage points. As a result, an additional €5 billion will be available for improvements in long-term care. A proportion 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 will be given greater support.

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.

Citation:

Families

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. In March 2017, the proportion of children aged under three with access to a childcare institution was 33.1%, a small decrease of 0.4% in comparison to March 2016, although the absolute number increased. In June 2017, the German Bundestag voted to increase the number of daycare places by 110,000 by 2020 with a financial commitment of €1.13 billion.

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 2005 only 59.6% of 15- to 64-year-old women were employed, this has increased to about 70% by 2017 – 10 percentage points above the OECD average. In the European Union, only Sweden and Latvia have a higher female employment rate. However, 37% of women in Germany are working part-time, which is higher than the OECD average of 25%.

Citation:
Destatis (2018): Arbeitsmarkt auf einen Blick, Deutschland und Europa https://www.destatis.de/DE/Publikationen/Thematisch/Arbeitsmarkt/Erwerbstaetige/BroschuereArbeitsmarктBlick0010022189004.pdf?__blob=publicationFile

Pensions

Germany has engaged in a significant number of pension reforms in recent decades. The comprehensive and far-reaching 2004 reform aimed to make the pension system more sustainable through increasing the retirement age and a reduction in future pension increases linked to demographic change. Reforms in recent years have rather gone in the opposite direction. 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. The calculation will now include two additional years of (fictive) contributions. It is expected that about seven million mothers will benefit and is the most expensive measure within the reform package. Pensions for people with disabilities were improved. The cost of these reforms is estimated to be €160 billion by 2030. Finally, the government has decided to further converge the pension formula for the east and the west of Germany with full convergence by 2025.
The largest challenge for the system’s stability is demographic change, with the baby-boomer generation reaching retirement age in the 2020s. This will dramatically increase the ratio of pensioners to the active workforce. This trend would automatically lead to cuts in the level of pensions (relative to the average wage level) and may increase the risk of poverty in old age. To address this challenge, in 2018 the government agreed to establish the so-called double stop-line. This includes the double guarantee that the contribution rate will not increase above 20% and the pension level will not fall below 48% of the average wage. However, these guarantees will only hold to 2025, while the strong increase in the pensioner-to-worker ratio will occur after that. But even this temporary double guarantee requires a drastic increase in federal subsidies for the pension system. These subsidies are already increasing. In 2017, federal subsidies reached a level of €67.8 billion compared to €62.43 billion in 2015.

The uncertain medium- and long-term sustainability of the system stand in strong contrast to the comfortable short-run development, which mirrors the employment boom and rising salaries. The contribution rate has fallen from 19.9% in 2011 to 18.6% in 2018. At the same time, pension payments have increased in a dynamic way. In the west of Germany, pension payments increased 4.25% in 2016, 1.9% in 2017 and 3.22% in 2018. In the east of Germany, pension payments increased 5.95% in 2016, 3.59% in 2017 and 3.37% in 2018. To some extent, however, increasing health care contribution rates and long-term care insurance costs have reduced net pension increases.

Citation:
SPIEGEL Online 2018:
http://www.spiegel.de/wirtschaft/soziales/rente-grosse-koalition-einigt-sich-auf-reform-was-bedeutet-das-a-1225438.html
Deutsche Rentenversicherung: Rentenversicherung in Zahlen 2018:

Integration

Integration Policy
Score: 8

According to new data, 23.6% of the people living in Germany have a migrant background. While Germany already had an extremely liberal regime for migrants from other EU member states, labor migration from non-EU countries has also been liberalized. According to the OECD in 2013, these reforms “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.
When the number of refugees claiming asylum in Germany far exceeded prior levels in 2015, the topic of immigration and integration became a priority issue among the public. Asylum applications numbered 127,525 in 2018, 187,226 in 2017, 745,545 in 2016 and 476,649 in 2015. 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., the AfD) quickly began to organize an opposition to the arrival of refugees. The AfD gained seats in all state parliaments and became the third strongest party in the Bundestag following the elections in 2017, 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 government started to develop a more consistent strategy with substantial financial support for states and municipalities, the provision of early integration and language courses, and special support for child refugees traveling without their parents.

The long-term challenge of integration remains a crucial concern, including the successful integration of refugees into both the education system and labor market. Recently, a joint study of the OECD and the European Commission reported that Germany has made clear progress in integrating migrants. According to the report, the country shows a better integration performance than other countries with a comparable immigration history. Labor market integration is particularly successful with an increase in the employment ratio of foreign-born immigrants from 59% in 2006 to 67% in 2017. Remaining deficiencies relate to a relatively high share of young migrants with low qualifications.

Beyond labor market integration, much will ultimately depend on whether broader cultural integration will succeed. So far, German civil society remains in favor of integrating refugees but polarization on this issue has increased. There is a danger of strengthening xenophobia if problems of cultural alienation and safety concerns grow. But, in this regard, recent data points to a relatively positive development. Immigrants report less discrimination in Germany than in other EU member states on average and less than immigrants in Germany reported 10 years ago. Furthermore, the perception of the German population toward migrants today is more positive than it was 10 years ago.

Besides these general developments, there are particular issues with respect to the largest immigrant group, which is from Turkey. The deteriorating
democratic performance of Turkey has raised issues of split loyalties. German-Turkish conflicts have overshadowed attempts to further strengthen relations between the German state and official Muslim organizations. 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. However, its prospects of success are highly contested and its termination has often been considered, including by the responsible minister, Horst Seehofer. The current government plans to restart the conference at the end of November 2018 and concentrate on a new support program “Mosques for Integration” (Moscheen für Integration), supporting training and study courses for Muslim theologians 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 and there are increasing signs that the integration process has started in a more promising way than was the case with immigration waves in the past. But there is no doubt that integration remains an immense task.

Citation:

Safe Living

In general, residents of Germany are well protected against security risks such as crime or terrorism. Crime rates fluctuate but have not systematically risen over recent years. There was an increase in the recorded total number of crimes from 2013 (5.96 million) to 2016 (6.37 million). But 2017 has seen a decrease to 5.76 million cases which is the lowest number since the early 1990s.

The influx of nearly 900,000 refugees between 2015 and 2018 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 by about 18% compared to 2015. Offenses involving
immigrants mostly take place between different groups of immigrants
(resulting from ethnic or religious tensions), and often in integration 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 were reported. Victims
and police officers reported that the perpetrators had been men mostly of Arab
or North African descent. The attacks triggered a heated debate that often was
accompanied by strong prejudices against migrants and foreigners. However,
except for a few spectacular exceptions, the number of suspected immigrants
was 167,268 in 2017, a slight decrease compared to 2016.

In addition, several terrorist attacks by Islamist extremists over the course of
2016 to 2018 as well as planned attacks prevented by the police clearly
indicate an increase in the risk of terrorist attacks. The most important of these
attacks seems to be the attack on 19 December 2016 in which Anis Amri killed
11 people and injured 55 by driving a truck into a Christmas market in Berlin.
Islamist extremists are growing in number and attracting support principally
among younger German Muslims, but also among some refugees.

Concerning politically motivated offenses and extremist activities (by right-
wing, left-wing, and foreign groups and organizations), the number has
decreased by about 5% overall. Politically motivated violence sunk to 39,505
incidents. Violent attacks by left-wing groups increased in 2017 to nearly
2,000 incidents, a rise of 15% compared to 2016. This was because of the G-
20 meeting in Germany, which was accompanied by violent protests and riots.

After a dramatic increase in the number of xenophobic attacks on
accommodations for asylum-seekers at the end of 2015 (1,031 attacks),
according to the Federal Criminal Police Office (Bundeskriminalamt), the
number of incidents declined between 2016 and 2018.

Citation:
BKA (Bundeskriminalamt) (2018a): Kriminalität im Kontext der Zuwanderung: Bundeslagebild 2017,
Berlin
BKA (Bundeskriminalamt) (2018b): Polizeiliche Kriminalstatistik 2017

Global Inequalities

In absolute terms, Germany ranks third among donor countries with respect to
the provision of official development assistance. Relative to its gross national income (GNI), Germany ranks seventh among the SGI 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 European Union’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.

In October 2018, the Merkel government started an initiative to strengthen economic developments in Africa. It invited 12 African governments to Berlin and announced an investment fund comprising about €1 billion. The fund is intended to foster economic developments and encourage private investments in the respective countries. It is claimed that the dramatic increase in refugees arriving in Germany since 2015 may have increased the German government’s awareness of the importance of stable social, economic and political conditions in developing countries. This also has a clear budgetary impact: the 2018 draft federal budget proposes to increase the resources of the Federal Ministry for Economic Cooperation and Development by €0.8 billion. In 2019, the ministry’s budget will for the first time total more than €10 billion. The ministry will focus in particular on addressing the drivers of emigration from North Africa, and helping Syria and neighboring countries.

Citation:
BMZ (Bundesministerium für wirtschaftliche Hilfe und Entwicklung) (2018)

III. Environmental Policies

Environment

In the latest Environmental Performance Index (2018), Germany places only among the second tier of “strong performers” ranking behind some of its European peers. After ranking sixth worldwide in 2015, the country’s relative position deteriorated to rank 13 in 2018. Its score decreased from to 84.26 to 78.37 in 2018. Germany performs relatively well in the areas of water resources and biodiversity, but clearly below average in climate, energy and agriculture.
The greatest environmental policy challenge remains adequately responding to the 2011 government decision to phase out nuclear energy by 2022. 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. But still, coal is an important energy source with substantial shares in electricity production.

Concerning renewable energy, Germany has consistently increased its share. Whereas in 2010 only 19.2% of the energy production originated from renewable energy sources, the share in 2017 was 38.6% and again increased to 41.1% in August 2018. As a key component of energy policy, in its coalition contract the new government determined to increase the share of renewable energy in electricity consumption to at least 65% in 2035. Nevertheless, major challenges remain, including the question of how to permanently store nuclear wastes, expand the electric grid to supply renewable energy and harmonize the phasing out of nuclear energy while also reducing carbon dioxide emissions.

However, Germany failed to meet the ambitious climate targets of the European Union and of the former government.

Citation:
Environmental Performance Index 2018: https://epi.envirocenter.yale.edu/epi-country-report/DEU
Fraunhofer Institut (2018): Stromerzeugung in Deutschland im ersten Halbjahr 2018

Global Environmental Protection

Backed by the strong ecological concerns of voters, 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 was praised as a breakthrough
because, for the first time, nations have to define their contributions to fighting climate change. The Paris Agreement was formally ratified by the European Union on 5 October 2016 and put into force on 4 November 2016. Germany also ratified the Paris Agreement. The Bundesrat agreed to it in September 2016 after the Bundestag unanimously approved it. However, detailed measures for the implementation of the ambitious climate objectives were not part of the Paris Agreement.

In November 2017, the U.N. Climate Change Conference (COP 23) was hosted in Bonn, Germany. The conference was held shortly after the German general elections on 24 September 2017 and before a new government was yet in office. As a consequence, the new government was not able to present a detailed environmental policy. Astonishingly, Chancellor Angela Merkel opposed the new EU climate objectives that had been announced in August 2018 by the EU Commissioner for Climate Change, Miguel Arias Canete. The new goal of the EU climate policy shall now be a reduction in the carbon dioxide emissions by about 45% instead of the hitherto planned 40% (compared to 1990). New environmental regulations may result from the U.N. Climate Change Conference which will be held in Katowice, Poland, in November 2018.

Germany’s reputation as a global leader in environmental policies has taken some damage since the German government had to admit that it will fail to realize its emission reduction targets for 2020.

Citation:
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
Quality of Democracy

Electoral Processes

On 24 September 2017, elections were held to constitute the new German Bundestag. A total of 42 parties and 111 independent candidates contested the elections. 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. In January 2017, following a complaint by the Länder governments regarding the far-right National Democratic Party (NPD), the Federal Constitutional Court decided that while the party is without any doubt unconstitutional in its program and actions, there are no indications that the party will succeed in achieving its anti-constitutional aims. Therefore, the suit to ban the NPD failed.

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 (Bundeswahlausschuss, FEC).

Political campaigning is largely unregulated by federal legislation, a fact modestly criticized by the latest OSCE election report. 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. 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.

Citation:
https://www.osce.org/odihr/elections/germany/358936?download=true

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, it encompassed 28.6% of registered voters, an increase of 4.3% compared to the 2013 elections. 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 two state elections (Bavaria and Hesse). As in previous elections, no major irregularities or complaints about voter registration, voter lists or postal voting were reported.

Citation:

Postal ballot: Information provided by the Federal Returning Officer

Federal Elections Act (BWG) Sections 36, 39

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

In June 2017, the German Bundestag secured the required two-thirds majority to change Article 21 (3) and (4) of the Basic Law, which regulates the financing of political parties. The Constitutional Court had refused to declare the National Democratic Party (NPD), a right-wing extremist party, unconstitutional. In response, the government and other political parties wanted to exclude the NPD and other extremist parties from state-based party financing. Any party that fights against the free democratic basic order or against the existence of the Federal Republic of Germany by abusing the basic freedoms will no longer be able to benefit from tax advantages on donations and state grants.

In general, 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 four million votes qualify for funding of €1 per vote per year; for every vote thereafter, parties receive €0.83. In addition, individual donations up to €3,300 receive match funding of €0.45 per every €1 donated. State funding of political parties has an upper limit, which in 2017 was €165 million. Since 2013, this cap has been annually adjusted for inflation. Public financing, however, must be matched by private funding. Thus, parties with little revenue from membership fees and donations receive less than they would be entitled to based on votes alone.

After the September 2017 elections, the German Bundestag decided to increase the upper limit for party financing by €25 million to €190 million. The governing parties (i.e., the CDU, CSU and SPD) justified this increase, which is far above the inflation rate, on the basis of the increasing costs caused by digitalization, intensified communication and internet security. This change was highly disputed in the public and between the parties, and was passed a day after the beginning of the FIFA World Cup 2018.
The lack of transparency regarding 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. In its 2017 report, GRECO concluded that “Germany has implemented satisfactorily or dealt with in a satisfactory manner three of the eight recommendations contained in the Fourth Round Evaluation Report. Of the remaining recommendations, two have been partly implemented and three have not been implemented.” In addition, 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 if donations from that source exceed €10,000 per year.

Citation:

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.

From 1946 to 2016, 349 direct democratic procedures took place on the state level. 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. The main themes had been education/culture (about 25%) and democracy, state organization, and domestic politics (about 25%). Most commonly used are direct democratic procedures in Hamburg (30.4%), Baden-Wuerttemberg (26.2%), and Berlin (21.7%).

On the municipal level, there were 7,503 procedures between 1956 and 2017, with more than half since 2003, showing the strong growth over the last two decades.
**Access to Information**

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. Strong constitutional guarantees and an independent judiciary provide for strong media freedom. A new anti-whistleblower provision penalizes the handling of leaked data without ensuring adequate protection for investigative journalists as well as their sources. The recently reformed law governing the work of Germany’s foreign intelligence agency (BND) allows the surveillance of foreign journalists, thus legalizing potential infringements on media freedom rather than preventing them. Laws regulating access to information remain weak compared to other countries.

Print media, which are largely self-regulated, are broadly independent of political interference. The German Press Council is tasked with protecting press freedom. However, the latent economic crisis of newspapers and publishing houses may slowly but steadily undermine media pluralism. In the World Press Freedom Index of 2018, 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.

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, in 2018 public broadcasters hold a market share of 47.8%, slightly more than in previous years. In the private sector, the RTL Group holds 20.6% market share, while the ProSiebenSat.1 Media AG accounts for 16.9% of the total television market. TV is the most used media (80%), followed by radio (65%) and the internet (63%). The rise of streaming media service providers like Netflix has led to a slight fall in the market share of private television broadcasters.

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. However, the latent economic crisis of newspapers and publishing houses may slowly but steadily undermine media pluralism.

With newspaper circulation continuously falling, the internet including the streaming media services 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. 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://de.statista.com/statistik/daten/studie/74804/umfrage/marktanteile-oeffentlich-rechtlicher-und-
privater-vollprogramme/

The Freedom of Information Act took effect in 2006. The act defines what government information is publicly available. In his 26th Activity Report, covering the period 2016 to 2017, Federal Commissioner for Data Protection and Freedom of Information (BfDI), Andrea Voßhoff, acknowledges that nearly 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 2018, Andrea Voßhoff concluded that citizens are increasingly making use of their rights and that federal authorities do no longer regard the information right of citizens as a nuisance but as a significant element of a civil society. More than 20,000 citizens turned to the BfDI concerning complaints and questions. The main activity of the BfDI and government was the adjustment of the national laws to the new Data Protection Directive of the European Union from May 2016. However, the national law did not strengthen the BfDI and its federal commissioner which was expected to be one of the main points in translating the EU directive into national law (BfDI 2018b).

Citation:


Civil Rights and Political Liberties

In general, all state institutions respect individual freedoms and protect civil rights. Civil rights are guaranteed 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 Democracy Index, Germany has consistently ranked 13th in recent years.

In her recent activity report, the federal privacy officer, Andrea Voßhoff, noted that access to information and basic civil rights are in good shape, and respected by government and the respective courts. However, the president of the Federal Office for the Protection of the Constitution, Hans-Georg Maassen, was involved in various scandals and – after heated debates within the government, and between the government and opposition – was forced into premature retirement.

Citation:
https://www.bfdi.bund.de/SharedDocs/Publikationen/Taetigkeitsberichte/TB_IFG/6TB06_18.html?nn=5217154
Due to Germany’s historical experience with National Socialism, political liberties are highly protected by the country’s constitution and the Constitutional Court. 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 but the court did not ban the NDP in his judgement from 17 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).

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 partnerships and opposite-sex marriages differently from a taxation perspective was unconstitutional. In June 2017, the Bundestag, with a large majority, went a step further and opened civil-law marriage to same-sex couples, which has overcome any remaining unequal treatment.
In January 2015, the Federal Constitutional Court ruled that a bill banning headscarves for teachers at public schools must adhere to state laws (Ländergesetze). A general prohibition on teachers expressing religious beliefs through their 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.

In November 2017, the Federal Constitutional Court requested that the government accept a third sex thus avoiding discrimination of intersexual persons.

Citation:
www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/EN/2015/bvg15-014.html
https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2017/bvg17-095.html

Rule of Law

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 final say on the interpretation of the Basic Law provides for a high degree of legal certainty. Concerning the rule of law index of the World Justice Report for 2017/18, Germany ranks 6 out of 113 countries, an improvement of two positions compared to the 2015/16 report.

Citation:

Judicial Review

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 2017/18, Germany’s relative performance on judicial independence has declined in recent years, with Germany now ranked 25th out of 138 countries after ranking 17th in previous years. However, the rule of law index of the World Justice Report that includes judicial review ranked Germany 6th out of 113 countries.

Citation:

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. Recently, the election of the incoming FCC president, Stephan Harbarth, has attracted some media attention, which may indicate that the new and open procedure has had positive spillover effects in this regard.

Despite several corruption scandals over the past decade, Germany performs better than most of its peers in controlling corruption. According to the World Bank’s 2017 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 2017, Germany ranked 7th out of 215 countries compared to 15th in 2010.

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 various reports, 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. Provisions concerning income declarations by members of parliament have improved, but the required declarations still lack precision. Since 2013, members of the Bundestag have to provide details about any ancillary income in a 10-step income list. Since the last election in 2017, 154 out of 709 members of parliament (22%) declared additional income. Within the FDP parliamentary party, almost every other member (43.8%) has an additional income, while politicians with the highest incomes are members of the CDU. The Greens have the lowest percentage of additional income with only 7.5% of its members of parliament. The current system of parliamentary transparency remains inadequate. Instead, it incentivizes declaring auxiliary income in slices of lesser amounts.

Citation:
World Bank (2018):
https://www.abgeordnetenwatch.de/blog/nebeneinkunfte-2018
Governance

I. Executive Capacity

Strategic Capacity

Since September 2017, the government has been led by Germany’s two largest political parties: the Christian Democrats (CDU/CSU) and the Social Democratic Party (SPD). The previous CDU/CSU-SPD government demonstrated little interest in improving the strategic planning of the Chancellery or federal government. However, the new government has rearranged the organizational structure of the Chancellery and introduced a new section (“Abteilung 6”) for political planning, innovation and digital politics, thus expanding the number of sections from six to seven. The head of the new section is Eva Christiansen, who is also a media adviser to Chancellor Angela Merkel.

The new head of the Chancellery, Helge Braun, previously coordinator for the relations between the central government and the Länder, 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. The Chancellery is constantly expanding and it currently employs 600 people. In spite of the new planning section in the Chancellery, planning is not a well-integrated part of the politics and policies of the new government nor is it a high priority for the federal government.

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 (the CDU, CSU and SPD) and not between members of the government. This practice results in “party politicization” of the government, which undermines strategic planning. In addition, Chancellor Merkel’s leadership style can be
described as time-oriented reactivity which is precluding goal- and future-oriented planning.

The federal government increasingly calls on experts’ and consultancies’ services. The budgets for expert advice have expanded dramatically in recent years. Over the last five years, the government has spent a minimum of €716 million on external advice. The Ministry for Defense spent the most on expert advice, followed by the Ministry of Transport and the Ministry of the Interior. On the one hand, the level of activities indicates a strong role for expert advice, which may foster the quality of legislation. On the other hand, it raises issues of cost efficiency, transparency and an inappropriate influence from outside the legislature.

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 regular reports on current policy problems (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.

Summing up, there seems to be a current shift from academic experts toward consultants. Scholarly advice is available on high levels, but day-by-day policies are decided upon on low levels of external and internal expertise because party politicization of the policymaking process dominates executive decision-making. In addition, engaging expert commissions or other scientific advice often seems to be used not to politically decide but to procrastinate.

Citation:
Interministerial Coordination

Interministerial coordination is characterized by the prevalence of the departmental principle in the federal government and the main bulk of coordination is carried out at the working level. The lead section prepares a draft and establishes a process of negative coordination through which all other departments respond resulting in lowest-common-denominator policies. The Chancellery is organized into seven directorates, with various numbers of subgroups that are again subdivided to better “mirror” the line ministries (“Spiegelreferate”). However, only four directorates with their sub-directorates (Referate) mirror the respective line ministries and may evaluate the ministerial draft bills. 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. With respect to European politics and international tasks, the Chancellery seems to coordinate with partners and to function quite effectively. However, in other policy areas the powers of the Chancellery remain astonishingly limited.

The preparation of bills is mainly the prerogative of the line ministries (Ressortprinzip). Over the course of regular policy processes, the Chancellery is most of the time well informed, 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. Because of the rapidly decreasing electoral support of the three governing parties (the CDU, CSU and SPD), the line ministries and their respective policies became more and more independent and follow the preferences of the political parties involved. Each party now tries to push through its own policy conception which may contradict that of the other parties. Negotiating a commonly developed government policy is highly contested and extraordinarily difficult. On migration and asylum policies, the first half of 2018 saw a heavy conflict between the minister of the interior, building and community, Horst Seehofer (CSU), and the Chancellery. In August 2018, Seehofer stated his intention to end the continuous dispute over migration policy, and develop a common policy line with Chancellor Merkel and the rest of the government.

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 a strong 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).

Interministerial coordination is typically initiated by the lead unit responsible for preparing a draft proposal, which will be sent to the co-signing ministries (i.e., those ministries whose competences are affected). The co-signing ministerial units read the proposal for negative effects on their own area of competences and only sign once those are eliminated. Ministerial civil servants seek to solve conflicts before involving the higher echelons of the hierarchy. A weekly Monday meeting of administrative state secretaries, preparing the agenda for the upcoming cabinet meeting, serves as the last arbiter.

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, which is composed of the respective heads of the governing parties, sometimes supplemented by higher bureaucrats and/or party politicians. It is the most important and informal decision-making body with comprehensive competences in the governing process.

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 government actors (i.e., the chancellor, the deputy chancellor, the chairpersons of the parliamentary groups and the party chairpersons) within the coalition parties. According to the recent coalition agreement from 2017, the coalition committee is expected to meet regularly or can be convened at the request of any of the coalition partners. Effectively, the coalition committee does not meet regularly except in a crisis situation. In 2018, during the escalating conflicts between the minister of the interior, building and community, Horst Seehofer (CSU), and Chancellor Angela Merkel, the coalition committee was unable to resolve the intense political conflicts and to develop coordinated policy responses. For everyday business, the coalition committee typically decides on the basis of the lowest-common-denominator.
In German government, interministerial coordination is generally low due to the principal of ministerial responsibility. In day-by-day politics and policies, every ministry pursues its own policies and only in rare cases does interministerial coordination take place. Overall, collective policies of the government are rare. In general, Germany is a country with a slow take-up of e-governance. A special digital strategy for interministerial coordination and thus for better policies is not yet visible. However, some Länder governments, such as Baden-Wuerttemberg and Brandenburg, took the initiative and started to digitalize their interministerial coordination.

**Evidence-based Instruments**

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. In addition, on behalf of the government, nongovernment organizations developed guidelines for sustainability assessments. In October 2016, Chancellor Merkel (re)appointed the German Council for Sustainable Development (RNE). The council’s recommendations have, however, no binding power.

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. Since the above mentioned initiatives, new initiatives have not been undertaken.

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 2018 annual report, the NKR claimed that the costs for new regulations and laws had peaked in 2017, while in 2018 costs had declined to €867.4 million. The economy accounted for the highest share
(about 90%), followed by the public administration (8%) and private households (only 2%).

However, the NKR argued that public administration digitalization processes in Germany strongly lagged behind other European countries, wasting important opportunities for further cost reductions.

The new “one-in-one-out” rule, introduced in 2015, should reduce the financial burdens on enterprises. This rule means that all new costs for enterprises and state bureaucracy (the “ins”) have to be compensated for by additional regulations that reduce costs (the “outs”). In 2017, the rule reduced the costs for enterprises about €302 million.

Citation:

In October 2016, Chancellor Merkel (re)appointed the German Council for Sustainable Development (RNE) for a term of three years. 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.

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.

According to the 2018 Sustainable Development Goals (SDG) Index, which has been jointly developed by the Bertelsmann Foundation and the Sustainable Development Solutions Network (SDSN), Germany ranked 5th out of 157 countries, an improvement of one position compared to the previous year.
In general, government ministries are solely responsible for policy results and, as a consequence, evaluate the effectiveness of policies within their domain. Evaluations are often part of a ministry’s daily procedures.

Traditionally, evaluation of legislation in Germany has an ex ante character. Ex post evaluations are not yet universally undertaken. Ex-post evaluations study the causal impact of policies based on credible experimental methods, for example, through comparisons of a treatment group with a control group. Today, thorough ex post analyzes are used in the fields of labor market, education and family policies. A milestone for ex post labor market research was the introduction of a legal obligation to evaluate the impact of active labor market policies in 1998. Since then, important legislation like labor market and social security reforms (Hartz reforms), and later the introduction of minimum wages have undergone a far-reaching ex-post evaluation with high methodological standards and the involvement of independent academic expertise.

Thus, while good standards for high-quality ex post evaluation have been set for some important policy fields, the broad use of these methods across a wider field of policies is still lacking in Germany.

Citation:

Societal Consultation

In general, government representatives meet with societal stakeholders as part of their daily routine. The previous and current CDU/CSU-SPD coalition governments did not make use of formal approaches like 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.

Regarding religious communities, established mechanisms for exchange and cooperation exist between the government, and the Christian churches and the Jewish community. Though frictions hamper government dialogue with the Islamic communities. 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 since then little progress has been realized. On the contrary, conflicts between its members, mainly between the government and the DiTib, increased and its future seems uncertain.

**Policy Communication**

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.

After the 2017 general election and especially in 2018 once the new grand coalition was in office, conflicts between the governing parties were widely and openly discussed with little evidence of a coherent communication strategy. This was particularly apparent with regard to migration, but also with regard to other important policy issues, such as finding an appropriate way to deal with the rise of the new right-wing populist party, the AfD. In terms of coherent government communication, 2018 was a disaster for the federal government.

**Implementation**

The current government finalized its coalition agreement in February 2018 and it is too early to comprehensively assess the implementation rate. Notwithstanding the government’s salient dispute over migration issues, the grand coalition has started to implement numerous important projects from the coalition agreement. Examples concern pension policies (e.g., more generous pensions for mothers, a double guarantee on the maximum contribution rate and a minimum pension level), the reduction of unemployment insurance
contributes, the improvement of care-related benefits, a new regulation on housing rents ("Mietpreisbremse") or an increase for investment spending in the budget. It is disputed among experts whether these measures are well-targeted or sufficient to address the country’s long-run challenges. But these examples prove that the current grand coalition like the previous government is able to implement policies largely in line with its initial objectives.

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. For example, under the current government, the minister of the interior, building and community, Horst Seehofer (CSU), has often been at odds with the chancellor, parts of the CDU and the coalition partner, the SPD. However, the coalition agreement bears considerable political weight and has often proved effective in guiding ministry activities. In terms of budgetary matters, Minister of Finance Olaf Scholz is particularly powerful and able – when he has the chancellor’s support – to reject financial requests by other ministries.

The new coalition agreement includes rules defining when a coalition committee will meet and who will join the meetings. As in previous coalitions, the coalition committee consists of the chancellor and the vice-chancellor, the leaders of parliamentary groups and party leaders. Under the old government, the coalition committee informally became the most important institution in resolving political disagreements within the government. During the current government’s short period in office, it has not yet been able to fully resolve conflicts, particularly conflicts concerning the refugee issue in the beginning of 2018.

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.

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.

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. For example, in July 2016, the federal government increased the flat-rate payment for the integration of migrants by about €8 billion until 2018, which was an exceptional improvement.

With respect to the future of the fiscal equalization system, an important compromise on the new system (in effect from 2020 onward) 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).

In the beginning of November 2018, the government agreed a digitalization pact (“Digitalpakt”), which will include the federal government and the Länder governments. The federal government will invest about €5 billion and would gain new regulatory competences in the area of education, which has hitherto been the exclusive domain of the Länder. In addition, the pact stipulates that the Länder will match the government’s investment into the program. Though whether the Länder governments will follow the line remains unclear. Some of the prime ministers of the Länder strongly insist that education should remain within the exclusive competences of the Länder.

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). Moreover, the Basic Law also grants local self-government to the almost 12,000 local governments in Germany. Local governments enjoy autonomy in organizing and carrying out their own affairs.

German federalism impedes the application of national standards because both states and local governments enjoy considerable autonomy. 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 some areas, such as education.

Laws and other regulations are usually enforced in an effective and unbiased way. However, law enforcement against vested interest depends on the structure of the respective acts. Detailed and strict laws are difficult to thwart, and administrators and courts are able to enforce them. By contrast, vague and lax laws may be more easily circumvented by vested interests. In general, government and courts are willing and able to enforce their respective regulations, and prevail against vested interests.

A current example concerns the enforcement of air quality protection regulation. This is a highly contested issue with vested interests on both sides of the debate (on the one hand, the powerful automotive industry and, on the other hand, influential environmental pressure groups). The fact that driving limits for diesel cars have been enforced in a rigorous way (also compared to other EU member states with identical air quality standards) indicates a largely unbiased implementation process.

Adaptability

As in other EU member states, 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.

The German government actively collaborates in various reform efforts promoted by the European Union and other transnational and international organizations. In the context of 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 and other countries, such as the United States, and international organizations in addressing the Crimea crisis and civil war in eastern Ukraine. Moreover, Germany has had a significant role in achieving a consensus at the Paris Climate Summit in November 2015. Regarding migration, Germany has
also tried to find more comprehensive European solutions, although with limited success. During the summer 2018, the Merkel government started to arrange new agreements for the return of migrants and refugees with important European countries (e.g., Greece, Spain and Italy), and with some non-European states bordering the Mediterranean Sea (e.g., Morocco, Tunisia and Libya).

Generally, Germany is 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**

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.

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. 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. In 2017, a far-reaching reform was adopted. It contained 13 constitutional changes, touching upon areas such as financial equalization among the federal states, highway construction, better control mechanisms for the German federal government and the Federal Audit Office (concerning mixed financing between the federal and state governments), and investment grants for financially weak municipalities.
II. Executive Accountability

Citizens’ Participatory Competence

Recent 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. Around half of the population watches a news program every day.

On the other hand, some recent surveys indicate a dramatic decline in public interest in politics and in parliamentary debates in particular. Younger people were disproportionally unable to mention any parliamentary debate they followed with interest. In addition, policy knowledge depends strongly on the social status of a person’s family and their socioeconomic environment. Studies indicate that populist sentiments are becoming more widespread, while political knowledge and interest in political details is declining. Schools are not able to compensate for those deficiencies.

Citation:

Bertelsmann Stiftung (2018) Populismus-Studie
http://www.infratest-dimap.de/umfragen-analysen/bundesweit/umfragen/aktuell/ wenig-ver¬trauen-in¬medien—berichterstattung/

Open government is a relatively new topic in German politics and policymaking. In 2003, the European Parliament and the European Council issued Directive 2003/98/EC on the re-use of public sector information. The directive’s objective is to make public sector information more readily available to the public and private information providers with minimal
bureaucracy. The directive was changed several times and adjusted in 2013 and 2018. On 13 December 2006, the German Bundestag passed a bill provided for by the Federal Ministry of Economics and Technology (“Informationsweiterverwendungsgesetz”). The bill converted the first EU directive into national law. As the European directive was revised, a newer version of the law was adopted by the Bundestag in May 2015. Overall, the legislation requires that public sector information on social, economic, geographic, climate, tourism, business, patent and education issues be made available to private information suppliers and the general public.

Besides this legal obligation, the statistical offices of the federal and state governments are important sources of information for citizens. These offices provide a wealth of high-quality indicators across a large variety of fields that help citizens to assess the country’s performance. Statistical offices publish data not only through thorough detailed expert reports but also through readable and concise press releases, which are frequently cited by the media. Statistical offices in Germany enjoy a high degree of independence from politics and have a reputation for providing undistorted data.

While performance measurement is easy on the whole, the information basis is less than optimal for holding state governments accountable. Germany’s federal states are reluctant to provide the public with sufficient data to compare the performance of states. An example of this intentional lack of transparency concerns education, states systematically prevent research into and comparisons of state performance in educational achievements.

Citation:
https://www.heise.de/newsticker/meldung/Bundestag-ebnet-Weg-fuer-Verwendung-oeffentlicher-Informationen-2638583


Legislative Actors’ Resources

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 €20,000 per month in 2017) allowing him or her to maintain two offices and employ, on average, two experts. The German
Bundestag has a staff of around 4,800. Parliamentary groups also have resources to commission independent research studies. Compared to the United States, German members of parliament’ structural and personnel resources are modest.

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 sometimes tries to withhold information. But most documents are made public and can be accessed.

In a recent ruling from 7 November 2017, the Federal Constitutional Court again strengthened the information rights of the Bundestag vis-à-vis the government by making comprehensive information publicly available.

Citation:
https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2016/bvg16-084.html
http://www.sueddeutsche.de/politik/auskunftsrecht-verfassungsgericht-staerkt-kontrollrechte-des-bundestags-1.3738737

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.

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. The number of public hearings is increasing.

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.

**Media**

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. Public opinion polls demonstrate that public trust in the media is increasing: 42% of the Germans trust the media, 41% are indifferent and only 17% mistrust it. Only 13% belief that the media are lying, the year before it had been 20%. Trust in the media concentrates mainly on the public television and radio broadcasting.

Citation:

faz.net (2018a) Wo zeigt der Kompass denn hin?, faz.net 03.01.2018


https://global.handelsblatt.com/politics/in-media-we-trust-say-germans-672316

**Parties and Interest Associations**

The Basic Law stipulates intra-party democracy. Generally, 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 retained traditional hierarchical decision-making processes and candidate-election procedures. However, at the end of October 2018, Chancellor Angela Merkel announced that she would not run for re-election as CDU party chair. Breaking with traditional procedures, a plurality of candidates stood for election as party chair and ultimately three candidates openly competed for the party leadership. In an open and nationwide campaign, the candidates tried to attract the votes of party members. In December 2018, a party convention elected Annegret Kramp-
Karrenbauer as the new party chair. As a rule of thumb, the recent party leader will run for the chancellorship in the next national elections.

Particularly important policy challenges usually lead to fierce debates within the political parties. This was precisely the case for the SPD in the TTIP negotiations and the CDU/CSU concerning the refugee policy. However, party members have had little direct influence in these debates. Decision-making is limited to representatives at the party congresses and is firmly controlled by party elites.

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.

As of November 2018, the government’s official list contained 2,327 registered associations, which again marked a moderate increase. One-third of those can be considered non-economic 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 non-economic interest groups can be described as reasonable, but their suggestions often appear unrealistic.

Citation:
https://www.bundestag.de/blob/189476/45b6af8b40d6db36f824dd6f49be67c1/lobbylisteaktuell-data.pdf

Independent Supervisory Bodies

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. It 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 1,200 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.

Citation:
https://www.bundesrechnungshof.de

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. In its 2017 report, published and debated in parliament in June 2018, the committee indicated that 11,507 petitions were submitted, an increase compared to the previous year. Two additional parliamentary ombudsmen are concerned with special requests and complaints made by patients and soldiers.

Citation:
file:///C:/Users/RB96BD~1/AppData/Local/Temp/Germany_Pet.%20Committee%20Bundestag_Annual%20Report_2017_DT.%20Committee%20Bundestag_Annual%20Report_2017_DT.pdf

At the national level, there is the “Bundesbeauftragter für den Datenschutz und die Informationsfreiheit” (BfDI), which has a long history dating back to the end of the 1970s. Since January 2016, this institution has been an independent federal authority subject only to parliamentary and judicial control but no longer under the authority of the minister of the interior. Independence of the authority’s head is highly protected. A dismissal is only possible with reasons similar to those that apply to the dismissal of a lifetime judge. The authority’s budget and number of staff have considerably increased. From 2015 to 2017, its staff has increased from 90 to 160 positions and a further increase is planned. The authority’s task is to control federal institutions’ compliance with national and European data protection rules.

Citation:
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