Germany Report
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Sustainable Governance Indicators 2022
Executive Summary

Throughout the reporting period, the challenges associated with the pandemic were the dominating issue. Overall, the country and its institutions have proved considerably resilient in this crisis. The country benefited from its strong institutions, sound public budgets, and a broad consensus among its main parties (with the exception of the right-wing AfD) regarding policies. The results of the federal election in September 2021 marked at the very least a pause in the rise of populism that had been threatening Germany’s system since the migration crisis in 2015. In fact, the parties on both ends of the political spectrum saw a significant decline in their share of votes. The formation of the new “traffic light” coalition of the SPD, the Greens and FDP proved surprisingly smooth and resulted in a coalition agreement that has drawn praise for its ambitious targets regarding climate policy, societal reforms and digital transformation. However, even if the populists’ share of votes have declined, the risks of further radicalization remain, in particular with respect to the growing number of people subscribing to pandemic conspiracies and a growing number of politically motivated crimes from both the right and the left.

Importantly, the health system has been able to cope with the pandemic so that even with very large numbers of COVID-19 patients, the system remained functional and was able to provide up-to-date treatment to anyone in critical condition as a result of the virus. The German bio-pharmaceutical sector has demonstrated its prowess as a global leader with its spectacular successes in developing innovative vaccines for COVID-19. Despite this overall favorable impression, the pandemic has at the same time revealed some serious weaknesses, especially with regard to the country’s lagging digitalization in education and healthcare. At the same time, the pandemic has provided both the private and public sectors a crash-course in digitalization, which has expedited the development of digital infrastructures and skill sets in public administration services and the education system. However, much more needs to be done before the country will compare with the level of digitalization achieved by the OECD’s front-runners.

Germany’s excellent fiscal and labor market situation prior to the pandemic is key to understanding the country’s (to date) successful response to its negative economic and social consequences. When the virus reached Germany in
January 2020, the country could look back at a decade of successful budget consolidation. In constant decline since 2010, the debt-to-GDP-ratio had dipped just below 60%, a level far below that of other large industrial countries such as France, Italy or the United States. It could also look back at a decade of stable GDP growth, very strong employment growth, a significant increase of the disposable income both of the active workforce and pensioners, and a buoyant growth of public revenues. This solid situation, combined with a large political consensus, enabled the government to enact a swift and comprehensive package of emergency and stabilization measures that were of historic magnitude.

Under the new government, Germany is now pursuing a very ambitious climate policy that – should it prove successful – will also help to boost its credibility in international climate negotiations. But success is far from certain and faces political resistance to investment projects and higher prices.

Key Challenges

Social cohesion in a context of pandemic-related radicalization:
Although the German party system has become more fragmented and now features a variety of parties allowing for a larger number of potential majority coalitions, so far, this has not undermined the ability to form governments on the federal and state levels. In fact, the smooth process of forming a government following the last federal election suggests that the more diverse party landscape may be conducive to the pursuit of new and potentially forward-looking policy strategies. However, there is the strong risk that a growing number of citizens feel increasingly detached from the country’s basic values. The pandemic has helped facilitate the emergence of various populist groups that no longer feel represented by the mainstream parties. In this sense, radicalization has only just begun in Germany. While these groups are particularly pronounced in Eastern Germany, they are present and well-connected throughout the country. So far, the country has no clear and promising strategy for building new bridges for dialogue and trust between the mainstream and these groups.

Concerns about structural change in industry and services:
Critics point out that even before the pandemic, Germany’s attractiveness as a business location had been eroding as a result of its increasingly less competitive infrastructure, a growing shortage of highly qualified labor, high and intensifying regulatory burdens, and high corporate tax rates. Key German industries such as auto manufacturers face the challenge of digital
transformation and making the transition to e-mobility, a sector in which powerful new competitors have emerged within a brief period. Energy-intensive sectors increasingly suffer from high energy prices. The pandemic has also massively accelerated a structural shift in the services sector, which has radically reduced the number of offline retailers and had a lasting negative impact on hotels dependent on business travel, as digital transformation has affected all sectors. Measures like short-time works subsidies ("Kurzarbeit") can cushion a temporary shock but are not effective as a long-term solution for reallocating workers to newly emerging sectors.

The long path to a CO2-neutral economy:
The new government’s focus on climate policy reflects a large consensus among voters that climate change is an existential threat. The new coalition agreement defines ambitious targets and describes a battery of measures to speed up the decarbonization of industry, traffic and housing. But the passage of ambitious climate-protection legislation does not yet guarantee successful implementation. The energy- and climate-policy decisions made in recent years have left many questions unanswered. It is still far from clear whether the shut-down of all nuclear power plants by 2022 and a quick subsequent phase-out of fossil-fuel-based power generation are consistent with the continued ability to guarantee a reliable electricity supply at affordable prices. At the end 2021, a dramatic price hike for electricity and gas in the context of the switching-off of nuclear-power plants has foreshadowed how the energy transition might entail shortage and substantive energy price increases. These price increases could endanger social cohesion and industrial competitiveness. Even if voters are in favor of climate protection in general, they may punish politicians who actually impose a massive cost burden on electricity and heating bills. Careful communication and intelligent policy design will be required in the coming years, and opposition parties will have to act responsibly to avoid discrediting the country’s energy transformation strategy.

Demographic trends undermine welfare state sustainability:
The last grand-coalition governments have increased the generosity of pension systems generally, while providing additionally higher pensions for mothers, low-income earners and workers who have been in the labor force for exceptionally long periods. However, no solution has yet to be developed for adapting the system to increases in longevity and the increases in dependency ratios that will pick up speed in the 2020s. Also the new coalition agreement of 2021 is silent on how to reconcile the sustainability of pensions and the health system with the imminent retirement wave of the baby boomer generation. The political process must allow for a much more open debate on potential options that is free of topics often deemed to be politically taboo such as linking retirement age automatically to life expectancies. While the need to
adjust the pension system was generally recognized within the political discourse 15 years ago, it now seems that voters and politicians have lost their sense of reality and arithmetic in this respect.

Shifting resources from consumption spending to digitalization and infrastructure:
Preparing Germany for the digital age is a comprehensive task that requires adjustment across numerous fields, including secondary and tertiary education, public administration, and innovation and infrastructure policy. The pandemic exposed rather starkly a rather well-known fact: Germany’s state of digitalization is insufficient for an industrial country with this income level. Critics point to the need to overhaul the country’s digital networks and to digitalize rail- and road-transport networks. Government budgets must try to rebalance spending toward these avenues of value creation at the expense of current spending. It is far from clear how the new government will achieve that. On the one hand, there is the binding constraint of the German debt brake that is not officially questioned by the government. On the other hand, the coalition agreement includes massive spending plans but lacks almost any idea of how to cut back consumption spending in public budgets and the welfare state. The problem could be solved if Germany realizes further high economic and employment growth. But it is far from obvious that this can be achieved given that the government’s economic program does not include a convincing strategy for making Germany a more attractive investment location.

Party Polarization

Over the last decades, the German party system has undergone fundamental changes. What was once a four-party system with two major (CDU/CSU and SPD) and two smaller (FPD, Green Party) parties has been transformed into a six-party system with the AfD on the far right and the Left (die Linke) party on the far left side of the spectrum. However, the outcome of the federal election on 26 September 2021, which involved both the right-wing AfD and the left-wing Linke losing votes, has brought a halt to the process of increasing polarization. Compared to 2017, the AfD’s share of support declined from 12.6% to 10.3%. The losses for the Linke were more dramatic, dropping from 9.2% to 4.9% (the normal 5% threshold does not apply only because the party won the direct vote in three voting districts). Another indication that the losses suffered by the large CDU/CSU and SPD parties has not fundamentally decreased the ability of parties to reach a compromise is the surprisingly smooth coalition agreement that was reached by the new “traffic light” coalition comprised of the SPD, the Greens and the FDP. The three parties
proved able to form a government rather quickly through what appears to have been a rather harmonious process – which is all the more remarkable given the deep animosity observed between the Greens and the FDP in the past.

The last grand coalition government involving the SPD and CDU/CSU was fraught with various tensions and conflicts which nonetheless did not get in the way of effective policymaking. The grand coalition looks back on a legislative period in which the government was able to realize most of the plans that had agreed upon in the coalition agreement of 2018 (see “Government Effectiveness”).

State-level parliaments feature a variety of different coalitions, all of which form functioning and stable governments. This suggests that the rise of the multiparty system has, so far, not been a detriment to effective policymaking. The only party to wing, anti-immigration AfD party. (Score: 8)
Sustainable Policies

I. Economic Policies

Economy

Germany’s economic policies reflect the country’s broad consensus on the so-called social market economy model. Policies are supported by strong and stable institutions that guarantee sound property rights, an open economy, an effective competition policy, and effective social protection through a developed and constantly evolving welfare state. Over recent years, the leitmotif of the social market economy has been increasingly augmented by the growing emphasis on ecological sustainability. While this trend has been visible already in the past legislative terms, the new German coalition government that took office in December 2021 has now made this an explicit objective. The new three-party coalition formed by the SPD, the Green Party and the liberal FDP have agreed to transform the German economic model toward a “social-ecological market economy” (Koalitionsvertrag 2021, p. 25) where each of the three partners stands for an emphasis on one of the three model dimensions (SPD for social justice, Green party for ecological sustainability, and FDP for liberal market principles). Hence, this approach appears to be consistent and credible.

The German economy has performed relatively well over the medium term of the past decade and has also proved its resilience since the outbreak of the pandemic at the beginning of 2020.

Prior to the crisis, the country was on a path of stable economic growth and steady growth in employment. Compared to other OECD countries, Germany has reached very high employment levels with an unemployment rate increasingly in the region of a full-employment economy. From 2012 to 2019, government budgets were balanced or in a comfortable surplus situation (AMECO Database 2022).
Severely hit by the pandemic lockdowns since March 2020, the German government swiftly engineered one of the largest fiscal stabilization packages among OECD countries (International Monetary Fund 2021). The package included the activation of familiar and tested instruments such as generous short-time work schemes but also new rescue packages that effectively supported firms through grants and liquidity. Both this massive response and the underlying financial health of the German corporate sector explain a relatively mild impact of the largest global economic shock in postwar history. Real GDP declined by 4.6% in 2020, which marked a deep recession that was nonetheless milder than that seen in other euro area countries; on average, real GDP declined by 6.4% in the euro area (European Commission 2021). Germany’s recovery was hampered in 2021 by shortages of key industrial inputs and frictions in international supply chains. However, the prospect for a full recovery is good (Sachverständigenrat 2021) and further indicators such as the low number of firm insolvencies and the mild impact of the crisis on the level of unemployment confirm an optimistic assessment on how Germany will finally cope with the pandemic crisis.

Leading indicators classify Germany’s competitiveness as an investment location as good but not as excellent as, for example, the Scandinavian countries. A supportive economic policy mix is seen as a strength, but the country’s deteriorating infrastructure, the backlog in digitalization, high energy prices, and a high effective corporate tax burden are seen as weaknesses (Dutt, 2021; IMD World Competitiveness Ranking 2021).

Citation:

Dutt, Verena, Fischer, Leonie, Heinemann, Friedrich, Kraus, Margit und Minkus, Fynn (2021), Länderindex der Stiftung Familienunternehmen, 8. Auflage, München: Stiftung Familienunternehmen.


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.

Labor Markets

Germany’s success in reducing structural unemployment since the mid-2000s has been impressive. Germany’s employment increased from 41.0 million to 45.3 million between 2010 and 2019 (Destatis 2022) and features an employment rate that is far above the OECD average (OECD 2021). Before COVID-19 reached Germany, the unemployment rate decreased to 5% (2019 average, national definition, Bundesagentur für Arbeit 2021). This suggests that the labor market has successfully integrated the large influx of refugees that arrived in 2015. Employment growth has been accompanied by a decline in both temporary work and minor employment contracts (“Mini jobs”) and confirms that the boom is not driven by a flight into atypical employment. However, a high part-time share of female workers in particular is another feature of the German employment boom, which could increase the risk of old-age poverty due to lower pension entitlements.

The negative impact of the pandemic on employment was surprisingly mild. Employment declined from 45.3 to 44.9 million from 2019 to 2020 but stabilized again in 2021 (Destatis 2022). After rising to 6.4% in the summer of 2020, the unemployment rate fell back to roughly its pre-pandemic level of 5.1% by November 2021 (Bundesagentur für Arbeit 2021), which points to the resilience of the labor market. Current predictions indicate that the German labor market of the future will no longer be characterized by a significant unemployment problem but, on the contrary, by a dramatic shortage of workers in many sectors.

There are several factors that help explain the German labor market’s structural and cyclical strengths. First, the Agenda 2020 reforms of the early 2020s have proved effective in increasing incentives to take on employment and reforming labor market administration. Second, researchers point to a high degree of wage flexibility that began already in the 1990s as a result of harmonic industrial relations and industrial accountability (Dustmann et al. 2014). Third, the government has a toolbox of tested labor market instruments to use in protecting jobs in a crisis situation. In 2020, the short-time work subsidies once again played a decisive role in helping firms affected by the lockdowns to keep their employees on payroll, despite plummeting sales. The government quickly increased replacement rates, made the scheme more accessible, expanded its duration and waved social security contributions. This helped firms effectively slash their wage costs during the most acute periods of the crisis. However, by international comparison, the German short-time work scheme is very generous in the support it provides and its unique increasing wage replacement rate could, over time, disincentivize structural change and the relocation of workers (Scarpetta et al., 2020).
In recent years, government regulation of the labor market has increased as new restrictions for temporary employment programs have been introduced. A national minimum wage has been in effect since January 2015, with exemptions for young employees and the long-term unemployed in particular. The minimum wage has increased from initially €8.50 to €9.82 from January 2022 onward. The new government plans to further lift the minimum wage to €12 (Koalitionsvertrag 2021). 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, particularly during less dynamic periods.

While international organizations like the OECD have acknowledged Germany’s dynamic employment growth, they have regularly pointed to a key obstacle to achieving even higher labor use: the very high marginal tax rates on labor in general and for a family’s second earner in particular. Very high marginal tax rates are particularly harmful when it comes to integrating single parents into the labor market and create substantial work disincentives for a household’s second earner (OECD 2021).

Citation:


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.


**Taxes**

Up until the pandemic recession, Germany’s tax system had been able to support dynamic growth in government spending and balanced budgets across all federal layers. According to the Ministry of Finance, between 2010 and 2019, total tax revenues rose by 50%, from €531 billion to €799 billion (Bundesfinanzministerium 2020). This buoyant revenue growth is not just a function of economic growth alone; the ratio of tax revenues to GDP also
increased significantly from 21.7% in 2010 to 24.1% in 2019 (Bundesfinanzministerium 2021). With the strong decline of economic activity in 2020 and temporary tax cuts to stabilize the economy during the pandemic crisis, tax revenues declined sharply in 2020, but they are projected to recover quickly and exceed their pre-crisis level in 2022 (Bundesfinanzministerium 2020).

Consideration of equity aspects: Germany is among the OECD countries in which the tax and transfer system is particularly effective in correcting unequal market incomes to achieve a more equal post-tax situation. Whereas the Gini coefficient is 0.49 for pre-tax market incomes, it is at 0.29 for disposable incomes by all the redistributive tax and transfer instruments (Sachverständigenrat 2019). Hence, the tax and transfer system performs quite well in terms of redistributive objectives with respect to the equalization of incomes. Germany taxes inheritances but applies generous provisions for corporate wealth. The country does not have a wealth tax, though the idea has been a subject of heated debate for many years. During the 2021 election campaign, parties on the left proposed introducing wealth taxes (as they had done often before), but the new three-party coalition proved unable to reach agreement on the issue.

Competitiveness: The German tax system lacks international competitiveness and entails substantial work disincentives. The top marginal personal-income-tax rate (47.5%) is comparable to the OECD average (OECD 2022), but the average marginal rate continues to be a key challenge for Germany’s competitiveness, as it is 15 percentage points higher than the OECD average. The OECD concludes that this is particularly harmful with regard to the integration of single parents into the labor market and it creates substantial work disincentives for households’ potential second earners (OECD 2021). Furthermore, the complexity of the German tax system imposes high compliance costs on households and firms. A major further weakness of the German tax system is the eroding competitiveness of corporate taxation. The position of Germany with regard to effective corporate-tax-rate comparisons has continuously declined over the past decade. Today, there are very few industrial countries left that impose a higher tax burden on their companies (Dutt et al., 2021). Germany has thus lost considerable tax appeal as a destination for foreign direct investment. The country is among the initiators of the emerging new OECD rules on international minimum corporate tax rates, but this project is unlikely to alleviate the lack of German tax competitiveness since the international minimum tax rate will be set far below the German level.
Ecological sustainability: Since the ecological tax reforms of the late 1990s, the German tax system has been equipped with “green” taxes designed to internalize the ecological damage produced by certain polluting activities. The German industry is subject to the European emissions-trading system with its market-based pricing of CO2 emissions. In 2021, Germany took another important step forward by introducing a carbon pricing system for the building and transport sectors. This CO2 emissions tax will increase from its initial fixed price of €25 per allowance (ton of CO2 equivalent) in 2021 to €55 in 2025 (Bundesregierung 2022). The new government aims to stick to this pre-announced price path but intends to set up a social compensation scheme (“Klimageld”) that will help low-income households cope with higher energy prices (Koalitionsvertrag 2021, p. 63).

Citation:
Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.

Budgets

Before government budgets in Germany were hit by the fiscal consequences of the pandemic, they looked back at an unprecedented eight-year period of balanced budgets and, since 2015, significant surpluses of 1% of GDP or more. The combination of stable economic growth with rising surpluses had led to a strong decline of the debt-to-GDP ratio from 82.4% in 2012 to 58.9% in 2019, which was below the Maastricht reference value of 60% (AMECO Database 2022). This success stands in sharp and favorable contrast to the other large euro area countries for which debt levels have been trending upwards and had reached magnitudes of 100% of GDP or even higher before the pandemic.
When the pandemic hit the country, the government was quick to set up a massive rescue package that, relative to GDP, was among the largest in the OECD (International Monetary Fund 2021). This reaction was in compliance with the constitutional debt brake, which foresees an escape clause in case of an emergency. The rescue package included additional resources for the health sector and containment of the pandemic, transfers to households, generous short-time work incentives, subsidies and liquidity support for companies, and temporary tax cuts (most prominently a temporary cut of VAT rates). This strong fiscal reaction was buoyed by a large economic policy consensus that a comprehensive fiscal answer was justified to mitigate the longer-run economic damage of the pandemic. Despite this massive fiscal engagement, the consequences for the government balance and public debt were much milder than in many other EU and OECD countries: The debt-to-GDP-ratio is projected to peak at a moderate level of 71.4% in 2021 and to fall subsequently. Thus, the fiscal performance in the pandemic so far rather reflects a responsible and rather successful stabilization policy that took advantage of the fiscal leeway created in the years before.

However, the medium- and long-run challenges resulting from demographic change are substantial and, so far, convincing answers of how to cope with it are missing. According to calculations based on the generational accounting methodology developed by Bernd Raffelhüschen and his coauthors (Stiftung Marktwirtschaft 2021), Germany’s “implicit debt” (i.e., the government’s spending promises not covered by future tax revenues) even exceeds the official debt and amounts to 105% of GDP in 2021. The new German government has developed no strategy for making the welfare state more sustainable and limiting the rising burden being placed on the federal budget with its increasing transfers to the pension system. Pension experts criticize both the previous and new governments of focusing one-sidedly on increasing benefits and lacking a sense of reality for the long-term constraints on financing (Börsch-Supan 2021).

Citation:
Research, Innovation and Infrastructure

Germany’s performance in the area of research and development (R&D) remains good, but the country is losing ground in international rankings. According to the World Economic Forum (2019), Germany’s capacity for innovation was ranked best among the world’s top performers. In the Global Competitiveness Report 2019 (which is still the most recent regular report), Germany retained its top rank. Furthermore, Germany ranked fifth out of 141 countries with regard to patent applications per inhabitant. The quality of scientific research institutions was ranked at fourth place, a strong improvement relative to 2017, when Germany was ranked only 11th out of 140 countries (World Economic Forum 2019, p. 241). The leading role of German companies in the development of innovative vaccines against COVID-19 has demonstrated the country’s strength in biopharmaceutical research in a spectacular way.

However, in a more recent special report by the World Economic Forum with a focus on coronavirus-induced transformation challenges from 2020, Germany is ranked only 10th out of 37 countries with respect to its incentives for investments in research, innovation and invention “that can create the markets of tomorrow” (World Economic Forum 2020). In general, many have criticized in recent years that, in spite of Germany’s first-class research output, very few developments from research institutions have been successfully commercialized. In addition, many criticize the fact that while the German innovation system achieves incremental progress, no disruptive innovations result (Harhoff/Kagermann/Stratmann 2018; EFI 2018: p. 62). However, the Federal Agency for Disruptive Innovation, established in 2019 following the example of DARPA in the United States, does not seem to enjoy enough freedom to fulfill its mission (Bernau 2021).

Regarding funding, the German government has continuously increased R&D over recent years with spending levels above the European average. The total spending on R&D was at 3.17% of GDP in 2019 and slightly fell to 3.14% in 2020 due to the crisis-induced decline of spending in the private sector, whereas funding in the public sector was stable (Stifterverband 2022). The new coalition government has confirmed the past government’s commitment to increasing the ratio of R&D spending to GDP to 3.5% by 2025 (Koalitionsvertrag 2021, p. 19).

In 2020, Germany introduced an R&D tax incentive that involves providing entities a 25% tax credit for spending on R&D staff that will be paid out if the entity makes a loss. The tax subsidy is currently capped at €1 million per company per year.
In recent years, as Germany has increased its research and education budget and pursued its excellence initiative within the tertiary education sector, the quality of its scientific research institutions has improved slightly. In the World Economic Forum’s Global Competitiveness Report 2019, Germany performs well in the areas of higher education and training. However, the country was at only 21st place with regard to digital skills among the population (World Economic Forum 2019, p. 240).

Citation:


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.


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 was 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 was one of the crucial players that helped turn 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 operated by public savings banks (“Sparkassen”). The government
remains concerned that pooling Europe’s deposit-insurance systems through the envisaged European Deposit Insurance Scheme (EDIS) too early could result in the collectivization of southern European banks’ risky loan portfolios and excessive sovereign-debt exposure. In its coalition agreement, the new government has announced that it is ready to accept EDIS as an element of a comprehensive reform package that includes risk-dependent contributions and takes steps to prevent an excessive sovereign risk exposure of banks (Koalitionsvertrag 2021, p. 168).

Germany has been one of the initiators of measures aimed at limiting international competition over corporate taxes and developing new globally coordinated strategies to tax digital business models as well. This process reached an important milestone with 134 countries agreeing to participate in the summer of 2021 (OECD 2021).

II. Social Policies

Education

Since the first PISA study in 2000, the OECD has often repeated its criticism that educational attainments in Germany are relatively poor for a country of this income level and that educational success strongly depends on pupils’ social backgrounds. However, Germany has shown some improvements since 2000. In the latest PISA test from 2018, the country ranked slightly above the OECD average in mathematics, reading and science, but fell somewhat relative to 2012 (OECD 2018). The impact of students’ socioeconomic background has lessened and is now comparable to the OECD average (OECD 2021). School funding is generous with respect to teacher salaries but less so regarding infrastructure. Teachers in Germany have the highest average salaries within the OECD, with levels at 1.7 times that of the OECD average in 2020 (OECD 2021). Access to preschool early education (ECE) has considerably improved over the past two decades. Today, Germany has more children enrolled in ECE services both aged under three and at pre-primary level than on average in the OECD (OECD 2021).
Science, technology, engineering and mathematics (STEM) fields of study are attractive in Germany, a total of 35% of German university graduates hold a degree in one of these fields, which are of particular importance for a country’s technological and innovation capacities, compared to a 25% average across the OECD (OECD 2019). However, women are highly underrepresented in the field of engineering. In addition, regular studies report a persistent labor shortage in STEM professions, which suggests that the educational system does not fully meet the demand of labor markets (Anger et al. 2021).

In addition, the proportion of young people with tertiary education in 2020 still lags behind the OECD average (OECD 2021). In 2000, only 26% of young adults (aged 25-34) held a tertiary degree whereas it increased to 35% in 2020. Despite this increase, tertiary attainment in Germany remains below the OECD average of 45%, and is mostly a result of its strong vocational education system that offers a reliable path into qualified employment as well. The share of upper secondary or post-secondary education again is high compared to the OECD average (52% to 40%).

Concerning vocational training, Germany’s education system is strong and provides skilled workers with good jobs and income prospects. The rate of post-secondary vocational education and training is about 20%, which is much higher than the OECD average. All in all, the German education system excels in offering competencies relevant for labor market success, resulting in a very low level of youth unemployment. 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.

Before the pandemic, education sector employees had only limited experience with digital teaching formats. The most important problem on the eve of the pandemic was the lack of technological equipment and the respective lack of technological training for teaching staff. The consequence was that German schools were significantly less prepared than schools in northern Europe or the Baltic states for the sudden need to shift to remote education formats in the spring of 2020. However, thanks to massive federal and state-level digital investment packages and rapid learning curves during the pandemic, the situation has improved. By the time the second wave of the pandemic hit at the end of 2020 and resulted in national school closures, the conditions for digital learning formats had clearly improved, both as a result of greater access to digital hardware and substantial learning effects among educators, children and their families. However, as was the case in other OECD countries, educationally disadvantaged groups were often left behind in remote learning contexts because of their lack of access to digital equipment and weak independent learning skill sets. (Grewening et al. 2020).
Social Inclusion

Germany features a mature and highly developed welfare state that guarantees a subsistence level of income to all citizens. The German social security system is based on the tradition of an insurance model that is supplemented by a needs-oriented minimum income. There are a variety of minimum-income benefit schemes, including income support for the unemployed (the so-called Hartz IV scheme) and disabled, and an old-age minimum income. The number of Hartz IV recipients has been decreasing for years as a consequence of falling long-term unemployment. Between 2017 and 2019, the number of recipients fell from 4.4 to 3.9 million. The deep recession brought on by the pandemic has so far not reversed that trend, with the number of recipients falling further to 3.8 million in 2021 (Statista 2022).

Since 2015, Germany has had a national statutory minimum wage designed to increase and stabilize market incomes within the low-wage segment of the population. The minimum wage was raised to €9.82 in 2022. The new government plans to further lift the minimum wage to €12 (Koalitionsvertrag 2021). No massive job losses have as yet been noticeable.

The past legislative term was characterized by measures that increased the generosity of the welfare systems. Examples include large benefits in the old age care insurance and the introduction of a minimum pension. It aims at reducing poverty in old age, giving benefit recipients a better legal status as citizens and increasing the basic pension to an appropriate level (for details, see “Pension Policy”).
With the outbreak of the pandemic, the welfare system has proven its ability to provide effective social protections, also in an environment of a sudden and deep economic crisis. The government temporarily increased access to the systems in place that are designed to protect jobs and to provide immediate income support to workers and the self-employed. The measures included: a simplified and extended access to short-time work schemes with high and increasing replacement rates including an additional family component; a facilitated access to the system of basic income support targeting small enterprises, freelancers, one-person businesses, older people and people with reduced earning capacity; more generous entitlements for paid-leave for parents with children in case of closures of schools and preschool facilities.

The new government coalition has agreed in principle on various welfare system reforms, but it remains difficult to assess the substance of those reform ideas, as they are vaguely formulated in the coalition agreement. Prominent plans include reforming the Hartz IV system and shifting toward a form of universal basic – or citizen’s income (“Bürgergeld”) – that would involve reduced means testing and establishing a funded pillar for the statutory pension system (Koalitionsvertrag 2021).

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Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.

Health

The German healthcare system is of high quality, inclusive and provides healthcare for nearly all citizens. Most employees are insured by the public health insurance system, whereas civil servants, self-employed persons, high-income individuals and some other groups are privately insured. The system is, however, increasingly challenged by rising costs. Prior to the COVID-19 pandemic, the system’s financial stability was stable due to buoyant contributions resulting from the employment boom. However, aging demographics and increasing healthcare costs are placing growing pressures on the system, which guarantees equal access to all necessary medical services that are of a high standard.

As has been the case for any other country, the COVID-19 pandemic has put the system under severe stress. However, Germany’s health system proved
better prepared for such a catastrophic event than many other countries because it features a high number of intensive care beds, regular hospital beds, doctors and nurses relative to the population (Rüb et al., 2021). Shortages occurred but the health sector basically remained functional even in the context of a severe pandemic environment and, unlike in several other countries, COVID-19 patients received professional treatment at the state of the medical knowledge through all phases of the pandemic during the reporting period. The coordination of scarce resources such as intensive care beds across states was successful in reducing scarcity in regional infection hotspots. All this has contributed to an effective protection of lives: Hardly any other comparable country in Europe has been able to protect the lives and health of its population as successfully as Germany during the pandemic, measured in terms of coronavirus-related deaths relative to the population (Heinemann, 2021). At the same time, the pandemic has confirmed some well-known weaknesses, among them the lagging state of the German health system in terms of digitalization and the increasing shortage of highly qualified caregivers. The outgoing government has addressed some of these issues, but it remains to be seen how successful these reforms turn out to be.

The pandemic has further increased the health system’s cost pressure, a problem for which the new government has so far no convincing answer. The coalition agreement features vague statements regarding a “rules-based dynamization of the federal grant to the statutory health insurance” (Koalitionsvertrag, 2021, p. 87) but the agreement is silent on new financing sources or measures to limit increases in spending. In particular, the new government appears as hesitant as its predecessor to open the system to more competition (e.g., with respect to pharmacies).

Citation:

Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.


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, was extended in 2007. Parents can receive a parental-leave subsidy for over 14 months with a wage replacement rate ranging from 56% to 100% with an absolute cap of €1,800 per month. The rules for paternal leave have increasingly improved, for example, by allowing for greater flexibility in terms of part-time employment and by incentivizing male uptake.

The number of public childcare slots has also increased. A legal right to childcare beginning at the age of one year came into effect in August 2013. By international standards, the ratio of children under the age of three enrolled in a childcare-facility is below average but on the rise. It reached 35.0% in March 2020, with a strong regional variation between Eastern Germany (52.7%) and Western Germany (31.0%), which mirrors the different traditions of female employment in both parts of the country (Destatis 2021).

The success in the modernization of German family policy is also reflected in a fertility rate that has significantly increased from 1.25 in 1995 to 1.53 in 2020 (Destatis, 2021), a much more positive trend compared to many aging European countries.

In summary, these measures, in combination with an increasing shortage of skilled labor, have led to a considerable increase in labor-market participation rates among women. While in 2005, only 66.9% of women between 15 and 64 years of age were employed, this figure had risen to 74.9% by 2020 (compared to an OECD average of 65.0%). However, 36.3% of women are working part time, which is well above the OECD average of about 25.4% (OECD 2022).

Since the outbreak of the pandemic, German family policies have reacted in various ways to assist families during lockdowns, school closures and for those parents subject to short-time work or job losses. Measures that were taken since 2020 include: a doubling of children’s sick days that parents can take in the event of school or childcare center closures, a higher short-time work replacement rate for parents, and a flat rate additional pandemic bonus in addition to the normal child bonus (Rüb et al., 2021).

Citation:
Destatis (2020), Betreuungsquote der unter 3-jährigen Kinder auf 35.0 % gestiegen, Pressemitteilung Nr. 380 vom 30. September 2020.


OECD (2022), Employment database, stats.oecd.org/Index.aspx?DataSetCode=GENDER_EMP (accessed:
Pensions

The last comprehensive pension reform dates back to 2007. It aimed to make the pension system more sustainable by phasing in a higher retirement age of 67 years and by establishing a link between pension increases and demographic change.

In recent years, reforms had a different intention and have gradually increased the generosity of the system. Critics have argued that these measures would undermine the system’s long-term sustainability. 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” payment for housewives with children born before 1992. The calculation now includes two additional years of (fictive) contributions, allowing this group greater parity with counterparts whose children were born after 1992. Pensions for people with disabilities have been increased. Germany instituted in 2021 a “basic pension” (“Grundrente”) that aims at reducing poverty in old age (BMAS 2021). For insured workers with 35 contribution years, the pension of low-income earners will be increased. The costs will be financed from the federal budget from general tax revenues and are projected to benefit 1.3 million recipients. In addition, the government took some measures to improve private and occupational pension provisions.

Public subsidies from the federal budget for the pension fund have increased strongly over time. In 2017, subsidies totaled €67.8 billion. In the 2022 budget, they already reach €108 billion, which is 24% of the total budget (BMF 2021, p. 88).

Pensions have been increasing quickly in recent years due to the high levels of employment growth and the rising average wage of the active population. Today’s pensioners have a lower risk of poverty compared to the rest of the population, but old-age poverty is projected to increase in future. Measures like the aforementioned basic pension aim to counteract this development. The last government also introduced a “double stop line,” which means that contribution rates should not exceed more than 20% of income by 2025, and that pension levels should not fall below 48% of income by the same year. A raising of the statutory retirement age was explicitly excluded in the coalition agreement of the new government (Koalitionsvertrag 2021: 73). As a
consequence, these levels will be financially possible only if federal subsidies are substantially increased, which raises questions regarding the fiscal sustainability of the policy. In sum, the new government has provided no strategy for ensuring the financial sustainability of the pension system as the number of pensioners is destined to increase dramatically with the wave of babyboomer retirement. Critics point to political myopia and a loss of a sense of reality (Börsch-Supan, 2021, see also “Budgetary Policy”). One positive aspect, however, is that the new government announced its intent to introduce additional capital funding for the statutory pension scheme (ibd.).

Integration

In 2020, a total of 26.7% of the population living in Germany, or 21.9 million people, have a migrant background. This number has increased from 16.6 million persons in 2013 (Destatis 2021).

According to the OECD (2013), reforms passed in the early 2010s “put Germany among the OECD countries with the fewest restrictions on labor migration for highly skilled occupations.”

The number of asylum applications peaked during the so-called refugee crisis at 745,545 applications in 2016 and has since decreased sharply. In 2020, in part due to pandemic travel restrictions and border closures, this number fell to 122,170 (BAMF 2021). Despite the crowding out of this topic by the pandemic, migration remains one of the country’s top challenges, which has a lasting impact on German politics. Since the refugee crisis of 2015 – 2016, the xenophobic AfD party has gained seats in all state parliaments.

Germany handled the short-run challenges of the large number of refugees that arrived in 2015/16 remarkably well, though the long-term challenge of successfully integrating refugees and asylum-seekers into the education system and labor market remains a crucial concern. Whereas labor market integration is proceeding faster than expected, labor market participation remains lower relative to other groups of the population with a migrant background. In March
2021, 31.8% of refugees in employment age from the main countries of origin were in regular employment. This compares to 46.6% of all migrants and to 63.1% of Germans (Geis-Thöne 2021). The pandemic brought a setback for many refugees employed in the service sector but this is believed to be a temporary phenomenon.

Much will ultimately depend on whether the process of broader cultural integration succeeds. So far, German civil society remains generally in favor of a society open to migrants. However, xenophobia is a manifest problem that is mirrored in a rising number of crime directed at those perceived to be foreigners. Hate crimes, including xenophobic attacks, increased from 8,600 cases in 2019 and to 10,200 cases in 2020 (BMI and BKA 2021).

The new government plans to reform the German nationality law. It wants to simplify and shorten the path to naturalization. Children born in Germany to foreign-born parents are to receive German nationality from birth if one of the parents has had a right of residence for at least five years. Dual or multiple citizenship, which is currently allowed for among EU citizens and under special circumstances, will be allowed as a rule (Koalitionsvertrag 2021, p. 118).

Citation:


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.

Safe Living

In general, residents of Germany are well protected against security risks such as crime or terrorism. Following an increase from 2014 to 2016, the total number of recorded crimes has since fallen again. The total number of recorded crimes decreased from 6.4 million cases in 2016 to 5.3 million in 2020. While the year 2020 was unique due to lockdowns and mobility restrictions that strongly decreased the opportunity for crimes such as burglaries, numbers had already reached the low level of 5.4 million in 2019.
The downward trend is thus real and has not been driven by the exceptional circumstances brought on by the pandemic (all data from BMI 2021).

The influx of nearly 900,000 refugees in 2015 and the years following fostered a heated discussion about a potential rise in crime. Crime rates differ significantly across migrant communities (Bundeskriminalamt 2019). The share of refugees from Syria, Afghanistan and Iraq among crime suspects is far below these countries’ shares in the total refugee population. Conversely, refugees from the Maghreb and other African countries, as well as from Serbia, comprise a disproportionate share of criminal suspects. In general, the higher crime rates among refugees compared with the native-born population can be explained by the much higher share of young men with low levels of education who are without employment, a group that tends to exhibit higher crime rates in general.

Several terrorist attacks by Islamist extremists have occurred since 2016 with the most severe attack taking place in December 2016, when Anis Amri killed 12 people and injured 62 by driving a truck into a Christmas market in Berlin. Right-wing terrorism is another significant threat with severe attacks in 2019 when an extremist targeted a synagogue in Halle and in 2020 when 11 people lost their lives in a right-wing attack in Hanau.

Politically motivated crimes are increasing (BMI 2021): The total number increased in 2020 strongly by 8.5%. Politically motivated violent crimes are more frequent from the left (1,526 in 2020) than from the right (1,092) and the recent increase of violence in 2020 is higher for criminals from the left (+45%) than from the right (+11%). For all kinds of political crimes, including non-violent incidents such as hate crimes and demagoguery (“Volksverhetzung”), the numbers for the right (23,604 in 2020) more than double those for the left (10,971). Political crimes related to foreign ideologies have fallen sharply in the first year of the pandemic (-46.6% in 2020) and are relatively infrequent overall (1,016 in 2020).

Citation:


Global Inequalities

In recent years, Germany has increased its ratio of official development assistance (ODA) to GNI substantially, and has reached the ODA target of 0.7% of GNI with an actual spending of 0.73% in 2020, putting it into a top position only surpassed by Turkey (due to the country’s expenses for hosting refugees), Sweden, Norway, Luxembourg and Denmark (OECD 2021). In the first year of the pandemic, Germany increased its development assistance, for example, to support vaccination campaigns, by more than $3 billion. This is the largest absolute increase in 2020 among OECD states (OECD 2021).

The country’s trading system is necessarily aligned with that of its European partners. In trade negotiations within the European Union, Germany tends to defend open-market principals and liberalization. This position is in line with the country’s economic self-interest as a successful global exporter. For agricultural products in particular, the EU’s Common Agricultural Policy (CAP) 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 willing than peers such as France to consider a more liberal and open CAP that would provide greater benefits to developing countries and emerging markets.

Germany played a leading role in organizing and financing international efforts to mitigate the pandemic burden for developing countries, in particular by strengthening health systems, support for refugees, food security and crisis management, and by being an active player in and major donor to the international vaccination initiative COVAX (Rüb et al. 2021, Auswärtiges Amt 2022).

In 2021, Germany has enacted a supply chain law which defines clear and operational obligations based on the principle of due diligence. This implies that companies have to set up risk management systems that detect human rights violations. The requirements relate to the full supply chain but are more intense with respect to direct suppliers than for indirect suppliers. Beginning in 2024, the law will be gradually phased in and affect all companies with more than 1,000 employees.


III. Environmental Policies

Environment

In the Environmental Performance Index 2020 (EPI 2020), Germany is ranked 10th among 180 countries, which is a significant improvement compared to 2016 when the country had dropped to 30th place. However, the country’s performance varies substantially across the various dimensions. The country performs well with regard to health-related environmental hazards, which is due in large part to its high standards of sanitation and quality of drinking water, but in terms of air quality, the exposure to particulate matter results in a less-favorable ranking. Germany uses about one-third of its land for agricultural production. Intensity of production and the negative impact on biodiversity are problematic issues. The country is rich in forests, which cover about 30% of the territory. Despite the controversy regarding the effect of agricultural production on biodiversity, Germany ranks 12th worldwide in the Environmental Performance Index on the issue of ecosystem vitality, but receives low scores on sub-indices such as the protection of biodiversity habitats.

Although the German economy’s CO2 intensity has declined, it is still high by international comparison, in part as a consequence of the still relatively high share of industrial production contributing to GDP. The energy sector still depends to a large extent on fossil-fuel-based electricity production, and the need to transform the energy system is a key challenge. The energy transition is further complicated by the exit from climate-neutral nuclear energy that is to be completed by the end of 2022.

Starting in 2021, companies that bring heating oil, natural gas, petrol and diesel onto the market will pay a CO2 price for these products. While CO2 emissions are priced through the European Emission Trading System, these national rules have now established a CO2 price for the heating and transport sectors as well. This CO2 emission tax will be raised from its starting price of €25 in 2021 to €55 in 2025. The new government has confirmed its intention to continue on this path (Koalitionsvertrag 2021, p. 63).

In a landmark ruling in April 2021, Germany’s Federal Constitutional Court ruled that the government’s climate legislation from 2019 is insufficient, that it lacks details on emission reduction targets beyond 2030 which would
unilaterally offload the burden of adjustment onto the future (Federal Constitutional Court 2021). With this innovative intertemporal argument, the Court has seen a violation of citizens’ fundamental rights in the future. Within months, the Grand Coalition has reacted and amended the Climate Protection Act. The amended Act frontloads parts of the adjustment burden and commits Germany to becoming greenhouse gas neutral by 2045, five years ahead of its previous target and also ahead of the EU’s target date. A 65% reduction in greenhouse gas emissions is required by 2030, compared to 1990, instead of the previously set 55%.

Apart from the pandemic, climate change has been one of the key topics addressed during the 2021 federal election campaign, with all parties (excepting the right-wing populist AfD) issuing ambitious plans in their election manifestos. The new coalition has made environmental and climate policy a key leitmotif with its objective to transform the German economic model toward a “social-ecological market economy” (Koalitionsvertrag 2021, p. 25).

In January 2022, the new Minister for Economic Affairs and Climate Action Robert Habeck announced an “opening balance” on climate protection, stating a likely failure to comply with reduction targets in 2022 and 2023. To reduce the backlog, the government plans to start by presenting plans on how to speed up the energy transformation toward renewables with an amended Renewable Energy Law. The law will clarify that renewables serve the public interest and public security. By reformulating policy along these lines, the government hopes to overcome delays and legal resistance from local opponents against windmill constructions.

Thus, despite many open questions, Germany has embarked on an ambitious path that puts the country firmly into the group of climate policy pioneers who want to reconcile the economic model of an advanced industrial country with climate neutrality.

Citation:


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.
Global Environmental Protection

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 country is one of the countries that have consistently pushed for an ambitious climate policy both at the European level and in international climate negotiations. The country also played a crucial role in deciding on an increased EU climate target of a 55% reduction in CO2 emissions by 2030.

Concerning the climate conference in Glasgow in November 2021, however, Germany was limited in its statements, as the newly elected government had not yet formed a coalition, and the previous government was acting on a caretaker basis (Götze and Traufetter 2021).

In its landmark climate ruling from April 2021, the Federal Constitutional Court further emphasized the government’s responsibility “to involve the supranational level in seeking to resolve the climate problem” (Federal Constitutional Court 2021) which follows from the state’s obligation to protect future generations and their natural source of life as enshrined in Article 20a of the Basic Law.

However, the country’s credibility in international negotiations has suffered in recent years because it has struggled to comply with its own national emission reduction plans. The new government’s ambition to speed up the energy transition (see “Environmental Policy”) is also crucial to maintaining Germany’s leadership in the pursuit of international climate policies.

Citation:

Robust Democracy

Electoral Processes

On 26 September 2021, elections were held to constitute the new German Bundestag. A total of 40 parties competed for the seats. A new record was with 6,211 candidates running either as independent candidates or as candidates from registered parties (Bundeswahlleiter 2021).

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 (Bundesverfassungsgericht), but the legal conditions required for such a ban are stringent. The last attempt to ban the far-right National Democratic Party (NPD) failed in 2017. 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.

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 for office without any initial approval from the Federal Election Committee (Bundeswahlausschuss).

Citation:

There are generally no media-related regulations at the federal level, but broadcast media are regulated by Länder laws. However, The Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag) provides a general framework stipulating requirements of plurality of opinion, balanced coverage
for all important political, ideological and social forces, and requires those parties with a list in at least one Länder be granted an “appropriate amount” of broadcasting time. The allocation of airtime is based on each party’s result in the previous general elections (OSCE 2021). For television airtime, 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.

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.”

Despite these rules, there is a persistent debate as to whether the media’s tendency to generally focus coverage on the largest parties and, in particular, on government parties is too strong. According to the most recent OSCE report, most observers regard political and election coverage in Germany to be fair and balanced, but some voiced concerns regarding the inequitable access to media and potentially biased coverage (OSCE 2021).

Citation:

German citizens (Basic Law, Art. 116 sec. 1) aged 18 or older are eligible to vote and run for election to the Bundestag (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). Between the 2017 and 2021 general election, the legal framework has been amended to permit citizens under custodianship due to psychosocial disability to vote, which returned voting rights to about 80,000 citizens (OSCE 2021). Citizens permanently residing abroad are eligible to vote if they have three months of continual residence in Germany within the last 25 years (after reaching the age of 14). Additionally, citizens who have never resided in Germany are eligible to vote by postal vote if they can demonstrate their connection to the country and familiarity with the political situation, and are affected by it. The new government announced plans to make it easier for Germans living abroad to exercise their right to vote and to lower the voting age to 16 years (Koalitionsvertrag 2021: 12). The latter would need an amendment of the Basic Law.
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 voting by post. For the September 2021 election and in the context of the pandemic, the share of postal votes reached a record of 47.3%, up from 28.6% in 2017 (Bundeswahlleiter 2021a). While postal voting was conducted smoothly, there was a local problem with electoral districts in Berlin involving insufficient ballots and a lack of administrative staff, which led to long waiting times. The Federal Election Supervisor has officially challenged the results of six Berlin constituencies with the complaint that citizens were effectively denied their right to cast their vote (Bundeswahlleiter 2021b).

Citation:


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.


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 4 million votes qualify it for funding of €1 per vote per year to support smaller parties; for every vote thereafter, parties receive €0.83. In addition, individual donations of up to €3,300 are provided with matching funds of €0.45 per €1 collected. State funding for political parties has an upper limit which, in 2021, was almost €200 million (Deutscher Bundestag 2021). The cap is adjusted annually for inflation. However, public financing must be matched by private funding. Thus, parties with little revenue from membership fees or donations receive less from the state than they would if the calculation were based exclusively on the number of votes received.

The German system of party financing generally provides an appropriate level of support to ensure political involvement and party competition. However, critics continue to point to the relatively high thresholds set for disclosing party financing sources as a problem with regards to transparency. Donations under €10,000 do not need to be reported, and the immediate disclosure requirement for large donations applies only to amounts exceeding €50,000. The Council of Europe’s Group of States against Corruption (GRECO) and
several OSCE experts therefore recommend lower thresholds and making individual campaign financing reports public immediately after elections (OSCE 2021). The new government has announced its intent to comply with some of these recommendations, including reducing reporting thresholds (Koalitionsvertrag 2021, p. 10).

Citation:
Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.

In Germany, referendums are of importance on the municipal and state levels. At the federal level, referendums 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 referendums on the federal level are ongoing and intensifying.

From 1946 to 2019, 351 direct democratic procedures took place in all 16 Länder (states) (Mehr Demokratie 2019). 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%). Bavaria (57), Hamburg (50) and Brandenburg (49) used direct democratic procedures most frequently. There is an interesting imbalance between the German Länder. Whereas in the Länder of the former West Germany, direct democratic processes are relatively common (especially in Bavaria, Hamburg and Berlin), the number of such procedures in the Länder of the former East Germany remains extremely low; indeed, no plebiscite has yet been initiated from below, by the population, in these federal states.

In states such as Baden-Wuerttemberg, North Rhine-Westphalia, Rhineland-Palatinate, citizens can, under certain conditions, call a referendum with the power to confirm or overturn a decision by the legislature. Since 2014, no such referendums have occurred.

Citation:
**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. Print media, which are largely self-regulated, are broadly independent of political interference. The German Press Council is tasked with protecting freedom of the press. However, the latent economic crisis of newspapers and publishing houses may slowly but steadily undermine media pluralism. In the World Press Freedom Index published in 2021, Germany was ranked 13th out of 180 countries, showing only minor fluctuations in the years before.

The Interstate Treaty on the Modernization of Media (Medienstaatsvertrag) 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. The relationship between public authorities and private media can be seen as unproblematic.

In 2020, the Federal German Constitutional Court, in its ruling on the BND Law, which governs the activities of the country’s foreign intelligence agency BND, has strengthened the protection of foreign journalists against surveillance. The court has thus brought an end to the previous approach to mass surveillance, in which the secret service was essentially unconstrained in its mass surveillance of non-Germans, including foreign journalists.

**Citation:**

**Media Pluralism**

Score: 9

In Germany, the Interstate Treaty on the Modernization of Media (Medienstaatsvertrag, MStV) defines the threshold at which a television broadcaster has achieved the dominant power of influence to be an annual average audience share of 30% (MStV, Sec. III, § 60). The Federal Cartel Office regulates most issues regarding oligopolies and monopolies 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 broadcast media research group Arbeitsgemeinschaft Fernsehforschung (AGF), in the television market, public broadcasters held a market share of 47% in 2021. In the private sector, the RTL Group held a 17.4% market share, while the ProSiebenSat.1 Media AG accounted for 9% of the total television market for the same year. Private broadcasters’ market shares have fallen as they are increasingly crowded out by streaming providers.

TV is the most commonly used media (92%), followed by radio (94%) and the internet (83%). Daily audiovisual media use increased significantly during the pandemic, reaching an average 9 hours and 43 minutes, which is 40 minutes more than that recorded in 2019 (Vaunet 2021).

The nationwide print media market is dominated by five leading daily newspapers: the Süddeutsche Zeitung, Frankfurter Allgemeine Zeitung, Die Welt, Handelsblatt and the tabloid daily Bild. Bild has by far the biggest circulation in Germany but its circulation numbers are falling steeply. Additional agenda-setters are a number of weeklies, in particular Der Spiegel, Focus, Die Zeit and Stern. However, the latent economic crisis being experienced by newspapers and publishing houses may slowly but steadily undermine media pluralism. Between 1995 and 2020, daily newspaper circulation has been more than halved (Statista 2021).

The internet has become an increasingly important medium through which citizens access and collect information. This has forced the print media to cut costs significantly, which includes reducing editorial staff size. In short, Germany continues to benefit from a comparatively pluralistic and diversified media ownership structure and somewhat decentralized television and radio markets.

Citation:

The Freedom of Information Act took effect in 2006. The act defines what government information is publicly available. Citizens are increasingly making use of their rights, and federal authorities no longer regard a citizen’s right to information as a nuisance, but rather as essential to a healthy civil
society. The federal commissioner for data protection and freedom of information painted a positive picture in his most recent report, expressing satisfaction with the staffing increase that enabled his agency to intensify its information and consultancy activities. From its on-site audits in 2020 of the Federal Agency for Civic Education (Bundeszentrale für Politische Bildung) and the Federal Agency for Technical Relief (Technisches Hilfswerk), the commissioner’s agency certified a swift and appropriate handling of information requests. The pandemic has led to a strong increase of requests for information that are addressed to the Robert Koch Institute (RKI) and the Federal Ministry of Health. From the commissioner’s perspective, the RKI’s exceptional workload constitutes a legitimate explanation for why the RKI could not always meet the 30-day deadline for responding to inquiries.

As familiarity with the Information Act has improved significantly, and its enforcement is effective, the commissioner recommends transforming the Information Act into a “Transparency Act” that would involve strengthening requirements for government institutions that would involve comprehensive and proactive disclosure policies. The new coalition has taken up this recommendation and announced a Federal Transparency Act for the new legislative period (Koalitionsvertrag 2021, p. 9).

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. According to the Freedom House (2021) Civil Liberties Index, Germany is considered to be free but there are concerns cited with regard to issues such as politically motivated crime (see “Internal Security Policy”), data protection (see “Data Protection Authority”) and free speech, the latter of which results from a majority of Germans expressing that they are cautious about publicly stating their opinion.

Citation:
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 National Democratic Party (NPD) currently have full freedom to operate. The Bundesrat appealed to the Federal Constitutional Court seeking to prohibit the NPD but the court did not ban the NPD in his judgment from January 17, 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 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 areas. For example, women are underrepresented in parliaments. The share of women elected as representatives to the Bundestag increased from the previous election’s 31% to 34% in the 2021 general election (Tagesschau 2021), a share that remains far from parity. Attempts at the state levels in Brandenburg and Thuringia to enforce parity through legal parity requirements for party lists were rejected by the state constitutional courts as contradicting voting freedoms.

A law requiring large German companies to reserve at least 30% of nonexecutive-board seats for women took effect in 2016. In 2021, a similar quota was enacted for executive boards requiring at least one woman for boards with four or more members. All these requirements affect only a limited number of large companies.

Adoption and tax legislation passed in 2014 gave equal rights to same-sex
couples in these areas. The government legalized same-sex marriage in 2017
(Freedom House 2021).

Xenophobia, antisemitism and Islamophobia are a problem, and politically
motivated crime including demagoguery and violent assaults is on the rise (see
“Internal Security Policy”).

Citation:
Freedom House (2021): Freedom in the World 2021, German,

Tagesschau (2021): Zusammensetzung des Bundestags, Mehr Frauen ins Parlament – aber wie?,

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.” German authorities also live up to this high standard in practice.
Relative to other countries, Germany generally scores very highly on the issue
of the 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. In
the World Justice Project’s Rule of Law Index 2021, Germany was ranked
fifth out of 139 countries (World Justice Project 2021).

Citation:
World Justice Project (2021): Rule of Law Index, 2021 Insights, Highlights and Data Trends from
the WJP Rule of Law Index 2021.

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 ensures that all state institutions obey
the constitution. The court acts only when an appeal is made, but holds the
right to declare laws unconstitutional and has exercised this power a number of
times. In case of conflicting opinions, the decisions made by the Federal
Constitutional Court are final; all other governmental and legislative institutions are bound to comply with its verdicts (Basic Law, Art. 93).

Since the beginning of the pandemic, the judiciary has proved effective in keeping the executive from overstepping its powers and encroaching on individual fundamental rights and political liberties. All courts were able to carry out their duties without constraint, even during the most severe lockdowns.

Beginning with various lower courts at the state level and extending to the Federal Constitutional Court, the courts have frequently reviewed various details of the lockdowns and have set certain limits through their jurisprudence. The case law of the Federal Constitutional Court was particularly important in this regard, because it occasionally overturned government decisions, especially with regard to the restrictions placed on the right to assemble. At the end of the first waves of the pandemic, state courts sometimes obliged state governments to lift various lockdown measures earlier than had been planned by the executive.

Both domestically and internationally, Germany’s courts in general, and the Federal Constitutional Court in particular, are highly regarded for their independence. The World Justice Project’s Rule of Law Index 2021 ranked Germany third among 139 countries on civil justice and sixth with regard to criminal justice (World Justice Project 2021).

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 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 Federal Council). The Federal Constitutional Court 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 opaquey. 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, judges in Germany 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. In November 2018, Stephan Harbarth, previously a member of the German Bundestag, was elected as a new vice-president of the Federal Constitutional Court. This election received substantial press coverage, with discussions as to whether a former member of parliament who worked as a lawyer has the right profile for this position. This example seems to indicate that the new and open procedure has had a positive effect on public awareness.

Despite some corruption scandals – the recent ones involving the procurement of masks during the pandemic – Germany performs better than most of its peers in controlling corruption, outperforming countries such as France, Japan and the United States. But it does not perform as well as the Scandinavian countries, Switzerland, Singapore and New Zealand.

Nonetheless, there are a number of issues that have been raised by the Council of Europe’s Group of States against Corruption (GRECO). The recent GRECO compliance report (GRECO 2021) concludes that Germany has satisfactorily implemented or dealt in a satisfactory manner with only three of GRECO’s eight recommendations and therefore the current level of compliance remains “globally unsatisfactory.” Since the publication of this compliance report, further progress has been achieved with the enactment of the Lobbying Register Act in March 2021, which requires representatives of special interests to register as such. Deficiencies cited include the lack of ad hoc disclosure rules designed to prevent conflicts of interest with regard to members of parliament acting on issues under parliamentary consideration. In terms of ensuring the transparency of federal judges’ secondary activities, Germany is also not in compliance with GRECO recommendations.

Citation:
Good Governance

I. Executive Capacity

Strategic Capacity

Since the 2013 coalition agreement, German governments have strengthened strategic planning as a cross-sectoral topic for ministries (Bundesakademie für Sicherheitspolitik 2021). In the last legislative term 2017-2021, the Federal Ministry of Education and Research (BMBF) acted as coordinator in the context of its Foresight (Vorausschau) instrument. A mid-term conference of this initiative collected contributions from various ministries that have increasingly devoted resources to strategic foresight processes over the past ten years. As a result, efforts to consider long-term trends have increased. The Chancellery also now features a strategic foresight group tasked with long-term planning issues. According to experts, this increase in foresight analyses is having an impact on government policies (Bovenschulte et al. 2021).

In the new government’s coalition agreement, strategic foresight is not explicitly mentioned. However, there is an emphasis on forward-looking behavior in various policies (Koalitionsvertrag 2021), though it remains unclear whether this will result in strengthened foresight analysis on the part of government with greater impact on actual policy formulation.

Citation:


Koalitionsvertrag (2021): Mehr Fortschritt wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP.
In almost all policy fields, expert commissions advise policymakers on a regular basis. Most of their members are appointed by the government or by individual ministries. The Bundestag also consults regularly with non-governmental experts, which can involve regular expert hearings on specific topics as well as commissions of enquiry (Enquetekommission) on broader issues that continue for several years.

In addition, ad hoc commissions are often created to provide scientific input on major reforms involving complex issues and thus help build consensus. In sum, there are plenty of established and ad hoc expert advisory bodies providing the government expertise and advice. These include, for example, the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung), the German Advisory Council on the Environment (Sachverständigenrat für Umweltfragen) and the Commission of Experts for Research and Innovation (Expertenkommission Forschung und Innovation), all of which produce regular reports on current policy issues (Siefken 2019).

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

Experts have played a much more influential role in decision-making during the pandemic. The federal and state governments’ decision-making processes have been based on input from scientists and in particular the expertise of the Robert Koch Institut (RKI). The government has also closely monitored objective data on the dynamics of the pandemic when making its decisions. The German Ethics Council attracted considerable attention for its statements regarding the ethical tradeoffs associated with pandemic policies, who was to be prioritized during the vaccine rollout and, more recently, the issue of obligatory vaccinations.

Another important body for the sciences and healthcare, particularly in the context of the pandemic, is the German National Academy of Sciences Leopoldina. However, some have criticized the Leopoldina, stating that it had delivered its recommendations “on the government’s order” by justifying lockdown measures (Hirschi 2021).

Summing up, scholarly advice is widely available, but political considerations often dominate legislative and executive decision-making. In addition, the
engagement of expert commissions or other sources of advice is sometimes used as a means of postponing decisions rather than as a true decision-making aid. However, during the pandemic, the role of experts and their impact on policymaking has increased significantly.


Interministerial Coordination

The German Chancellery has a staff of about 600. Some of its policy units are “mirror units” (Spiegelreferate) that reflect those areas covered by each of the federal ministries. Staff for these units are often seconded from the line ministries. Thus, while there is expertise within the Chancellery, it is still at a disadvantage compared to the line ministries with their much larger resources.

The preparation of bills is mainly the prerogative of the line ministries (Ressortprinzip). Over the course of regular policy processes, the Chancellery is generally 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.

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. One exception is the Federal Security Council, which coordinates security and defense policy and decides, for example, on arms exports.

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. In line with § 17 of the Rules of Procedure of the Federal Government (Geschäftsordnung der Bundesregierung), all controversial issues are in general already settled before being discussed by the cabinet.
There are a number of informal mechanisms by which government policy is coordinated. The most important of these is the coalition committee, which comprises the most important actors (the chancellor, the vice chancellor, the chairpersons of the parliamentary groups and the party chairpersons) within the coalition parties, and is sometimes supplemented by higher bureaucrats and/or party politicians. It is the most important decision-making body with comprehensive impact in the governing process.

The new government has confirmed the role of the coalition committee (Koalitionsvertrag 2021, p. 174) by stipulating that the committee will meet at least once a month to discuss current issues and coordinate further work plans. The committee can be convened at any time at the request of one coalition partner. Given the mutual trust demonstrated by each party involved with the coalition talks and the smooth and rapid nature of the process, it is safe to assume that the coalition committee will effectively contribute to improving interministerial coordination.

In general, Germany has been slow to adopt e-governance mechanisms. One of the projects to push e-government in federal ministries and agencies is the “E-Akte Bund” (federal e-files) (BMI 2021). The project aims to connect about 100 institutions and some 150,000 employees to the e-file system by 2024. Connecting the Chancellery – with its high-level security needs for classified documents – to the system in the spring of 2022 marked a significant milestone. The use of the e-file system will help facilitate interministerial coordination as it is rolled out within the line ministries.

**Evidence-based Instruments**

Germany has a systematic and comprehensive RIA system for ex ante impact assessments. RIAs have been mandatory for all laws and regulations since 2000. In 2016, SMEs also became subject to RIAs through SME test guidelines designed to promote SME-friendly policy development. Germany consistently seeks to reduce the costs of regulation. In 2016, the German
government revised its EU ex ante procedure in order to avoid incurring the costs of compliance with EU legislative acts. It also introduced the “one-in, one-out” rule in 2015. The same year, Germany incorporated a behavioral insights team into the Chancellery’s policy planning unit that was designed to keep all federal ministries informed of legislative and administrative processes (OECD 2021).

The National Regulatory Control Council (Normenkontrollrat, NKR) works with a large number of different actors on various levels of the administration. It has stepped up its cooperation with the German states and local authorities, in particular through the development of methodological standards for assessing compliance costs.

Citation:

The institutional setting to apply and monitor a unified methodology is well developed. The National Regulatory Control Council (NKR) reviews the quality of all RIAs and provides advice. It also bears some responsibility for ex post evaluation processes. The federal government reports annually to parliament on improved regulation processes and efforts to reduce bureaucracy. The Federal Audit Office and the Parliamentary Advisory Council on Sustainable Development are responsible for evaluating regulatory policy and identifying areas where regulation can be made more effective. Bodies within the Federal Ministries of the Interior and Justice and Consumer Protection examine the legal quality and comprehensibility of legal drafts, and a special unit of linguists provides linguistic advice to all ministries on such issues as simple language (OECD 2021).

The new “one-in one-out” rule, introduced in 2015, is intended to reduce the financial burdens imposed on enterprises. This rule means that all new costs for enterprises and state bureaucracy (the “ins”) have to be compensated for by additional regulations reducing costs by at least the same amount (the “outs”).

The NKR also regularly publishes its expert assessments, project and annual reports and is transparent in communicating its recommendations to the public.

In sum, the NKR’s monitoring and quantification activities have significantly increased awareness of the bureaucratic burdens associated with legislation for companies, private households and the public administration itself.

Citing the desire to strengthen the NKR’s role in the legislative process, the new German government has decided to move the NKR from the Chancellery to the Federal Ministry of Justice. Given that the Ministry of Justice is headed
by an FDP minister for whom efficient lawmaking and minimizing bureaucracy are important issues, this decision is in part motivated by partisan interests. The political support for such efforts should remain strong throughout the new legislative term.

Citation:

Germany applies a proven, systematic and well-integrated system of sustainability checks that are an important aspect of its legislative impact assessments. The parliamentary Council for Sustainable Development (Parlamentarischer Beirat für nachhaltige Entwicklung, PbnE) supervises the government’s sustainability strategy through a systematic sustainability impact assessment of draft regulations and directives. The PbnE was established in 2004 and must be reconstituted after every parliamentary election. According to the PbnE audits, the coverage and quality of sustainability checks has strongly improved. Whereas 56% of all checks in 2011 were found to be dissatisfactory, the PbnE approved of 96% of all checks in the last legislative (Bundestag 2021).

Established in 2001, the German Council for Sustainable Development (GCSD) is another important actor in this area. In 2020, Chancellor Merkel appointed 15 members from civil society, industry, the research community and politics for a three-year term. This body is tasked with contributing to the implementation of the National Sustainability Strategy by identifying action areas, developing specific project proposals and increasing awareness of the importance of sustainability issues. The GCSD acts independently in choosing the topics it addresses and the actions to be taken (GCSD 2022).

Citation:


Instituting ex post evaluations of legislation has become more important in Germany. Ex post analyses are widely used in labor market, education and family policy areas. 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 such as labor-market and social security reforms (Hartz reforms), and later the introduction of minimum wages, have undergone far-reaching ex post evaluations (Boockmann et al. 2014).
In 2013, a concept for the systematic evaluation of new regulations was accepted. As a principle, all important laws and regulations for which compliance costs exceed €1 million have to be evaluated three to five years after being introduced. The Committee of State Secretaries delivered a decision in 2019 – the Reduction of Bureaucracy and Better Regulation – that further developed and specified this concept. As a result of the decision, federal ministers are committed to involving states, municipalities and other stakeholders impact assessments and to making the results public. While ministries conduct the ex post evaluations themselves, the quality of the analyses is to be checked by an independent authority. As a result of these requirements, the federal government expects more than 330 ex post evaluations to be conducted in the coming years (Wissenschaftlicher Dienst 2020).

Citation:

Societal Consultation

In general, government representatives meet with societal stakeholders as part of their daily routine. Nevertheless, the last two CDU/CSU-SPD governments have not made use of social pacts or other direct bargaining mechanisms. As under previous governments, ministries and parliamentary committees relied heavily on information provided by interest groups, and took their proposals or demands into account when developing legislation. The impact of civil society actors in general depends on their power, resources and organizational status. Since interests are sometimes mediated through institutionalized corporatist structures, employers’ associations and unions play a privileged role. Experts and interest groups regularly take part in parliamentary committee hearings in the course of the legislative process.

Policy Communication

In a formal sense, the federal government’s Press and Information Office is the focal point of 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 leverage their profile to the disadvantage of the other government parties. This problem
was an issue in the last coalition and, naturally, more so with the approaching election.

During the pandemic, there were few problems with harmonized communication among the federal ministries. However, the federal and state governments proved unable to harmonize their coronavirus responses, which was due in large part to the states’ right of autonomy in determining their policies.

The previous government’s communication on the issue of climate change was by comparison to other issues more coherent. It was also seemingly unified in its communication of new welfare state-related policies such as the basic pension (“Grundrente”), which came on the heels of tough. This suggests a slight improvement over the dramatic controversies that marked the years of the migration crisis.

Having demonstrated strict confidentiality throughout their coalition talks and having signaled a strong sense of unity during their first few months in office, the new government appears to be doing well with regard to coherent communication.

**Implementation**

The previous German government, a coalition government between the CDU/CSU and SPD, had a very good record in terms of implementing its policy agenda. A total of 73% of the 294 projects agreed upon in its 2018 coalition agreement were fully implemented and another 5% have been partially implemented. This high implementation rate, which includes several key goals like pension reform and a climate change bill, has been acknowledged by voters, as the share of respondents who regard coalition agreements as credible doubled within the two-year span of 2019 to 2021 (Vehrkamp and Matthieß 2021). Given the adverse circumstances brought on by the pandemic and the government’s absorption of much of the economic shock since 2020, this can be seen as indicative of excellent performance. In addition, many experts have deemed the government’s management of the coronavirus crisis to have been successful (see Rüb, Heinemann and Zohlnhöfer 2021).

*Citation:*

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’s preferences or with coalition agreements. However, the coalition agreement bears considerable political weight and has often proved effective in guiding ministry activities. In terms of budgetary matters, the Minister of Finance is particularly powerful and able – when she/he has the chancellor’s support – to reject financial requests by other ministries.

The new coalition agreement provides for some rules regarding when the coalition committee is to meet and who is to attend the meetings. As in previous coalitions, the committee consists of the chancellor and the vice chancellor, the leaders of parliamentary groups and party leaders (insofar as they are not the persons mentioned above). The coalition committee is informally the most important institution in resolving political disagreements within the government.

As part of the climate package, ministries are to be made responsible for climate reduction targets in the sectors under their responsibility. This is an important example in which the ministries are tasked with fulfilling the government’s overall objectives.

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 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 with the federal level increasingly assuming responsibility for the costs of social programs (e.g., for the costs of accommodation and living for the recipients of basic income support).

With respect to the future of the fiscal equalization system, an important compromise regarding the new system (in effect since 2020) was achieved in October 2016. This involves the Länder receiving higher shares of VAT revenues and replacing the currently horizontally structured system (in which wealthier states transfer funds to poorer states) with a system of exclusively vertical equalization payments (from the federal to the state level).

Also, when municipalities were hit hard by plummeting tax revenues during the pandemic, the federal level stepped in by providing generous compensation for shortfalls in municipal revenue.

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 areas such as education. A certain harmonization of implementation and enforcement is achieved through a process of tight coordination between federal and state governments and particularly among the individual state governments.
Laws and other regulations are usually enforced effectively and without bias. 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.

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. All federal ministries have specific EU units, and there are a variety of mechanisms and bodies for interministerial coordination on EU issues (Große Hüttmann 2007). In contrast to the federal government, all federal states have a ministry with explicit responsibility for EU issues. The Länder even determine Germany’s European policy in some areas that are the sole responsibility of the states (Article 23 of the Basic Law). The states consult with each other in a regular conference of ministers of European affairs, which is also attended by federal government and EU Commission representatives. Thus, some coordination and adaptation is taking place, but federal structures present specific problems in terms of policy learning and adaptability to international and supranational developments. In general, Germany has not made serious attempts in the last years to rigorously adapt government structures to the changing national, international and transnational environment.

Citation:

The German government actively collaborates in various reform efforts promoted by the EU and other transnational and international organizations. During the years of the euro area debt crisis, the German government played a leading role in organizing and creating stabilization mechanisms. During the period under review, the government cooperated closely with European partners (particularly France), other countries such as the United States, and international organizations in addressing the Crimea crisis and the civil war in eastern Ukraine. Some critics expect Germany to take on a more active role
militarily, but this has always been rejected by German politicians with reference to German history. Moreover, Germany has played a significant role in international climate negotiations (see “Global Environmental Policy”). The turn toward a more ambitious climate policy with the coalition agreement of 2021 is not only a reaction to domestic voter preferences, it also mirrors the aim of joining once again the club of the global climate policy forerunners and regain credibility as a promoter of a crucial global public good.

During the pandemic, Germany has been heavily involved with maintaining a global perspective on the crisis and has increased its support to developing countries. The country is a member of and a major donor to the international COVAX vaccination campaign. The German government’s involvement with the EU coronavirus response package “Next Generation EU” also demonstrated its ability to overcome national resistance to the shift toward greater European solidarity.

Generally, Germany is a constructive partner in international reform initiatives and is ready to accept substantial costs and risks in order to realize European and global 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 self-monitoring capacities. In its most recent report, published in September 2021, the NKR pointed to increasing legislative compliance costs within public administration, not just in the private sector. However, the NKR has no mandate to advise the government on its institutional arrangements.

As pointed out above (“Strategic Capacity”), the government has expanded its strategic capacities in recent years. The Federal Ministry of Education and Research acts as coordinator within the Foresight process. It remains to be seen if this process helps improve while creating a shared understanding of strategic planning across the ministries. The new government has adjusted the responsibilities of some ministries. In this context, climate policy has been strategically upgraded. With regard to the cross-cutting issue of digital
policies, effective coordination in Germany is still lacking (see Hess/Egle 2022).

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 are crucial to 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 constitute some of the more far-reaching institutional changes of recent years, have started to have an impact on the adaptability of the federal politics. In the last years, several reforms relating to the financial relations between the federal level and the states were adopted.

Citation:

II. Executive Accountability

Citizens’ Participatory Competence

Recent empirical analyses indicate a decline in public interest in politics and parliamentary debates in Germany. Younger cohorts in particular were unable to mention any parliamentary debate they had followed with interest (Bundestag 2017). Media use is intense among the younger age groups, but has shifted away from the consumption of information to that of entertainment, which means that an increasing share of the public remains relatively uninformed about politics. Schools have been unable to compensate for those deficiencies. In addition, policy knowledge correlates strongly with family social status and the socioeconomic environment. Recent studies indicate that the rise of populist sentiments has been reversed, but that there is a risk of further right-wing radicalization (Vehrkamp and Merkel 2020). Ecological movements like “Fridays for Future” have increased the younger generation’s political awareness on climate policies. Comparative research indicates that policy knowledge in Germany remains at a level comparable to that found in Scandinavian countries (Jensen and Zohlnhöfer 2020).

Citation:
Open Government Score: 8

The Reuse of Information Act (“Informationsweiterverwendungsgesetz”), which converted the first EU directive into national law, has been in effect since 2006. When the European directive was revised, the Bundestag adopted a newer version of the law in May 2015 but has not changed it substantially since. 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. In international comparison, Germany scored 58 out of 100 points in the Open Data Barometer and thus is not one of the leading countries in this field (World Wide Web Foundation 2017). The EU Commission’s “Open Data Maturity Report” ranks Germany slightly above the EU average.


In addition to these legal obligations, each federal and state government has an office of statistics that provide information for the public. These offices provide a wealth of high-quality data on a broad spectrum of issues that help citizens assess their country’s performance on a variety of indicators. These statistical offices make their data public by publishing comprehensive reports authored by experts and by publishing readable concise press releases that are frequently cited by the media. Statistical offices in Germany enjoy a high degree of political independence and have a reputation for providing undistorted data.

Citation:

Legislative Actors’ Resources

The German Bundestag has adequate personnel and the structural resources needed 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 have staffs of 175 and 450, respectively. Every member of parliament receives a monthly income of €10,013 (since July 2021), as well as an additional budget of €22,800 (April 2021) for staff and further budgets for offices and equipment. The German Bundestag has a staff of more than 6,000. Parliamentary groups also have resources to commission independent research studies. Compared to the United States, German members of parliament are equipped with modest structural and personnel resources.

Citation:
https://www.bundestag.de/abgeordnete/mdb_diaeten

Obtaining Documents

The German Bundestag is a “working parliament” – that is, parliamentary committees are of great importance in preparing and discussing legislative initiatives. Beyond their activities in preparing legislation, they also have oversight over government ministries, though the government nonetheless tries to withhold information at times. But most documents are made public and can be accessed. An important ruling delivered on 12 September 2012 by the Federal Constitutional Court’s Second Senate strengthened the information rights of German parliamentary representatives regarding the European Stability Mechanism Treaty (ESM).

In its 7 November 2017 ruling, the Federal Constitutional Court (“Bundesverfassungsgericht”) once again strengthened the Bundestag’s right to information vis-à-vis the government, requiring the government to provide comprehensive and publicly available information. In addition, in a recent ruling from February 2019, the Federal Court of Justice (“Bundesgerichtshof”) strengthened parliamentary investigation committees’ right to access governmental records.

Citation:
https://www.bundesverfassungsgericht.de/SharedDocs/Pressemittelungen/DE/2016/bvg16-084.html

http://www.sueddeutsche.de/politik/auskunftsrecht-verfassungsgericht-staerkt-kontrollrechte-des-bundestags-1.3738737


BGH 3 ARs 10/18 – Beschluss vom 6. Februar 2019
Summoning Ministers
Score: 10

Parliamentary committees’ right to summon ministers is established by the Basic Law. Ministers (or their state secretaries) typically attend meetings to which they have been invited. The Basic Law also gives members of the federal government or the Bundesrat the right to be heard in front of the plenum or any committee.

Summoning Experts
Score: 10

Parliamentary committees are able to hold public hearings at any time, and can summon experts to attend them. This mechanism is regularly used. Rule 70 Section 1 of the Rules of Procedure of the German Bundestag states that “for the purpose of obtaining information on a subject under debate, a committee may hold public hearings of experts, representatives of interest groups and other persons who can furnish information.” Experts are often able to influence parliamentary discussions or ministerial drafts and bring about changes in the draft laws. The number of public hearings is increasing.

Task Area Congruence
Score: 9

In general, the task areas of parliamentary committees and ministries coincide. However, this is not always the case since the Basic Law provides for the establishment of several committees that do not have a ministerial counterpart (including the Committee on the European Union; the Petitions Committee; the Parliamentary Control Panel). Furthermore, several committees sometimes deal with matters that are within the responsibility of a single ministry (e.g., the Committee on Internal Affairs and the Sports Committee both monitor activities performed by the Federal Ministry of the Interior), and a single committee sometimes deals with matters that are not clearly assigned to a single ministry (e.g., the Committee on Digital Affairs). Nonetheless, parliamentary committees’ most important policy areas fully coincide with those of the ministries, which facilitates 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 but also a number of high-quality radio programs offer citizens the opportunity to obtain a relatively deep knowledge of political decision-making, and their market shares have stabilized in recent years, although television as such is increasingly losing relevance among younger people. 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.

There are a number of high-quality newspapers, too, including the Frankfurter Allgemeine Zeitung or Süddeutsche Zeitung and weeklies like Die Zeit and Der Spiegel, all of them providing high-quality background information on
domestic and international political developments. Detailed and nuanced information is thus widely available. Moreover, the public broadcasters and high-quality newspapers and weeklies also run websites featuring a considerable amount of information on politics.

Recent opinion polls demonstrate that public trust in the media has increased considerably during the pandemic. In 2020, 56% of Germans expressed trust in media, which marked a 13 percentage point increase over the previous year (43%) (JGU 2021). Trust differs depending on the type of media. High levels of trust are expressed for public television and radio as well as daily newspapers, with the exception of the tabloids. Trust in private TV broadcasters and the internet is low (Jackob et.al. 2019). Nonetheless, according to another recent study, there are differences in the degree of trust accorded to public television depending on respondents’ political orientation. People on the left and the center of the political spectrum trust ARD and ZDF significantly more than do people on the right of the political spectrum (FAZ 2019). Trust also differs with respect to the topic; reports on the pandemic and climate change are met with high levels of trust, while reports on Islam in Germany are met with much lower levels of trust.


**Parties and Interest Associations**

Party leaders are increasingly elected on the basis of votes among all party members, but the procedure changes from time to time. The SPD selected their leaders through a vote of all members in 2019. In 2021, they did so through a party congress. The CDU has selected their leaders at party conventions, including the election of Armin Laschet as the new party head in January 2021. Following his defeat in the general election in September 2021, this procedure has been subject to increasing criticism. In December 2021, the CDU conducted the first general vote among all members to decide on Laschet’s successor, a process that resulted in a majority voting for Friedrich Merz. Generally, there is thus a clear trend toward ensuring the broad participation of party members in determining leadership, and the selection of party leaders often goes hand in hand with policy decisions. In addition, party conventions are where the toughest and most contested policy issues are discussed and decided on.
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 July 2021, the government’s official list contained 2,297 registered associations (Bundestag 2021), which marks a slight decline in numbers relative to 2019. One-third of those can be considered noneconomic interest associations. Within the process of policy formulation, interest-group expertise plays a key role in providing ministerial officials with in-depth information necessary to make decisions. Citizen groups, social movements and grassroots lobbying organizations are increasingly influential actors, particularly at the local level. Policy proposals produced by noneconomic interest groups can be described as reasonable, but their suggestions sometimes appear unrealistic.

**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 1,300 court employees “audit the (state) account and determine whether public finances have been properly and efficiently administered,” while the FCA’s “authorized officers shall have access to any information they require” (Federal Budget Act Section 95 Para. 2). The reports regularly receive considerable media attention.

According to critics, however, the strong position of the FCA also leads to risk-averse behavior in ministries and authorities which discourages new approaches and ideas from taking off. In other words, strict control by audit offices may also function as a brake on innovation in public administration.
(Wiarda 2021, see also Chapter P5.1).

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. According to its 2020 report, some 14,314 petitions were submitted, which is an increase of about 6% relative to the previous year and marks a growing trend relative to past years (Deutscher Bundestag 2021). Two additional parliamentary ombudsmen are concerned with the special requests and complaints made by patients and soldiers. Similar to requests to the Bundestag, citizens can also address petitions committees at the state level or the European Parliament.

Citation:

The Federal Commissioner for Data Protection and Freedom of Information (Bundesbeauftragter für den Datenschutz und die Informationsfreiheit, BfDI) has a long history that dates 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, and is no longer under the authority of the minister of the interior. The independence of the authority’s head is highly protected. A dismissal is possible only with good reason, with standards similar to those that apply to the dismissal of a judge with lifetime tenure. The authority’s budget and staff numbers have increased over time. Since 2016, its staff has increased from 90 to 250 positions (BfDI 2021) by the end of 2020, and further increases are expected. The authority’s task is to oversee the extent to which federal institutions comply with national and European data protection rules.

As one of the strictest countries in Europe regarding data protection, Germany enjoys a solid reputation in this regard (Heydata 2021). However, critics complain that the law is sometimes too narrowly interpreted and that the
coexistence of 16 Commissioners for Data Protection (one for each federal state) makes compliance difficult for companies.

Citation:

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