



Federal Ministry  
for Economic Affairs  
and Energy



# National Reform Programme 2014

## Imprint

### **Published by**

Federal Ministry for Economic Affairs and Energy (BMWi)  
Public Relations  
11019 Berlin  
oeffentlichkeitsarbeit@bmwi.bund.de  
www.bmwi.de

### **Text and editing**

Federal Ministry for Economic Affairs and Energy (BMWi)

### **Design and production**

PRpetuum GmbH, München

### **Status**

April 2014

### **Illustrations**

StudioD3x – Digitalstock (Cover)

This brochure is published as part of the public relations work of the Federal Ministry for Economic Affairs and Energy. It is distributed free of charge and is not intended for sale. The distribution of this brochure at campaign events or at information stands run by political parties is prohibited, and political party-related information or advertising shall not be inserted in, printed on, or affixed to this publication.



The Federal Ministry for Economic Affairs and Energy has been awarded the berufundfamilie® audit certificate for its family-friendly HR policy. The certificate is awarded by berufundfamilie gGmbH, an initiative of the non-profit Hertie Foundation.



**This publication as well as further publications can be obtained from:**

Federal Ministry for Economic Affairs and Energy (BMWi)  
Public Relations  
E-Mail: publikationen@bundesregierung.de  
www.bmwi.de

**Central procurement service:**

Tel.: +49 30 182722721

Fax: +49 30 18102722721



Federal Ministry  
for Economic Affairs  
and Energy

# National Reform Programme 2014

# Table of Contents

<b>Introduction</b>	<b>4</b>
<b>I. Macroeconomic context</b>	<b>5</b>
<b>A. Macroeconomic development</b>	<b>5</b>
<b>B. In-depth review of Germany within the context of the Macroeconomic Imbalance Procedure</b>	<b>6</b>
The development of the German current account	7
The possible causes of the current account surplus	9
Policy challenges	12
Conclusion	13
<b>II. Implementation of the country-specific recommendations of the Council of the European Union for Germany</b>	<b>14</b>
<b>A. Public finances</b>	<b>14</b>
Continuing a sound fiscal policy	14
Implementing the debt brake in the <i>Länder</i> – guaranteeing monitoring procedures	15
Enhancing the cost-effectiveness of public spending on healthcare and long-term care	15
Enhancing the efficiency of the tax system	16
Increased growth-enhancing spending on education and research	17
<b>B. Labour market and labour force participation</b>	<b>18</b>
Conditions that enable wage growth to support domestic demand	18
Reducing the tax and contribution burden particularly for low earners	18
Raising the educational achievement of disadvantaged people	18
Maintaining activation and integration measures especially for the long-term unemployed and improving incentives to work and employability	19
Facilitating the transition from non-standard employment to more sustainable forms of employment	19
Removing disincentives for second earners and further increasing the availability of fulltime childcare facilities and all-day schools	20
<b>C. Energy</b>	<b>20</b>
Keeping the overall costs of transforming the energy system to a minimum	20
Increasing cost-effectiveness in the expansion of renewables	20
Accelerating the expansion of the electricity and gas networks	21
Improving the coordination of energy policy with neighbouring countries	22
<b>D. Competition</b>	<b>22</b>
Further stimulating competition in the services sector – particularly the construction sector and professional services	22
Significantly increasing the value of public contracts open to procurement	23
Implementing the Amendment to the Act against Restraints on Competition	23
Facilitating new entries in the market in the retail sector	23
Removing barriers to competition in the railway market	23
Continuing consolidation in the banking sector	24
<b>III. Europe 2020 strategy: progress to date and measures</b>	<b>25</b>
<b>A. Fostering employment – National Job Plan</b>	<b>26</b>
General conditions	26
Securing the skilled labour base	26
<b>B. Improving conditions for innovation, research and development</b>	<b>27</b>
Innovation strategy	27
Digital Agenda	28
European Research Area (ERA)	28
<b>C. Reducing greenhouse gas emissions, increasing energy efficiency and energy from renewables</b>	<b>29</b>
<b>D. Improving education levels</b>	<b>31</b>
<b>E. Promoting social inclusion in particular by reducing poverty</b>	<b>31</b>

<b>IV. The Euro Plus Pact</b> .....	<b>33</b>
<b>A. Implementation of the German Action Programme 2013</b> .....	<b>33</b>
<b>B. German Action Programme 2014</b> .....	<b>34</b>
<b>V. Use of European Structural and Investment Funds in connection with the Europe 2020 strategy</b> .....	<b>36</b>
<b>VI. Drafting the NRP 2014: process and stakeholders</b> .....	<b>37</b>
<b>Table I: Actions to support the implementation of the country-specific recommendations</b> .....	<b>38</b>
A. Public finances.....	38
B. Labour market and labour force participation.....	41
C. Energy.....	54
D. Competition.....	55
<b>Table II: Actions to support the implementation of the Europe 2020 strategy</b> .....	<b>56</b>
A. Fostering employment – National Job Plan.....	56
B. Improving conditions for innovation, research and development.....	60
C. Reducing greenhouse gas emissions, driving renewable energy and energy efficiency.....	63
D. Boosting the level of education.....	65
E. Promoting social inclusion in particular by reducing poverty.....	67

#### **List of figures**

Figure 1: GDP change in Germany.....	5
Figure 2: Selected key figures for macroeconomic trends in the Federal Republic of Germany.....	6
Figure 3: Current account balances and component balances in relation to nominal GDP.....	7
Figure 4: Shift in the regional distribution of German goods exports between 2000 and 2013.....	8
Figure 5: Contribution to GDP growth in Germany.....	8
Figure 6: Investment rates in the international comparison.....	11
Figure 7: Ifo credit constraint indicator.....	11
Figure 8: Expenditure, revenue and Maastricht financing budget of the state.....	15
Figure 9: R&D spending by European countries in relation to GDP.....	27
Figure 10: Gross electricity generation in Germany in 2013.....	29
Figure 11: Energy productivity in Germany in 2013.....	30

#### **List of boxes**

Box 1: Core aspects of the reform of the Renewable Energy Sources Act.....	21
Box 2: Quantitative goals defined under the Europe 2020 strategy and current progress towards goals.....	25
Box 3: The German Action Programme 2014 for the Euro Plus Pact.....	35
Box 4: Overview of funding under the ESI fund in Germany for 2014 – 2020.....	36

# Introduction

1. Germany has developed well in recent years: the economy has been growing continuously, employment reached another record high in 2013 with 41.8 million people employed, and the German economy was able to maintain its high level of competitiveness in the international arena.

2. At the same time, Germany continues to face major challenges which policy-makers must address with sustainable solutions. Demographic change has instigated a rethink in all policy fields. The *Energiewende* – Germany's ambitious project to switch largely to renewable energy – must be structured so that it delivers on the goals of affordability, security and environmental compatibility. The investment rate in Germany has tended to fall since the turn of the millennium and was below the OECD average in 2013.

3. Against this backdrop, the Federal Government wants to take advantage of the present good economic situation in order to strengthen the foundations for prosperity and participation of people in Germany on the basis of a Social Market Economy characterised by dialogue, co-operation and trusting social partnership. It will attain this in the coming years through the resolute implementation of four strategic economic policy goals: creating a more targeted investment and innovation policy; improving the possibilities for participation and enhancing the fairness of participation; ensuring the success of the *Energiewende*; and stabilising and deepening economic and monetary union in Europe.

4. Sustainable public finances are an important foundation for attaining these economic policy goals. At the same time, experience also shows that the consolidation of public budgets without growth is considerably more difficult. The Federal Government is committed to higher employment and more growth. It will advance long-term growth opportunities on a sustained basis through targeted investment from the public sector and by creating a better framework for private investment in Germany. In doing so, the Federal Government intends to invest more in education, research and infrastructure while continuing the sustainable consolidation of the federal budget. Stronger domestic demand in Germany can also provide a positive stimulus in other member states.

5. The economic situation in Europe also improved over the past year. Positive economic growth is expected in almost all member states this year. Structural reforms implemented in the member states that are aimed at increasing competitiveness are beginning to bear fruit. Procedures at European level, such as greater economic policy coordination in the context of the European Semester, the strengthened Stability and Growth Pact and the new procedure for monitoring macroeconomic imbalances, make a key contribution in this regard. Germany therefore remains committed to ensuring that agreements made at European level will be resolutely implemented in the future. This also applies to the Compact for Growth and Jobs.

6. Solidarity and individual responsibility go hand in hand on the path to more growth, higher employment and sounder public finances in all European member states. To that effect, it is important to continue to develop the Economic and Monetary Union in a way that makes sense. Here, one aim should be to improve the co-ordination of national economic policies and the implementation of necessary reforms and – in connection with solidarity – to make this more effective and binding also through contractual agreements on reform. In order to strengthen citizens' sense of identity with Europe, there is a need for better democratic legitimacy at the respective levels where the decisions are taken and implemented. An important role here is played by national parliaments.

7. This National Reform Programme 2014 (NRP) is a cornerstone of the 2014 European Semester which the European Commission launched with the presentation of the Annual Growth Report on 15 November 2013. The report is aligned with the priorities set out in the Annual Growth Report and with the conclusions of the European Council of 20/21 March 2014. The structure and content of the NRP 2014 are based around the guidelines of the European Commission for the National Reform Programmes.

# I. Macroeconomic context

## A. Macroeconomic development

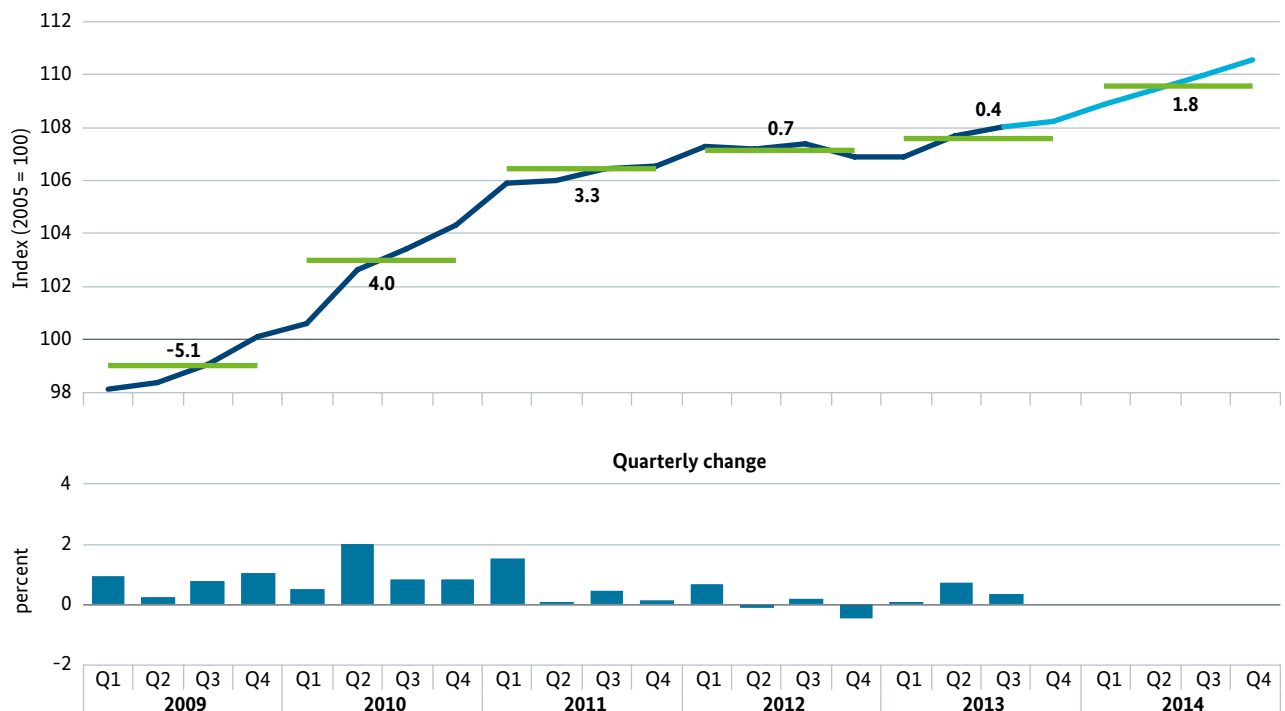
8. The German economy is in good shape. Following a weather-related period of weakness in the 2012/13 winter semester, the German economy has shifted to a stable path of recovery, with GDP expanding by 0.4 percent as an average for 2013. Over the course of 2013, cyclical dynamism was substantially higher than in the previous year.

In its annual projection<sup>1</sup> of 12 February 2014, the Federal Government assumes that gross domestic product will record an annualised increase of 1.8 percent in 2014 (cf. Figure 1 and Figure 2). The German economy is experiencing a broad-based upturn. Economic growth in Germany will thus probably again be well above the eurozone average.

9. In arithmetic terms, growth this year will be driven exclusively by the domestic economy. A central role in the dynamism of the domestic economy will be played by the good development on the labour market, which is heading for a new record level of employment. Employment will increase this year by 240,000 persons to 42.1 million people in gainful employment. The favourable corporate growth and profit outlook will permit an expansion of jobs and wages. This will result in appreciable rises in income for households. In view of the favourable environment, these households will substantially increase their spending on consumption and house-building.

10. In addition, gross fixed capital formation turned the corner last year. It is likely to expand strongly this year by

**Figure 1: GDP change in Germany (price-adjusted)**



Blue line: Quarterly changes in previous year's prices, adjusted for seasonal and calendar effects  
 Green line: Yearly averages in previous year's prices, year-on-year changes in percent  
 Blue columns: Changes in percent, adjusted for seasonal and calendar effects

Source: GDP trends until Q3 2013: Federal Statistical Office; own calculations

1 A detailed account of the Federal Government's macroeconomic projection, which is based in particular on the *Code of Conduct* for the stability programmes of the member states of the euro area, is provided in the 2014 German Stability Programme, which is also presented to the European Commission in April. The Federal Government's spring projection is expected to be released on 15 April.



3.5 percent in real terms, and thereby not only increase capital stock and boost growth potential but also provide an important stimulus for the upturn and place it on a broader basis. Positive stimulus for growth will also come from additional public-sector investment of the Federal Government to expand and maintain the infrastructure (cf. Section I.B).

11. To the extent that no serious disruption occurs in the international environment, German exports will also rise again. The prospects for this have improved thanks to last December's decisions on a further liberalisation of global trade in the context of the World Trade Organization. Higher investment in equipment and increasing exports will – in view of their high import content of over 40 percent – also stimulate the level of German imports.

12. Imports will rise faster than exports this year. This will reduce the German current account surplus (cf. Section I. Figure 2). Rising imports and increasing foreign investment by German firms in Europe will foster Europe's economic recovery.

13. Macroeconomic productivity and corporate profits are likely to improve this year in the course of the upswing. There are no expectations of inflationary tensions. Unit

wage costs will record a moderate increase. In view of the positive environment, a broad-based cyclical upturn can be expected.

14. A central assumption for the projection was that, inter alia, the financial sector will remain stable and that in the eurozone in particular there will not be negative developments which will cause a renewed significant increase in uncertainty amongst the market players.

## B. In-depth review of Germany within the context of the Macroeconomic Imbalance Procedure

15. The Macroeconomic Imbalance Procedure (MIP) which was introduced in 2011 is geared towards the early detection and correction of undesirable economic developments that could have a negative impact on the functioning of the Economic and Monetary Union. The Federal Government therefore places great importance on the procedure and supports the European Commission in the resolute implementation of the MIP. It welcomes the in-depth reviews of the European Commission as a contribution to identifying the causes of unfavourable developments of recent years.

**Figure 2: Selected key figures for macroeconomic trends in the Federal Republic of Germany**

	2012	2013	Annual projection 2014
Year-on-year changes in % unless stated otherwise			
<b>GDP (price-adjusted)</b>	<b>0.7</b>	<b>0.4</b>	<b>1.8</b>
Employment (domestic)	1.1	0.6	0.6
<i>Unemployment rate in % (as defined by the Federal Employment Agency)**</i>	6.8	6.9	6.8
<b>Use of GDP (price-adjusted, in real terms)</b>			
Private households and private non-profit organisations	0.8	0.9	1.4
Machinery and equipment	-4.0	-2.2	4.0
Construction	-1.4	-0.3	3.2
Domestic demand	-0.3	0.7	2.0
Exports	3.2	0.6	4.1
Imports	1.4	1.3	5.0
<i>External balance of goods and services (contribution to GDP growth)***</i>	<i>0.9</i>	<i>-0.3</i>	<i>-0.1</i>
Gross wages and salaries per person employed (nominal)	2.9	2.3	2.7

\* Up to 2013, preliminary figures from the Federal Statistical Office as of January 2014;

\*\* Based on total number of employed persons;

\*\*\* Absolute change (stocks/external balance) in per cent of pre-year GDP (= contribution to GDP growth rate).



16. On 5 March 2014 the European Commission presented in-depth reviews (IDR) for the 17 countries suspected of macroeconomic imbalances. It identified an imbalance for 14 member states. According to the European Commission, the imbalances are excessive in three of the member states and in-depth monitoring is required in three other states. The European Commission also identified imbalances for Germany but did not believe them to be excessive or ground for in-depth monitoring.

17. In its in-depth review for Germany, the European Commission examined the German current account surplus in particular. According to the European Commission, it reflects the high level of competitiveness of the German economy, which is a key “asset” of the European economy. On the other hand German domestic demand has remained subdued since 2000 for a variety of reasons. As the only big country in the eurozone that currently has sufficient financial leeway, the European Commission believes it is now down to Germany to strengthen potential for growth and domestic demand.

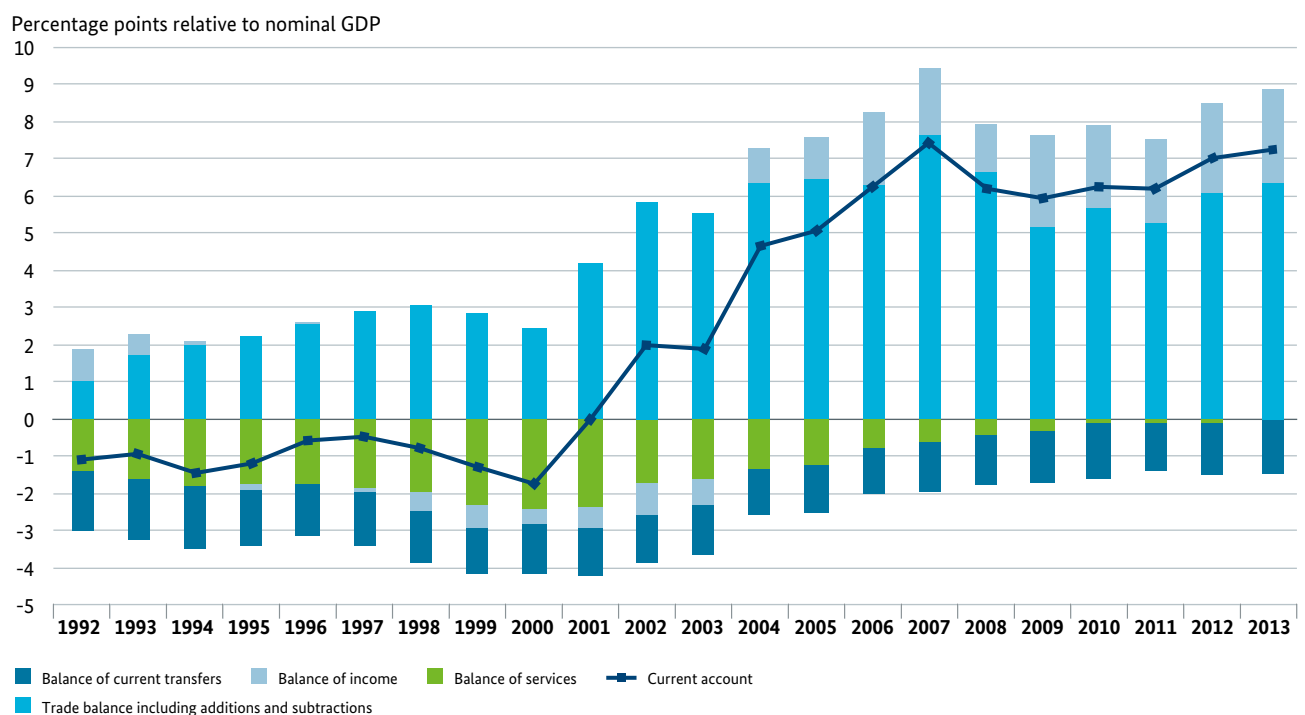
18. Like the European Commission, the Federal Government also considers the competitiveness of German industry to be a central pillar of the eurozone. The goal of the Federal Government is to maintain and develop the competitiveness of the industrial base at both the national and EU level. At the same time, the Federal Government wishes to strengthen public and private investment activity.

### The development of the German current account

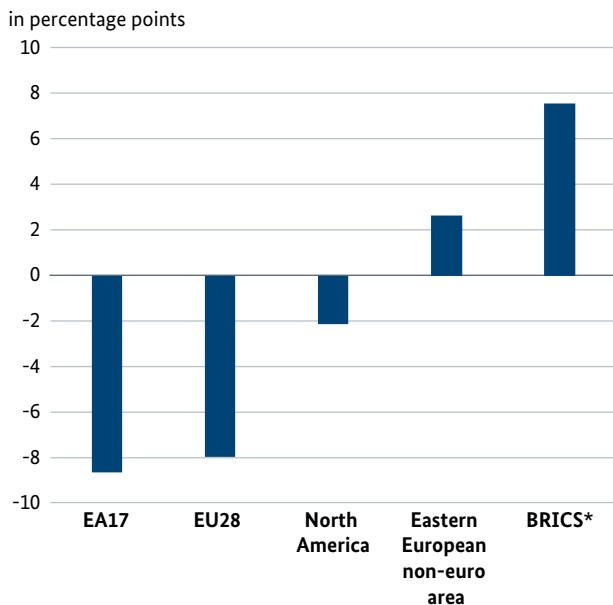
19. In terms of nominal GDP, the German current account balance rose by over nine percentage points between 2000 and 2013 (cf. Figure 3). With regard to the quantitative analysis of the development of the German current account balance, the Federal Government largely agrees with the results of the European Commission.

20. One third of this growth (2.9 percentage points) is attributable to higher income from investment abroad. Since the 1990s German companies have been investing

**Figure 3: Current account balances and component balances in relation to nominal GDP**



**Figure 4: Shift in the regional distribution of German goods exports between 2000 and 2013**



\* BRICS: Brazil, Russia, India, China, South Africa

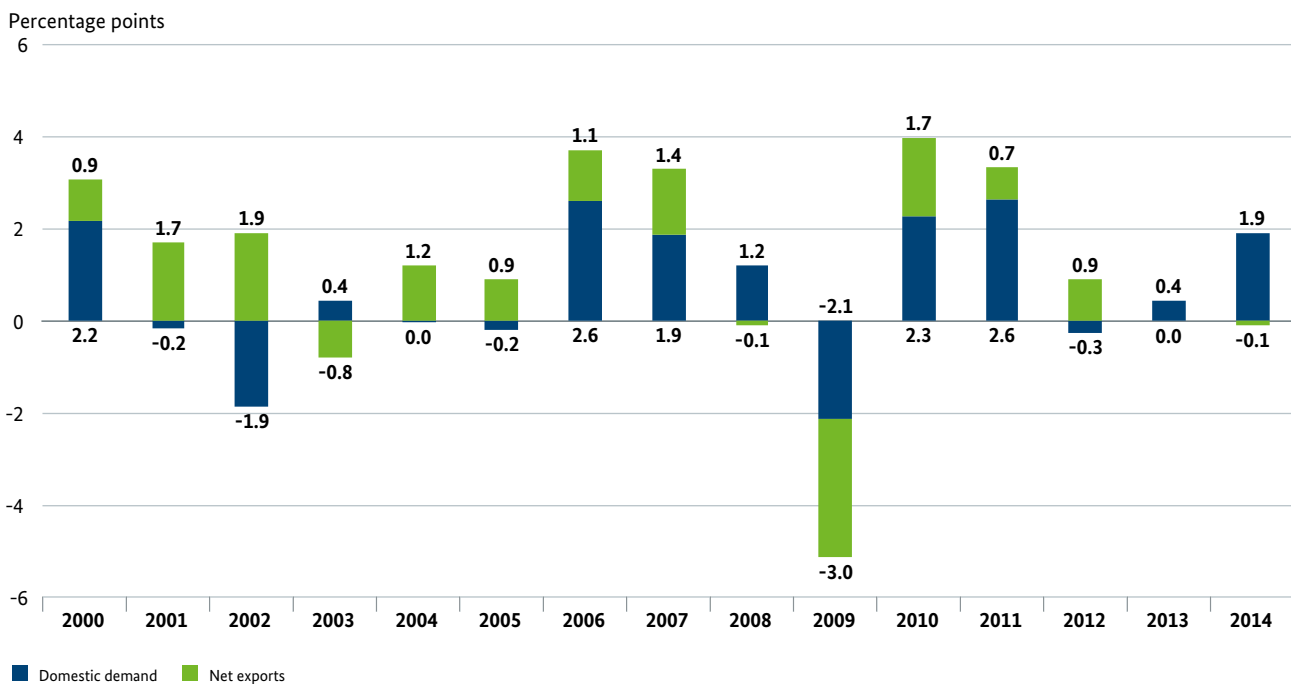
Source: Federal Statistical Office, own calculations

not least in Central and Eastern European partner countries and have contributed to growth and employment in these areas.<sup>2</sup>

21. One quarter of the increase (2.4 percentage points) can be put down to the reduction in the traditionally negative balance in trade with services. German service providers have become more efficient. Germany has been able to boost its net earnings from licences and patents considerably. At the same time, Germany has become a more attractive holiday destination.

22. The remainder of the increase (3.9 percentage points) is derived from the balance of trade. A shift can be observed in the flow of German exports away from the eurozone and towards fast-growing emerging economies: While the share of BRICS countries in German exports increased by around 7.6 percentage points from 2000 to 2013, the share of eurozone countries in German exports fell by roughly 8.7 percentage points (cf. Figure 4). The trade surplus vis-à-vis the eurozone has also more than halved since 2007, dropping from 4.8 percent of GDP to 2.1 percent. This is also attributable to the increase in imports from the eurozone, which

**Figure 5: Contribution to GDP growth in Germany**



Source: Federal Statistical Office (data to 2013), annual projection of the Federal Government (2014)

<sup>2</sup> See also: IMF (2013) – German-Central European Supply Chain-Cluster Report.

have risen by roughly 11.7 percent since 2007 and have thereby contributed to a reduction in European imbalances.

23. A significant reduction in the current account surplus can be expected in the years ahead. In its annual projection the Federal Government is forecasting a 2.0 percent increase in domestic demand for 2014. Domestic demand is expected to make a 1.9 percent contribution to growth while the contribution of net exports is likely to be negative (cf. Figure 5). Therefore the Federal Government is expecting a decrease in the current account balance in the next few years. Other institutions, such as the OECD and the European Commission, also expect the current account surplus to drop significantly by 2015 from its current level of 7.3 percent of GDP, (OECD: 2014: 6.1 percent of GDP, 2015: 5.6 percent of GDP; European Commission: 2014: 6.7 percent of GDP, 2015: 6.4 percent of GDP).

### The possible causes of the current account surplus

24. In its in-depth review, the European Commission discusses several potential reasons for Germany's persistent current account surpluses. According to the European Commission, the development is primarily driven by subdued growth in domestic demand coupled with the high level of competitiveness of the German economy. It claims that consumer spending and investment in Germany have remained far behind the average development in the eurozone.

### Competitiveness

25. The Federal Government welcomes the European Commission's opinion that the competitiveness of German businesses is a cornerstone of the European economy. Our European trading partners also benefit from the success of German businesses in the world markets. On the basis of statistics provided by the Federal Statistical Office, the import content of German exports is relatively high at over 43 percent. 57.5 percent of all imports come from other EU member states.

26. The Federal Government and the European Commission are agreed that competition on price only plays a lesser role in explaining the growth in the German trade balance.<sup>3</sup> A study released by the German Council of Economic Experts in assessing the macroeconomic development also demonstrates that the price elasticity of German exports is relatively low; German exports tend to react more to changes in global demand.<sup>4</sup>

27. In point of fact, the competitiveness of the German economy has primarily improved due to non-price-related factors. This includes traditional factors such as the quality of German capital goods and presence on growth markets but also the increasing service focus, innovative capacity and flexibility of German businesses. The European Commission's *Innovation Scoreboard* ranks Germany third among the most innovative national economies in the EU. After Sweden, German businesses filed the most patents per head at the European Patent Office in 2010. This innovative edge means that companies are relatively unaffected by pricing and exchange rate fluctuations and also gives them a certain degree of flexibility in their pricing policy.

### Sluggish consumer spending growth in Germany

28. The Federal Government shares the opinion of the European Commission that the below-average increase in consumer spending compared with the rest of the eurozone is also attributable to the moderate wage development since 2000. However, according to the European Commission's own studies, wage moderation in Germany had a marginal effect on the current account surpluses.<sup>5</sup> This wage moderation was justified against the backdrop of the extraordinarily high level of unemployment, a weak economy and the unfavourable profitability conditions of businesses in the first few years of the review period. In addition, Germany did not experience excessive effects witnessed in other EU member states with credit-driven growth in consumer spending and bubbles. In recent years, however, Germany has once again had a more favourable wage development compared with the eurozone. According to the winter projections of the European Commission, since 2010 pay-per-head has increased more each year in

3 See also: European Commission (2012): Current account surpluses in the EU.

4 Cf. Sebastian Breuer and Jens Klose (2013) – Who gains from nominal devaluation? An empirical assessment of Euro-area exports and imports.

5 Cf. European Commission (2012): Current account surpluses in the EU; Vogel, Lukas; Kollmann, Robert; Ratto, Marco; Roeger, Werner; In't Veld, Jan (2013): Explaining the German trade surplus: An analysis with an estimated DSGE model, contributions to the 2013 annual conference of the *Verein für Socialpolitik*.

Germany than in the eurozone. The European Commission is of the opinion that this development is likely to continue. The positive development in employment in Germany also supports domestic demand.

29. Another reason for the relatively weak development in consumer spending is the high rate of savings associated with the demographic change. The European Commission also recognises Germany's aging population – together with measures to improve the sustainability of the German pension system – as a reason for the comparatively high savings of private households in Germany. Simulations by the Centre for European Economic Research (see monthly report of the Federal Ministry of Finance, September 2012) suggest that the national savings rate will drop by 10 percentage points within 30 years from 2015 onwards. Overall the Centre for European Economic Research expects a negative current account balance of around 2 percent of the GDP from 2033 onwards. The German Council of Economic Experts comes to a similar conclusion in its study on the “Challenges of Demographic Change” (May 2011). According to this study, 0.9 percentage points of the current account surplus are currently attributable to fundamental demographic factors. The positive balance will decrease over the years until it becomes a negative balance in 2035.

30. Further to this, in its in-depth review the European Commission also points to the effect of the imbalance on savings. Households with a higher income have a higher savings rate. If the imbalance in income increases, savings also increase under conditions that are otherwise the same.

31. According to the European Commission, the restrained price development in the property market has also had the effect of slowing consumer spending. In the opinion of the Federal Government, rising property prices is not, however, something we should aspire to. Rather, the moderate development in property prices and rents means that households have more available income for consumer spending – particularly in light of the high proportion of tenant-occupied households in Germany. Furthermore, the German rent market, which works in all price segments, also contributes to a high degree of labour mobility.

### Subdued investment

32. In the opinion of the European Commission, the below-average level of investment in Germany is a main reason for the current account surplus. Compared with other countries, Germany does actually have a relatively low level of investment at 17 percent of GDP. The OECD average is 20 percent. However, gross fixed investment has developed more favourably in Germany in recent years than in the eurozone on average (cf. Figure 6).

There are several reasons for Germany's relatively low level of investment since the turn of the millennium:

33. Weak investment in construction following the reunification boom: this investment fell by 5 percentage points to 9 percent of GDP between 1995 and 2005 and has only been recovering gradually since then.

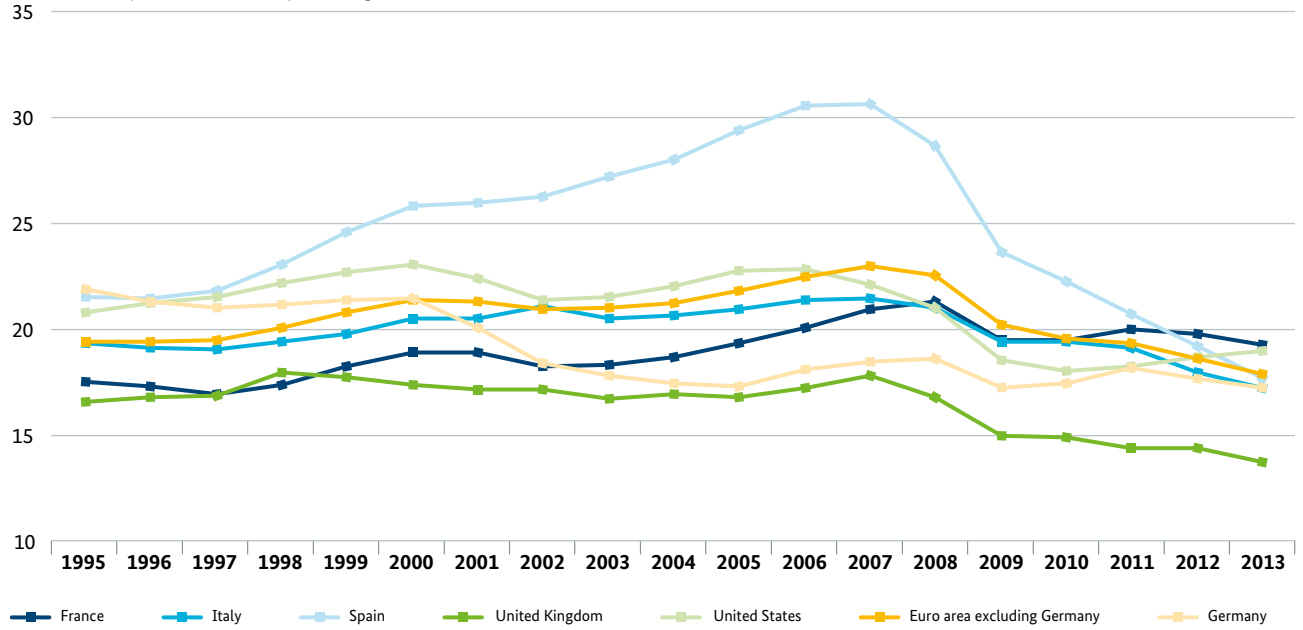
34. The unfavourable economic situation in the first half of the last decade in which the high level of unemployment and low corporate profitability are likely to have weakened investment demand.

35. The uncertainty created by the global financial and economic crisis and the crisis in the eurozone in recent years which have a curbing effect on investment, particularly for an open economy like Germany.

36. The elimination of exchange rate risk, the convergence of interest rates in the eurozone and the lower rates of inflation in Germany compared with the eurozone also tended to favour investment in eurozone countries other than Germany. In its study on the current account surpluses in the EU, the European Commission saw this as a primary determining factor for the increase in the current account balance: with the introduction of the euro, the (loan) interest rates of other eurozone countries converged with the lower German interest level, making the relative financing costs of German companies less favourable compared against European competitors. The result was an outflow of German capital abroad. While the Federal Government also considers this to be an important influencing factor, it only plays a secondary role in the Commission's in-depth review.

**Figure 6: Investment rates in the international comparison**

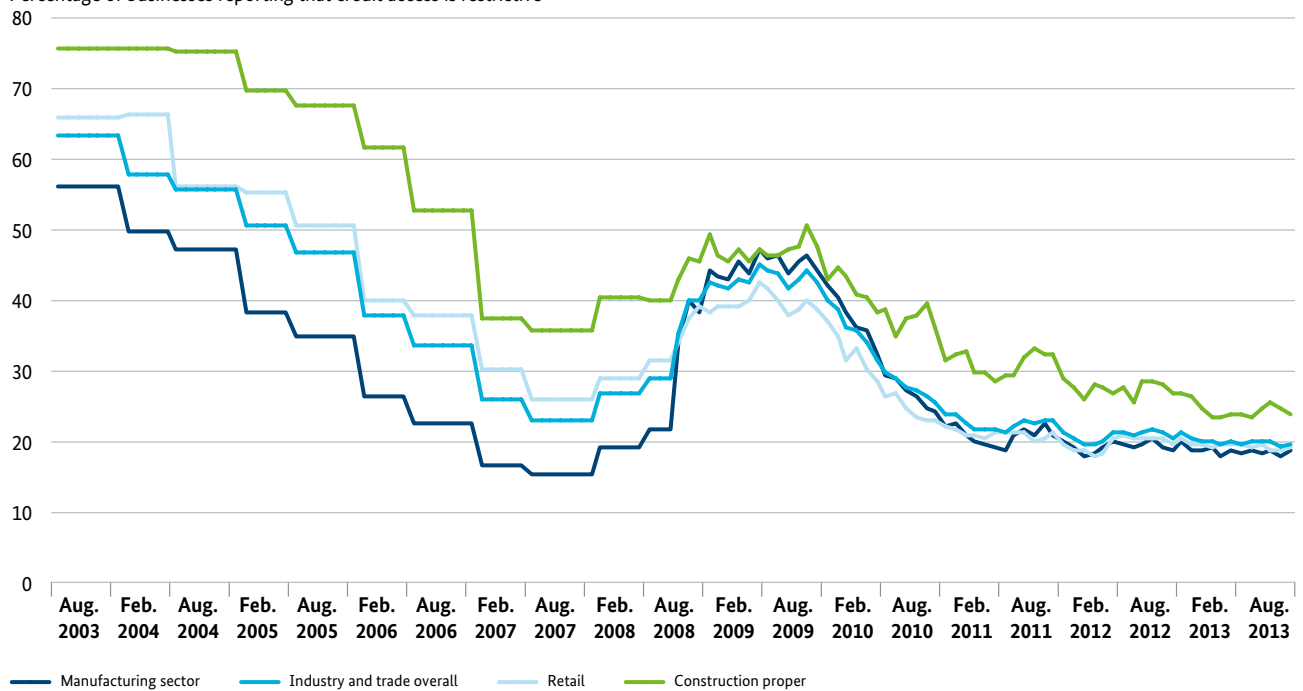
Gross fixed capital formation as percentage of nominal GDP



Source for underlying figures: Federal Statistical Office and Deutsche Bundesbank

**Figure 7: Ifo credit constraint indicator**

Percentage of businesses reporting that credit access is restrictive



Source for underlying figures: Federal Statistical Office and Deutsche Bundesbank

37. In contrast, the Federal Government shares the European Commission's opinion that an "under-pricing of risk" ahead of the financial crisis and the distorted ratings of structured financial products created incentives for investing German savings abroad (US property market). The losses suffered as a result of the financial crisis have demonstrated that considerable risks were associated with this capital export.

38. In the years following reunification, considerable state investment was required to modernise the East German infrastructure. Once these development measures were phased out, the level of public investment remained low. State investment in infrastructure declined further in the wake of the budgetary consolidation measures of recent years. The Federal Government agrees with the European Commission that there is need for investment.

39. The European Commission repeatedly emphasises the pronounced deleveraging of German businesses. The subdued investment activities of businesses were actually accompanied by a significant reduction in corporate debt or build-up of capital. In particular this gives the many small and medium-sized enterprises in Germany the opportunity to absorb fluctuations in the global economy and make long-term investments irrespective of possible fluctuations in the capital markets. In the Federal Government's opinion, the comparatively strong equity capital position of many German companies helped the German economy to overcome the economic and financial crisis relatively quickly.

40. In contrast, there is no evidence of supply-side barriers to business financing which would explain the weak investment activity of companies. While the ifo institute's credit constraint indicator (cf. Figure 7) does indicate some credit constraints for the initial period since surveys began in 2003, access to credit has improved enormously for German businesses since then. Currently, financing conditions are extremely favourable. The European Commission also shares this opinion.

## Policy challenges

41. Germany is an open national economy. As such the development of the German current account depends significantly on developments in other countries. According to a current study<sup>6</sup> practically all countries with a large share of industry can report a current account surplus. This is due in no small part to the demand for industrial goods in emerging countries which has grown considerably in recent years. This has obviously not been taken into consideration in the model calculations used by the European Commission. As a result, this overvalues the share of the current account balance presented as fundamentally unjustified. The European Commission generally suspects misallocation a priori for parts of the current account balance which it cannot explain with its econometric model.

42. In contrast, the Federal Government shares the European Commission's wish for Germany to further strengthen internal growth forces. Provisions have been made in the coalition agreement for a series of measures to this end, including the improvement of the framework for private investment, the introduction of a legal minimum wage and increased investment in public infrastructure, particularly in the transport sector where a 5 billion euros increase in transport investment has been agreed. Furthermore, the *Länder* will receive relief of 6 billion euros in order to promote investment in child care (e.g. crèches and day-care facilities), schools and institutions of higher education.

43. With these public investments, the Federal Government is avoiding erosion of infrastructure quality and bottlenecks which could hamper growth potential. Further improvements in childcare facilities will help integrate women more deeply into the labour market. At the same time, the sound financial position of businesses, favourable financing conditions and the expected increase in global demand set the course for a positive development in private investment in the coming years.

Through positive effects on demand, these measures – which are also encouraged by the European Commission – will help strengthen domestic demand and demand for imports and therefore would tend to reduce the current account surplus. It is not possible, however, to quantify the exact effects this would have on the German current account:

a. Additional private and public investment in education & research and infrastructure will further improve Germany's competitiveness. At the same time they will contribute to more domestic demand.

b. The Federal Government will secure adequate minimum protection across Germany with the introduction of the minimum wage and the reorganisation of temporary employment. The Federal Government believes that the positive development of wages and salaries is likely to continue in the coming years. However, according to the European Commission's own studies, wage moderation in Germany has only had a marginal effect on the current account surpluses in the past. According to simulations of the German Bundesbank, an increase in the wage level in the future is also only likely to have a marginal effect on the current account balance.<sup>7</sup>

c. In a study,<sup>8</sup> the European Commission showed that the effects of reforms in the services sector on the balance of trade are not clear. It is not possible to rule out the possibility that a further increase in the efficiency of the German economy and the German growth potential will result in a further increase in the current account balance.

d. The Federal Government shares the opinion of the European Commission that the position of the state budget is adequate and that sound government finances are welcome. Therefore pro-growth measures that impact public budgets must be counter-financed by other positions in the budget. This is particularly true in light of the commitments of the Stability and Growth Pact and the level of national debt, which remains high.

44. In the other sections of the National Reform Programme the Federal Government gives its view in detail on the other policy challenges identified by the European Commission.

### Conclusion

45. The in-depth review of the European Commission reveals that the reasons for the current account surplus – which is decreasing gradually – are complex and varied. This includes the high degree of competitiveness of the German economy and the comparatively low level of investment.

46. The Federal Government agrees with the European Commission that there is a need to strengthen growth potential in Germany. It will therefore strengthen state investment and domestic growth forces with the measures agreed in the coalition agreement. In doing so, Germany is also contributing to reducing the imbalances in Europe.

<sup>7</sup> See Bundesbank, *Monatsbericht Februar 2013*.

<sup>8</sup> Quarterly Report on the Euro Area, Volume 12 N° 4 (2013).



## II. Implementation of the country-specific recommendations of the Council of the European Union for Germany

47. In its meeting on 27/28 June 2013, the Council of the European Union adopted new country-specific recommendations for Germany for the 2013 – 2014 period. These recommendations were based primarily on the European Commission’s assessment of the reform efforts of the member states within the context of the 2013 European Semester.

48. The Federal Government has always been committed to the resolute implementation of the country-specific recommendations. In addition to the implementation of projects at European level, the swift implementation of the country-specific recommendations at national level is also a central requirement within the framework of the Compact for Growth and Jobs adopted by the European Council in June 2012.

49. The Federal Government welcomes the fact that the country-specific recommendations have become more specific in the past year and takes the recommendations directed at Germany seriously. This concerns German fiscal policy, the labour market, energy policy and competition particularly in the services sector. The Federal Government has made considerable progress in all the areas addressed even if individual recommendations have a longer-term horizon. The following section provides a detailed account of the implementation of the country-specific recommendations for 2013/2014.

### A. Public finances

*“The Council of the European Union recommends that Germany should take action within the period 2013 – 2014 to:*

*1. Preserve a sound fiscal position as envisaged which ensures compliance with the medium-term objective over the programme horizon. Pursue a growth-friendly fiscal policy through additional efforts to enhance the cost-effectiveness of public spending on healthcare and long-term care through better integration of care delivery and a stronger focus on prevention and rehabilitation and independent living. Improve the efficiency of the tax system, in particular by broadening the VAT base and by reassessing the municipal real estate tax base; use the available scope*

*for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the implementation of the debt brake in a consistent manner across all Länder, ensuring that monitoring procedures and correction mechanisms are timely and relevant;”*

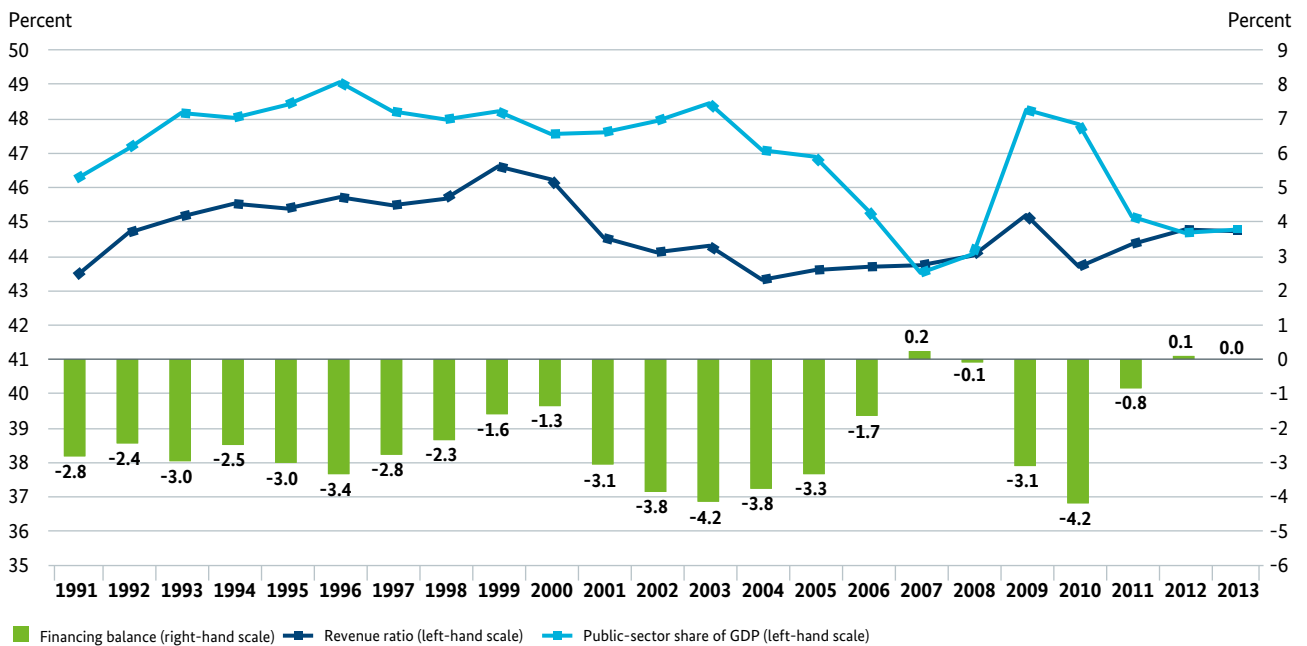
### Continuing a sound fiscal policy

50. Germany is continuing its successful policy of pro-growth consolidation (cf. German Stability Programme 2014). Following a close-to-balance budget in 2012, the state achieved a total state financing balance of 0.0 percent of GDP in 2013 (cf. Figure 8). This easily complied with the medium-term budgetary target of a maximum permissible structural deficit of 0.5 percent of GDP. In the current year, the public-sector budget will again be close-to-balance and there will be a slight structural surplus. All the fiscal policy commitments undertaken at national, European and international level – including the country-specific recommendations – are thus met.

51. The federal budget is playing a major role in the positive development of the public finances overall. The Federal Government is complying with the requirements of the debt rule. Further to this, the Federal Government presented a structurally balanced federal budget this year and committed to setting up the federal budget without net new borrowing from next year on (cf. Section IV.B and Table I, No. 1). In this way, the Federal Government is making a major contribution towards the planned reduction in the overall national debt rate to below 70 percent of GDP by the end of 2017 and to below 60 percent of GDP within ten years.

52. Guided by a sustainable fiscal policy, the Federal Government will continue the consolidation of the federal budget in such a way that – calculated across the entire period of legislation – growth in spending will not exceed GDP growth if possible. In the context of its subsidies report, the Federal Government will review more strictly whether measures are sustainable. The reduction of the government deficit, structural deficit and the national debt are also enshrined as goals in the national sustainability strategy.

**Figure 8: Expenditure, revenue and Maastricht financing budget of the state (in percentage of GDP)**



1995: Excluding transfers of assets due to the assumption of the debts of the Treuhandanstalt and the GDR housing companies. Including this effect, the total public-sector deficit would be 9.5 % of GDP.  
 2000: Excluding UMTS revenues. Including this effect, the public-sector budget generated a surplus of 1.1 % of GDP.

Source: Federal Ministry of Finance

**Implementing the debt brake in the *Länder* – guaranteeing monitoring procedures**

53. Together with the fiscal rules in place for social security and municipalities, the debt brake enshrined in 2009 in the German Constitution for the federation and the *Länder* aims at ensuring that Germany complies with the medium-term budget objective of the preventive arm of Stability and Growth Pact. The debt brake enshrined in the German Constitution also applies directly to the *Länder*. Under the rules of the debt brake, the *Länder* may not incur any new debt from 2020 onwards. If a federal state (*Land*) does not otherwise introduce regulations concerning cyclical adjustment or exceptional situations, a ban on new borrowing will apply without exception from 2020 onwards.

54. Further to this, the Act to Implement the Fiscal Compact (*Fiskalvertragsumsetzungsgesetz*) entered into force on 19 July 2013 (cf. Table I, No. 2). This Act enshrined into the Law on Budgetary Principles for Federation and *Länder*

(*Haushaltsgrundsätze-gesetz*, HGrG) a structural financing deficit no higher than 0.5 percent of nominal GDP, as defined in the fiscal compact, and a reference to the corresponding rules of the fiscal compact and the preventive arm of the Stability and Growth Pact. This further safeguards compliance with the debt brake at all levels of government.

55. Compliance with the national deficit ceiling is monitored by the Stability Council, which is supported by a new independent advisory council which has been set up.

**Enhancing the cost-effectiveness of public spending on healthcare and long-term care**

56. Statutory health insurance (SHI) and social long-term care insurance are on a sound financial footing at the start of this period of legislation. However it can be expected that outlays will once again exceed revenue over the medium term.

57. Drug provision is a central factor in expenditure trends among statutory health insurance companies. To curb spending increases in this respect, the statutory price freeze for pharmaceuticals without reference prices was extended until 31 December 2017. Furthermore, with effect from 1 April 2014, the 14th Act to Amend the Fifth Book of the Social Code (14. SGB V-Änderungsgesetz) increased the manufacturer discount from 6 percent to 7 percent for all pharmaceuticals with the exception of off-patent drugs with the same active agents (cf. Table I, No. 3).

58. The measures which the Federal Government has planned to increase the quality of care will help enhance cost-effectiveness on the spending side (cf. Table I, No. 4). These aim to improve the quality of out-patient care, and in-patient care in particular. Over the medium to long term this will result in the more effective use of funds and resources as better in-hospital treatment means fewer complications and re-admissions, thereby reducing the amount of subsequent outlays for follow-up treatment.

59. Furthermore, through efficient competition and more contractual freedom the Federal Government seeks to improve the quality and efficiency of care delivery. The legal framework conditions for concluding selective agreements between hospitals and service providers are being harmonised (particularly with regard to integrated forms of health care comprising out-patient and in-patient services, for instance) and existing obstacles removed. In addition, the health insurance funds are given the power to conclude quality agreements with individual hospitals.

60. Unnecessary expenditure on health care can be avoided with a well-functioning system of prevention. With the involvement of all social security institutions, the Federal Government plans to adopt a Prevention Act this year (cf. Table I, No. 5). The aim here is to strengthen prevention and health promotion in domains of life ranging from childcare facilities to schools and nursing homes and also strengthen in-company health promotion programmes.

61. The cost-effectiveness of spending on long-term care can be strengthened, in particular, by improving out-patient care to people in need of care. As a result of the Act to Reorient Long-Term Care Insurance (*Gesetz zur Neuaufrichtung der Pflegeversicherung*), which entered into force

on 1 January 2013, more than one third of all out-patients requiring care – particularly individuals suffering from dementia – receive better services and benefits than before the reform. These measures will be extended further. The Federal Government will shortly start preparing for the planned introduction of a new definition of “need of long-term care”. The elderly and individuals with limited mobility, in particular, need an accessible living environment so they can live independently for as long as possible. Provisions are made in the coalition agreement for an array of measures that are geared to increase the range of senior-friendly living spaces available and provide incentives to invest.

62. Sufficient, motivated staff are needed if we are to guarantee the efficient provision of high-quality health care and long-term care. Therefore the Federal Government seeks to upgrade jobs in the caring sector and, in particular, overhaul and modernise the system of training and make it more appealing (cf. Table I, Nos. 6, 7 and 8).

63. Details of other measures implemented by the Federal Government in the field of health and care are provided in the 2014 German National Social Report (NSR).

### Enhancing the efficiency of the tax system

64. Overall, German tax law is modern and competitive. Seeking to increase the efficiency of the taxation system, the Federal Government has identified the following key action areas: firstly to take further steps in the tax simplification process and secondly to fight tax fraud and curb tax avoidance. Therefore tax simplification remains an ever-present task. To this end, the Federal Government wishes, in particular, to take greater advantage of the technical possibilities offered by modern data processing. Furthermore, in developing aspects of tax law the focus will be to take the particular needs of small and medium-sized enterprises into consideration. For example, the Federal Government wishes to review the rules on retained profits for sole proprietorships in order to provide incentives for SMEs in particular to improve their equity base. In addition, the Federal Government aims to develop tax procedural law further towards a self-assessment procedure, starting with corporation tax.

65. An efficient taxation system must still ensure that no-one can avoid his obligation to pay taxes at the expense of society in general (cf. Table I, No. 9). For this reason, the Federal Government aims to restrict tax flight and tax avoidance. To this end, the Federal Government is working actively with its European and international partners on the OECD's Base Erosion and Profit Shifting (BEPS) initiative. If it proves impossible to attain the objectives in the context of the G20/OECD-BEPS initiative, the Federal Government will adopt national measures. At the same time, the Federal Government supports the development of the global standard for the automatic sharing of information about financial accounts.

66. With regard to the lower rates of VAT, the Federal Government is awaiting the proposed directive from the European Commission anticipated for 2014. There is consensus on the need to reform land tax. The primary objective of the reform is the creation of a modern basis for assessment. The Federal Government will continue to support the efforts of the *Länder* to reform the land tax in the near future whilst retaining the right for municipalities to set the tax rates. This will require the *Länder* to form a common position quickly on conclusion of the current review processes. The reform should aim to retain the land tax as a reliable source of municipal income, i.e. securing revenue and establishing legal certainty.

### Increased growth-enhancing spending on education and research

67. In their budgetary policies, the Federal Government and the *Länder* are placing a priority on spending on education and research that is conducive to growth. These outlays are intentionally excluded from consolidation measures in the federal budget. The aim is to strengthen areas that drive innovation and therefore future growth but also give people better opportunities to participate and develop.

Public- and private-sector spending on education and research was at 9.3 percent of GDP in 2011. Germany is therefore not far from its own national goal of investing 10 percent of GDP in research and education (cf. Box 2). Total public- and private-sector spending on research and development has increased in recent years (cf. Figure 9), reaching roughly 3 percent of GDP in 2012. The Federal Government is committed to maintaining this level of research expenditure in the future.

68. In the German federal system of government, the focus of responsibility and spending in the field of education lies with the *Länder*. In 2013, planned spending on education at *Länder* level totalled 84 billion euro and almost 25 billion euros at municipal level. Federal Government spending on education is expected to have been in the region of 8 billion euros.

69. Federal Government spending on science, research and development has increased and amounted to roughly 19 billion euros in 2013 (after roughly 18 billion euros in 2012 and 16 billion euros in 2011). In particular, Federal Government spending on the third-level sector increased steadily in recent years, with roughly 5 billion euros set aside for this area in budget estimates for 2013. Education and research will also be clearly recognisable as a policy priority in the 2014 federal budget and in the Federal Government's financial planning through to 2018.

70. The *Länder* and municipalities are facing major challenges in the financing of childcare facilities, kindergartens, schools and universities. To help them tackle these tasks, the *Länder* will receive 6 billion euros in relief in the current period of legislation. Should this funding be insufficient for additional childcare needs, it will be topped up in line with the perceived requirement.

71. The Federal Government and the *Länder* will continue to fund non-university research institutions, the Higher Education Pact, the Pact for Research and Innovation and the Excellence Initiative. The increased amount for non-university research will be funded solely by the Federal Government in future. An additional 3 billion euros is available for this in this period of legislation.

72. More information on the use of funds for education and research is provided in Sections III.B and III.D.

## B. Labour market and labour force participation

*“The Council of the European Union recommends that Germany should take action within the period 2013 – 2014 to:*

*Sustain conditions that enable wage growth to support domestic demand. To this purpose, reduce high taxes and social security contributions, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment. Take measures to improve incentives to work and the employability of workers, in particular for second earners and low-skilled, also with a view to improving their income. To this end, remove disincentives for second earners and further increase the availability of fulltime childcare facilities and all-day schools;”*

### Conditions that enable wage growth to support domestic demand

73. A crucial role for domestic economic dynamism is played by the good development of the labour market, which is on course for another record level of employment (cf. Item 9). Gross salaries and wages per employee rose by 2.3 percent in 2013. The Federal Government is expecting an increase of 2.7 percent in 2014.

74. On the one hand, good work must be worthwhile and provide for basic needs. On the other, productivity and the wage level must be aligned so that jobs subject to social security contributions are not lost. In Germany, the social partners have traditionally established this balance through collective wage agreements. However, diminishing coverage of workers by collective agreements has resulted in more and more areas that are not protected by pay deals. A generally binding statutory minimum wage is intended to ensure an appropriate level of minimum protection throughout Germany (cf. Table I, Nos. 10, 11 and 12). The Federal Government will shape the minimum wage in such a way that, if possible, no jobs at all are lost. Further to this, a minimum wage also strengthens broad-based consumer demand.

### Reducing the tax and contribution burden particularly for low earners

75. The Act to Reduce the Fiscal Drag (*Gesetz zum Abbau der kalten Progression*) brought about relief with regard to income tax. On the basis of the Federal Government’s Ninth Report on the Subsistence Minimum, the basic allowance has been aligned with the increased subsistence minimum. This also reduces the taxation burden for low-earners. Following an initial increase on 1 January 2013, the basic allowance was increased by 224 euros once more on 1 January 2014. At the same time, the entry-level tax rate was kept constant at 14 percent (cf. Table I, No. 13). Furthermore, the Federal Government will review the effect of the fiscal drag and present a report to the German Bundestag on the development of the fiscal drag in relation to income tax at the end of 2014.

76. With regard to social security contributions, the Federal Government also takes the situation of low-earners into consideration as the health insurance funds will levy the fund-specific additional contribution as a percentage of the assessable income in future.

### Raising the educational achievement of disadvantaged people

77. The state is responsible for ensuring equality of opportunity irrespective of social origin and the greatest possible breadth of opportunities for career advancement. The Federal Government and the *Länder* are therefore improving the permeability of the education system (cf. Table I, Nos. 14, 15, 16 and 17). With the Skills Development Initiative for Germany, the Federal Government and the *Länder* adopted a comprehensive programme in 2008 that strengthens education and training in Germany by implementing specific measures in key action areas of the overall education system (cf. Item 134 and NRP 2013 Item 100). With a view to further reducing the percentage of school-leavers without a school-leaving certificate, the support strategy for lower-achieving pupils agreed by the *Länder* will be continued (cf. NRP 2013 Item 51). The Federal Government/*Länder* National Strategy for Adult Literacy and Basic Education in Germany gives people with few or no reading, writing and arithmetic skills the tools towards better social, professional and economic participation (cf. also NRP 2012, Item 71).



Further to this, the Federal Government is also lending financial support to the *Länder* towards the improvement and expansion of the portfolio of education offerings (cf. Item 70).

### **Maintaining activation and integration measures especially for the long-term unemployed and improving incentives to work and employability**

78. The Federal Government and the *Länder* want to assist young people with fewer opportunities in making a successful transition from school to vocational training and a working life through specific career entry support programmes and by strengthening the preventive approach of career counselling and career guidance (cf. NRP 2013 Item 48 and Table I, Nos. 18, 19, 20, 21, 22, 23 and 24). Young adults can return to and complete training through continuing vocational education and training programmes (cf. Table I, No. 25). In tandem with the social partners and the *Länder*, the Federal Government is keen to further develop the “National Pact to Promote Training and Young Skilled Workers” into an alliance for initial and continuing training. In addition, the Federal Government and the *Länder* will continue to promote the integration of migrants into the labour market (cf. Table I, Nos. 26 and 27). New opportunities will be created for low-skilled individuals and the long-term unemployed (cf. Table I, Nos. 28, 29, 30 and 31). Further to this, employment promotion should focus more specifically on the needs of women, whose careers are often interrupted for family reasons, and support their return to employment that is subject to social security contributions and guarantees them a livelihood (cf. Table I, Nos. 32 and 33). Furthermore, employability should also be strengthened by lifelong learning.

79. Germany has the lowest rate of youth unemployment in the EU (Germany: 7.4 percent and EU28: 23.2 percent both in December 2013, EUROSTAT data). In addition, Germany will swiftly implement the agreed European Youth Guarantee. A national implementation plan is set to be presented by April 2014 in close coordination with the social partners, associations, *Länder*, municipalities and the Federal Employment Agency. A comprehensive guidance and support system is already in place that is geared toward the integration of school-leavers and unemployed young people into the labour and training market. Furthermore, the Federal Government also seeks to establish a coordinated

system of collaboration, as witnessed in the “Youth and Vocation Work Alliances” or “Agencies for Youth Employment and Vocational Training”, and in this way pool support services and benefits for under-25s as defined under Books II, III and VIII of the Social Code. Above all, Germany’s dual system of vocational training gives young people broad access to vocational training, thereby making a significant contribution to the country’s relatively low level of youth unemployment.

### **Facilitating the transition from non-standard employment to more sustainable forms of employment**

80. Germany has made substantial progress on the labour market. Long-term unemployment has fallen, and the number of employees subject to social security contributions has risen tangibly. This good development – particularly in the international comparison – in employment in Germany underlines the significance of an open and functioning labour market, a strong social partnership and free collective bargaining as fundamental pillars of the Social Market Economy. The labour market is currently very receptive to new workers – rarely has it been more so – and is opening up opportunities for people who were previously unable to participate in this positive development. The Federal Government is restructuring the labour market to correct problematic social developments caused by structural change in employment, but also by the partial misuse of instruments like the use of temporary workers or contract workers. The Federal Government will focus the system of temporary workers on its core functions. To this end, a maximum transfer period of 18 months is defined in the Temporary Employment Act. In terms of pay, temporary workers will in future be put on a par with permanent staff after 9 months at the very latest.

81. Further to this, the Federal Government will facilitate the transition from marginal employment to regular employment subject to social security contributions. Workers in marginal employment will also be better informed of their rights.

82. The Federal Government will develop the right to part-time employment further. Individuals working part-time for family reasons should be able to resume their previous work times. A right to temporary part-time work (right to return) is created for this purpose.

### Removing disincentives for second earners and further increasing the availability of fulltime childcare facilities and all-day schools

83. The Federal Government is committed to helping parents to combine work and family commitments and to promoting family-friendly working conditions (cf. Table I, No. 34). Further to this, the Federal Government will simplify the marginal burden, or *Faktorverfahren*, and strengthen acceptance for it (cf. also NRP 2013 Item 53).

84. High-quality childcare facilities also give individuals better opportunities to balance family and work commitments. This also helps secure the skilled labour base. Therefore the Federal Government will continue to support the *Länder* in their efforts to further enhance the quality of child day care and gradually expand all-day care in child day care facilities (cf. Item 70).

85. The Federal Government and the *Länder* are investing in the expansion of child care and the improvement of the quality of care (Table I, Nos. 35 and 36). With the introduction of a legal entitlement to early childhood education for all children over the age of one on 1 August 2013, the Federal Government set a milestone for needs-oriented child day care. The major increase in the number of childcare places for children under three (U3) can be attributed, in particular, to the financial support of the Federal Government and the expansion efforts of the *Länder*. Through to 2014, a total of 5.4 billion euros in federal funding will be made available to the *Länder* for the expansion of U3 childcare facilities, with roughly 2.7 billion euros available as investment grants alone. Supplementing this, the *Länder* also direct their own funds into the expansion efforts. From 2015 onwards, the Federal Government share in the operating costs will amount to 845 million euros annually (cf. Table I, No. 37). Other relief measures for the *Länder* will be implemented in the current period of legislation (cf. Items 42 and 70).

86. The *Länder* are making considerable efforts to accelerate the expansion and quality enhancement of all-day facilities at schools (cf. Table I, No. 38). In 2012, the share of all-day schools in all schools was 62.9 percent, and the number of pupils at all-day schools increased from 1.7 million to 2.4 million between 2007 and 2012.

## C. Energy

*“The Council of the European Union recommends that Germany should take action within the period 2013 – 2014 to:*

*Improve the coordination of the energy policy with neighbouring countries and keep the overall costs of transforming the energy system to a minimum, in particular by further reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets and by continuing efforts to accelerate the expansion of the national and cross-border electricity and gas networks;”*

87. Energy policy is guided by the “energy policy triangle” of the equally important goals of climate and environmental compatibility, security of supply and affordability.

### Keeping the overall costs of transforming the energy system to a minimum

88. As the policies for transforming the energy system are further being implemented, greater attention must be paid to cost efficiency and the economic efficiency of the overall system. This is necessary so that companies in Germany can remain internationally competitive and private households can make use of affordable energy.

89. To keep the costs of Germany’s *Energiewende* to a minimum, the Federal Government will reform the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz* [EEG]) in particular. Increasing energy efficiency is also of central importance (cf. Section III.C.). Overall costs are also driven by interplay between renewables, conventional power plants, demand, grid expansion and, in the medium to long term, storage facilities.

### Increasing cost-effectiveness in the expansion of renewables

90. The Federal Government’s principle is that the promotion of renewable energy sources should serve to introduce them to the market. The revision of the Renewable Energy Sources Act is intended to boost the proportion of renewa-



bles in electricity generation to 40 – 45 percent by 2025 and to 55 – 60 percent by 2035, whilst ensuring that energy remains secure and affordable for households and businesses. The existing cost dynamism of the Renewable Energy Sources Act is to be interrupted, and the rise in electricity costs for consumers limited. With a view to implementing these goals, the Federal Government will present a proposal for a fundamental reform of the Act by Easter 2014. The Federal Government has already approved key aspects in this respect (cf. Box 1). In expanding renewable energy the Federal Government will focus on the most cost-effective technologies: wind onshore and photovoltaic.

#### **Box 1: Core aspects of the reform of the Renewable Energy Sources Act**

- ▶ The expansion corridor for renewables is made binding in the Act.
- ▶ The instruments for the effective steering of the expansion will be designed in a technology-specific manner.
- ▶ The renewables will be expanded in such a way that the expansion targets are attained and the costs limited. The expansion of renewables will focus on the low-cost technologies.
- ▶ Existing over-funding will be reduced, bonuses terminated, and the funding made degressive.
- ▶ By 2017 at the latest, the level of the funding is to be established via auctions. Compulsory direct selling will be introduced in order to improve the market integration of renewables.
- ▶ All electricity consumers will participate in the costs in an appropriate manner, but the international competitiveness of electricity-intensive industry and the intermodal competitiveness of rail undertakings must not be imperilled.
- ▶ The reform of the Act will comply with European law.
- ▶ The Act will be substantially simplified.

91. Since the renewables surcharge will not fall significantly for the foreseeable future, the special equalisation scheme, i.e. the limitation of the surcharge for electricity-intensive companies in the manufacturing sector, continues to be of extraordinary significance for Germany's industrial structure, and is vital in terms of potential for investment and innovations in the manufacturing sector and of high-quality jobs. The close supply relations between electricity-intensive companies and downstream industrial sectors must also be taken into consideration. The Federal Government will examine the exemptions on the basis of objective and transparent criteria, as well as the appropriate contribution towards the costs by the privileged companies, and will continue to develop the rules in line with European law. Generators of electricity for in-house consumption are also to participate in a balanced way in the renewables surcharge in the course of a reform of the Renewable Energy Sources Act.

92. The Federal Government aims to integrate the funding of renewables in Germany into the internal European market. To this end, the Renewable Energy Sources Act will be revised in compliance with European law. At the same time, the government will work to ensure that the EU rules and state aid rules continue to support the expansion of renewable energy in Germany. Irrespective of this, the Federal Government continues to assume that the Act does not constitute state aid.

#### **Accelerating the expansion of the electricity and gas networks**

93. The Federal Government will continue to push ahead with the rapid expansion of the electricity and gas networks (cf. Table I, Nos. 39, 40 and 41). In order to better integrate the expansion of the grids and renewable energies, the expansion corridor for renewables, as fixed in law, is to form the basis for the grid expansion. The central instrument for the expansion of the transmission systems will continue to be the Federal Requirement Plan. On the basis of the Grid Development Plan and the Offshore Grid Development Plan, this identifies the more urgent projects. Together with the *Länder*, the Federal Government has concentrated the responsibility for inter-*Länder* and cross-border expansion projects in the transmission systems in the Federal Network Agency. It expects this to significantly accelerate the planning and approval procedures.

94. With the implementation of the Regulation on Guidelines for the trans-European Energy Infrastructure, the Federal Government expects the expansion of cross-border electricity and gas grids to be stepped up.

95. Further to this, the Federal Government aims to design the policies for the modernisation of the distribution grids in such a manner that the necessary investment can be made quickly.

### Improving the coordination of energy policy with neighbouring countries

96. Functioning competition in Europe's internal energy market will ensure a secure, affordable and environmentally compatible energy supply for European commerce in the long term. In view of this, the Federal Government is particularly advocating the expansion of the European energy grid infrastructure and a close energy policy dialogue within the European Union. For example, in February 2014 the Federal Government voiced its support for frequent exchange between the EU member states so that Europe can advance together in the field of energy and be ready for the future, make the most of our potential when designing our energy policies in favour of a secure, clean and affordable energy supply, and thereby create an important foundation for growth and employment.

97. Close coordination with neighbouring countries is very important to the Federal Government. Federal Government and *Länder* coordination efforts with neighbouring countries take place through a wide range of boards and committees at a bilateral, regional and EU level. This also includes regular contact and informal working meetings with neighbouring countries. These committees and meetings provide the environment for discussing general and special questions on energy policy with neighbouring countries, often at a senior level (cf. Table I, No. 42). Furthermore, coordination also takes place on the basis of existing European instruments, such as participation in the context of Strategic Environmental Assessments during grid expansion, for instance.

98. Further to this, in February 2014 Germany also took part in the pilot process for the preliminary coordination of economic policy reforms in the Economic Policy Committee of the European Council. Within this context the

Federal Government presented its plans for a reform of the Renewable Energy Sources Act to the other member states of the European Union and discussed the plans with them (for the core aspects of the reform, see Box 1).

## D. Competition

*“The Council of the European Union recommends that Germany should take action within the period 2013 – 2014 to:*

*Take measures to further stimulate competition in the services sectors, including certain crafts – in the construction sector in particular – and professional services to boost domestic sources of growth. Take urgent action to significantly increase the value of public contracts open to procurement. Adopt and implement the announced legislative reform to improve the enforcement of competition law regarding competition restrictions. Remove planning restrictions which unduly restrict new entries in the retail sector. Take further measures to eliminate the remaining barriers to competition in the railway markets. Pursue efforts for consolidation in the banking sector, including by improving the governance framework.”*

### Further stimulating competition in the services sector – particularly the construction sector and professional services

99. The Federal Government has strengthened competition considerably in the services sector in recent years. Laws governing professional services have been relaxed, such as in the area of advertising and the choice of legal form. The market for long-distance coach travel was largely opened in 2013 (cf. NRP 2012, Item 46). The schedule of fees for chimney sweeps has been largely lifted (cf. NRP 2013, Item 72). Germany is also improving administrative information services which should facilitate service providers in carrying out their activities. Therefore Germany is also continuing to develop the range of Points of Single Contact in line with the EU Services Directive.

100. Strengthening the internal market for services is an important goal of the Federal Government. Against this backdrop it is examining the legal requirements imposed

on service providers, inter alia within the context of the Transparency Initiative at EU level. Justified and appropriate regulations that serve, for example, to safeguard a level of training, actively provide consumer protection, serve a social purpose or ensure freedom to exercise a profession independently, are to be retained.

### Significantly increasing the value of public contracts open to procurement

101. Germany has not had reliable statistics on the public procurement system up to now. Therefore there is no solid evidence of the average volume of advertised contracts or the volume of contracts announced across Europe. For this reason, the Federal Government will request an expert assessment in order to develop a strategy for the creation of a nationwide database. Statistical data on all procurement procedures above and below the thresholds will be recorded in this database.

102. Irrespective of this, the relatively low number of public contracts open to procurement across Europe could be due to the fact that Germany's federal structure means that procurement procedures are decentralised. Compared against centralised forms of administration in the European Union, Germany's 30,000 or more contracting authorities at federal, *Länder* and municipal level tend to advertise smaller contracts that often do not reach the EU threshold. The value of a public contract is calculated according to the relevant specifications under European law, which were transposed into national law by Section 3 of the Public Tender Ordinance (*Vergabeverordnung*). Measures to centralise procurement procedures that can increase the contract value have already been implemented in the areas at the federal and *Länder* level which offered scope for efficiency improvements. Procurement for the government has been concentrated in four central procurement authorities that offer their services to public agencies within the government through framework agreements. The Federal Government will discuss with the *Länder* measures and approaches to further increase the value of public contracts.

### Implementing the Amendment to the Act against Restraints on Competition

103. The 8th amendment to the Act against Restraints on Competition (*Gesetz gegen Wettbewerbsbeschränkungen* [GWB]) entered into force on 30 June 2013 (cf. Table I, No. 43). This modernised competition law, particularly with regard to merger control and monitoring to prevent the abuse of market dominance, and made enforcement even more efficient. The Act against Restraints on Competition applies to all sectors, including the services sector.

### Facilitating new entries in the market in the retail sector

104. In the Federal Government's opinion there are no unreasonable restrictions to market access in the retail sector. German spatial and urban planning regulations which regulate the establishment of retail enterprises comply with European law. They pursue overriding reasons of general interest (especially protection against uncontrolled urban sprawl, orderly urban development, environmental protection, low-impact land use, consumer-oriented supply). An analysis conducted by the European Commission demonstrates that market entry in the retail sector in Germany is possible without unreasonable restrictions.<sup>9</sup>

Within the context of the European Retail Action Plan, the Federal Government welcomes the exchange of time-tested practices with regard to establishing an appropriate balance between freedom of establishment, commercial and spatial planning, and environmental and social protection and the subsequent compilation of best practices.

### Removing barriers to competition in the railway market

105. In the area of transport services, the share of competitors in the rail freight sector in 2012 increased again slightly to 28.6 percent and to 14.6 percent in the regional rail passenger sector.<sup>10</sup> The proportion of competitors operating in the long-distance rail passenger sector is less than one percent. Overall, there has been a slight improvement in the competitive situation in the railway market in Germany in recent years. Germany's railway market compares favourably to other European markets in this regard.

9 Source: The economic impact of the service directive: A first assessment following implementation, European Commission 2012.

10 Source: Competition Report of DB AG, presented in May 2013.

106. A primary goal in the current review of German railway law is to strengthen competition in the railway markets. The transposition of Directive 2012/34/EU into national law is currently pending. In this respect, the Federal Network Agency is also to be strengthened as a regulatory authority in the rail sector (cf. Table I, No. 44).

### **Continuing consolidation in the banking sector**

107. Further consolidation took place in the banking sector in 2013. The private banks and the state-owned Landesbanks, in particular, continued to reduce their balance sheet totals and risk assets, while concentrating their operational activities by eliminating non-core business.

108. With a view to strengthening the governance framework in the banking sector, in 2013 the Federal Government adopted the CRD IV Implementation Act and the Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups (*Gesetz zur Abschirmung von Risiken und zur Planung der Sanierung und Abwicklung von Kreditinstituten und Finanzgruppen*) (cf. Item 152 and Table I, Nos. 45 and 46). The central regulations of both acts had entered into force by the start of 2014. The Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups especially reinforces the responsibilities of directors of banks and insurance companies by introducing more effective sanctions on mismanagement and breach of duty. The finance industry is currently implementing the regulations. Implementation and compliance is monitored by the supervisory body.

## III. Europe 2020 strategy: progress to date and measures

109. The Federal Government is committed to the five headline targets of the *Europe 2020* strategy for smart, sustainable and inclusive growth in Europe. Box 2 provides an overview of progress made towards achieving the additional ambitious quantitative goals which the Federal Government and the *Länder* have set in the context of the *Europe 2020* strategy (cf. NRP 2013).

110. It is important to bear in mind, however, that individual quantitative indicators can, of course, only give a partial insight into progress made in a policy field. For a full analysis of a policy field, the comprehensive examination of all the quantitative and, in particular, qualitative factors would

be essential. This report on progress towards attaining the quantitative goals cannot, therefore, claim to give an exhaustive account of the development in individual policy areas but does provide important information on the development of key indicators in these policy fields.

111. The Federal Government welcomes the assessment and critical examination of the *Europe 2020* strategy process initiated by the European Commission which will result in a critical discussion of the goals set out. Irrespective of this, the Federal Government will also continue to work towards the strengthening of the 2006 European Sustainability Strategy.

### Box 2: Quantitative goals defined under the Europe 2020 strategy and current progress towards goals

Europe 2020 headline targets	EU-wide indicators	National indicators (if different)	Status of quantitative indicators
<b>1. Foster employment</b>	<ul style="list-style-type: none"> <li>▶ Employment rate of 75 % for people aged 20 – 64</li> <li>▶ Greater participation of young people, older workers, low-skilled workers and migrants</li> </ul>	<ul style="list-style-type: none"> <li>▶ Employment rate of 77 % for people aged 20 – 64</li> <li>▶ Employment rate of 60 % for older people aged between 55 and 64</li> <li>▶ Employment rate of 73 % for women</li> </ul>	<ul style="list-style-type: none"> <li>▶ Employment rate of 76.7 % (2012) or 77.5 % (Q3 2013) for people aged 20 – 64</li> <li>▶ Employment rate of 61.5 % (2012) or 64.1 % (Q3 2013) for older people aged between 55 and 64</li> <li>▶ Employment rate of 71.5 % (2012) or 72.7 % (Q3 2013) for women</li> </ul>
<b>2. Improve the conditions for innovation, research and development (R&amp;D)</b>	<ul style="list-style-type: none"> <li>▶ R&amp;D expenditure of 3 % of GDP</li> <li>▶ Improve the conditions for R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>▶ R&amp;D expenditure: 3 % of GDP (two-thirds from the private sector and one third from the public sector)</li> <li>▶ Spending on education and research by 2015: 10 % of GDP</li> </ul>	<ul style="list-style-type: none"> <li>▶ R&amp;D expenditure: 3 % of GDP (2012) – two-thirds from the private sector and one third from the public sector</li> <li>▶ Spending on education and research: 9.3 % of GDP (2011)</li> </ul>
<b>3. Reduce greenhouse gas emissions and increase energy efficiency and energy from renewables</b>	<p>By 2020:</p> <ul style="list-style-type: none"> <li>▶ Reduce greenhouse gas emissions by 20 % (or 30 % if applicable) compared to 1990 levels</li> <li>▶ Increase the share of renewables in final energy consumption to 20 %</li> <li>▶ Increase energy efficiency by 20 % in relation to forecast development</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reduce greenhouse gas emissions by at least 40 % by 2020 compared to 1990 levels and by 80 – 95 % by 2050</li> <li>▶ Increase the share of renewables in gross final energy consumption to 18 % by 2020, to 60 % by 2050 and to at least 80 % in the electricity sector</li> <li>▶ National energy efficiency goals under the Federal Government's Energy Concept of 28 September 2010: reduce primary energy consumption by 20 % by 2020, and by 50 % by 2050 compared to 2008 levels*</li> </ul>	<ul style="list-style-type: none"> <li>▶ Greenhouse gas emissions: reduced by 24.7 % compared to 1990 levels (2012)</li> <li>▶ Share of renewables: 12.3 % in total final energy consumption (2013) or 24 % in gross electricity generation (2013)</li> <li>▶ Primary energy consumption: reduced by 3.3 % compared to 2008 levels (2013).</li> </ul>
<b>4. Improve education levels</b>	<ul style="list-style-type: none"> <li>▶ Improve education levels, in particular, reduce the proportion of early school leavers and people leaving vocational training to below 10 %</li> <li>▶ Increase the percentage of 30 – 34 year-olds with a tertiary or equivalent education to at least 40 %</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increase the percentage of 30 – 34 year-olds with a tertiary or equivalent education to 42 %</li> </ul>	<ul style="list-style-type: none"> <li>▶ Proportion of early school leavers and people leaving vocational training in 2012: 10.6 %</li> <li>▶ Percentage of 30 – 34 year-olds with a tertiary or equivalent education: 43.5 % (2012)</li> </ul>
<b>5. Promote social inclusion in particular by reducing poverty</b>	<ul style="list-style-type: none"> <li>▶ Lift at least 20 million people out of the risk of poverty or exclusion</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reduce the number of long-term unemployed by 20 % by 2020 compared to 2008 levels</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reduction of 36 % in the number of long-term unemployed between 2008 and 2012 (annual averages Q3 2013: 44 %)</li> </ul>

\* With regard to the indicative national energy efficiency goal under Article 3 of European Directive 2012/27/EU, reference is made to the communication to the European Commission of 11 June 2013.

## A. Fostering employment – National Job Plan

112. Gainful employment in Germany reached another record high in 2013. With an increase of 348,000 people, employment subject to social security contributions increased even more than gainful employment on the whole. Gainful activity is expected to increase to 42.1 million this year (cf. Item 9). People previously unavailable to the labour market will increasingly take up work. Older people and women in particular will participate more and more in working life. Further to this, increased immigration will make an important contribution to the rise in employment.

Germany has already made considerable progress in relation to the employment rate (cf. Box 2):

- ▶ In terms of the employment rate for men and women aged between 20 and 64, Germany has exceeded the European target since 2011 and is fast approaching its higher national target.
- ▶ With regard to the goal of increasing the employment rate of women to 73 percent by 2020, a rise to 72.7 percent can be reported in the third quarter of 2013.
- ▶ The rate of employment of older workers (aged between 55 and 64) rose to 64.1 percent in Q3 2013, already exceeding the national goal of 60 percent by 2020, which is also enshrined in the National Sustainability Strategy.

### General conditions

113. The social market economy in Germany, with a comparatively strong role played by social partners, collective bargaining agreements and a flexibility agreed between management and labour, proved effective particularly under the pressure of the international financial market crisis. Specific reforms made to this model in the previous decade also contributed to this success. The labour market is currently very receptive to new workers – rarely has it been more so – and is opening up opportunities for people who were previously unable to participate in this positive development. To ensure that more individuals can participate in the positive labour market and income developments, the Federal Government is firmly in support of the concept of good work with adequate pay (cf. Item 74 and Table I, Nos. 10, 11 and 12).

114. High-quality education, training and CVET, competitiveness, innovative potential and, not least, the necessary openness and flexibility of the labour market – including the integration of migrants – are central elements of the labour market policy of the Federal Government (cf. Item 77 ff.).

### Securing the skilled labour base

115. Demographic change directly affects the supply of labour and therefore both the performance of the German economy and the effectiveness of the social systems. Meeting the demand for skilled labour whilst opening up better employment opportunities for individuals is therefore a major task for the whole of society. The Federal Government will primarily focus on people in Germany and will advance their degree of integration into the labour market (cf. Item 78 ff.). Education and training will play a key role in this respect. But greater advantage should also be taken of the opportunities to attract skilled workers from the global labour market to come and work in Germany (cf. Table II, Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9 and NRP 2013 Item 83 ff.). These are the approaches of the Federal Government's Skilled Workers Strategy (cf. Item 79 ff. NRP 2013). With regard to securing a sufficient number of skilled workers in the labour market, the ability of individuals to combine work and family commitments plays a particularly important role. To this end the Federal Government will make the rules surrounding parental leave and parental allowance more flexible (cf. Table II, No. 10). The *Länder* have also developed strategies to secure the supply of skilled workers. In particular, however, the onus is on business enterprises to step up their efforts to create appropriate working conditions for older workers and a working environment that meets age-related needs and increase the rate of employee participation in CVET programmes. In light of this the aim, inter alia, is to work with the social partners to continue the Continuing Training Initiative, which is jointly funded by the European Social Fund, and support the social economy in view of the effects of demographic change (cf. Table II, Nos. 11 and 12).

In addition, the active part of the economy guarantees the targeted qualification of skilled workers in the dual system of vocational education and training, which is the best protection against skilled labour shortages for companies.

116. Highly qualified women should be able to contribute more to the success of the German economy in the future



(cf. Table II, No. 13). For this reason, the Federal Government wishes to see an increase in the proportion of women in managerial positions in companies. Publicly listed companies and businesses with obligations for full employee co-determination must therefore ensure that as of 2016, 30 percent of new appointments to their supervisory boards are women. Further to this, starting in 2015 publicly listed or co-determined companies will be obliged by law to set binding targets for increasing the share of women on executive boards, supervisory boards or in top-level management positions, disclose this information publicly and report on it in a transparent manner. In order to lead by example and increase the percentage of women in management positions in public service at the federal level, the Federal Government is developing a gender equality index and is committed to the proactive implementation within the context of the Federal Act on Gender Equality (*Bundesgleichstellungsgesetz*) and the Federal Act on Appointment to Bodies (*Bundesgremienbesetzungsgesetz*).

117. The Federal Government wishes to further increase the incentives for women to work. In order to help promote the principle of “equal pay for equal and equivalent work” the Federal Government wants to create more transparency by measures such as placing an obligation on businesses with 500 or more employees to state their position on the promotion of women and equal pay in accordance with legal criteria in their management reports as defined

in the German Commercial Code. On the basis of this, an individual right to information is defined for male and female employees.

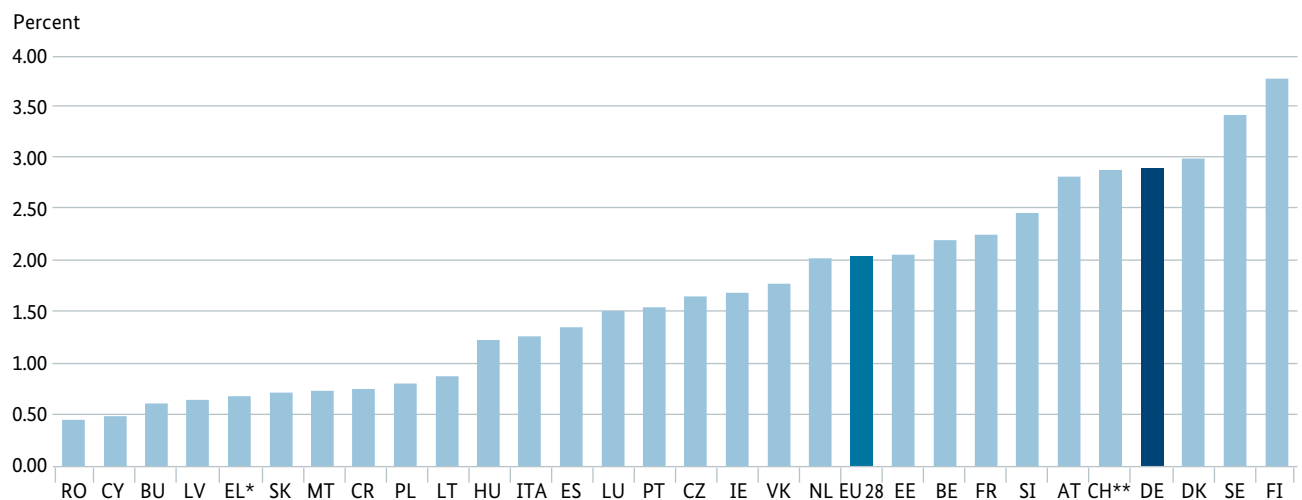
### B. Improving conditions for innovation, research and development

118. With roughly 3 percent of the gross domestic product spent on research and development in 2012, Germany has reached the Europe 2020 goal and continues to be significantly above the EU average (cf. Figure 9). Industry accounts for well over half of all spending on research and development. Much remains to be done to retain our position as one of the world’s most innovative economies in the future. The Federal Government aims to keep investment in research constant at 3 percent of GDP (cf. Item 67 ff.). For this reason, it places a priority on pro-innovation conditions and suitable funding and financing tools.

#### Innovation strategy

119. In dialogue with the *Länder* and other relevant stakeholders, the Federal Government will continue to develop the High-Tech Strategy (cf. NRP 2013 Item 87 and Table II, No. 14) into a comprehensive, interdepartmental innovation strategy for Germany. Even greater focus will be placed on

**Figure 9: R&D spending by European countries in relation to GDP (2010 to 2012)**



\* 2011, 2012 figures  
 \*\* 2008 figure

Source: Eurostat, Status: December 2013



challenges such as demographic trends, sustainable commercial activity or the digitisation of industry and society. Big data or health care will become new priority areas of central topics such as Industry 4.0 or sustainable mobility, particularly electric mobility (cf. Table II, Nos. 15 and 16).

120. The close interlinkage between the academic and business community is central to Germany's capacity for innovation. "Clusterplattform Deutschland" and the Centre of Excellence for Innovative Procurement are examples of a policy that joins forces and secures Germany's strong position in the international competition for innovation (cf. Table II, No. 17 and No. 18). In their regional strategies for innovation, the *Länder* are providing key impetus for economic dynamism, employment, the generation of new knowledge, ecological progress and solutions to societal challenges with research, technology and economic policies that are in sync with one another.

121. Further to this, the Federal Government and the *Länder* will continue to support the innovative midmarket and research at universities and non-university research institutions through perfectly tailored funding programmes (cf. NRP 2013, Item 88 ff., Table II, Nos. 19, 20 and 21).

122. The Federal Government is particularly committed to new start-ups and young businesses that provide innovative services and products which advance society and create jobs (cf. NRP 2013 Item 88, Table II, Nos. 22, 23 and 24). An important goal is to apply research results more quickly and deeply for industrial value creation.

123. Access to sources of financing plays a central role for innovative new start-ups and young businesses. For this reason, the Federal Government aims to make the legal and tax rules for venture capital internationally competitive in a permanent dialogue with the European Commission and make Germany an even more attractive investment location for venture capital. The venture capital investment grant, which was set up in 2013, will be continued and developed further (cf. Table II, No. 25).

## Digital Agenda

124. Digitisation is increasingly affecting all areas of business, the work environment and community life. At the same time, it lays the foundation for numerous innovations. The Federal Government will therefore adopt a comprehensive Digital Agenda 2014 – 2017 and will implement it together with the business community, the parties to collective bargaining, civil society and the academic community (cf. Section IV.B).

125. The platform for this digitisation will be high-speed broadband networks. Within the framework of the Digital Germany network alliance, the Federal Government will continue to develop the Broadband Strategy in a network development roadmap. The Federal Government will also continue to develop the Information and Communication Technology Strategy (ICT Strategy) for the digital economy. The aim is particularly to extend digital infrastructures, force the pace on the development of forward-looking digital technologies, and support the digitisation of traditional industry (Industry 4.0). Further to this, the priority is to push ahead with the provision of smart networks, applications and digital services in areas central to society and the economy as a whole. In doing so, aspects of IT security must be incorporated in a suitable manner right from the outset (e.g. through Security by Design).

## European Research Area (ERA)

126. The Federal Government will actively push ahead with the completion of the European Research Area (cf. NRP 2013, Item 94) and resolutely develop and implement the ERA strategy at national and European level. Central elements of the strategy include the improvement of conditions of mobility for researchers, continued development of joint programme planning, the creation of common research infrastructures, easier knowledge transfer, support for gender equality in the European science system and the strengthening of collaboration with non-EU countries (cf. Table II, No. 26)

### C. Reducing greenhouse gas emissions, increasing energy efficiency and energy from renewables

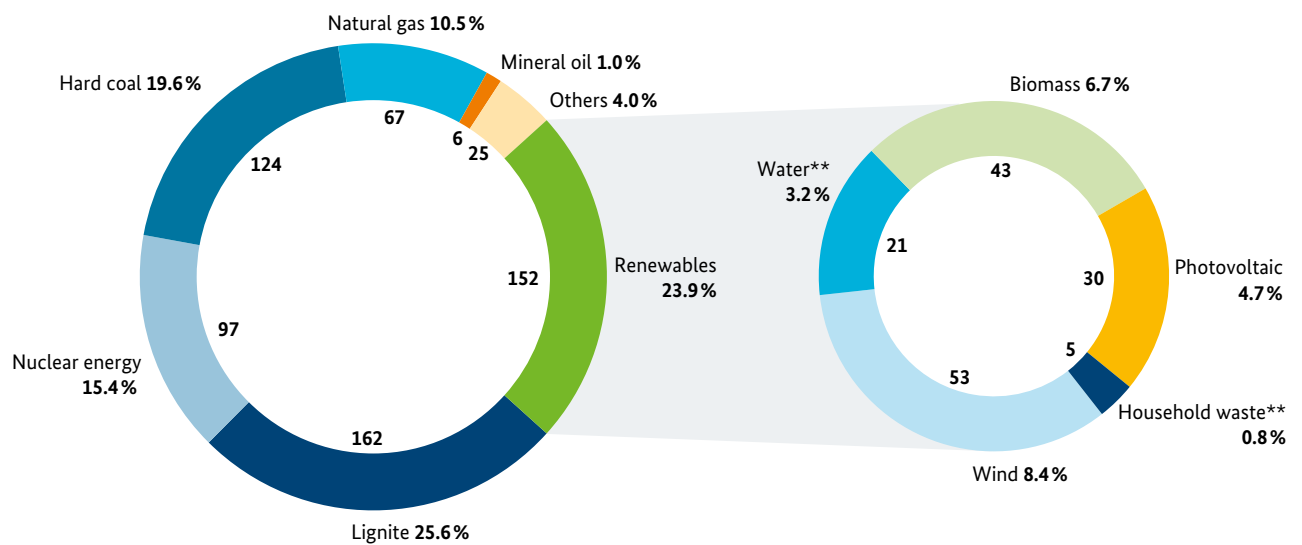
127. The Federal Government attaches central importance to climate mitigation. In comparison with other industrial nations, Germany is leading the way forward on cutting greenhouse gas emissions. The measures to combat climate change and the energy reforms are already having an effect. However, current projections suggest that they are still insufficient to attain Germany’s challenging climate targets. According to the Federal Government’s 2013 projection report, which contains measures up to October 2012, greenhouse gas emissions will fall by 33 – 35 percent by 2020. However, in line with the National Sustainability Strategy the Federal Government is sticking to its national target of cutting the emissions of greenhouse gases (cf. Box 2).

128. The national climate policy must be embedded in a comprehensive European climate strategy which complies with the long-term international climate targets. For this reason, the Federal Government aims to cut greenhouse gas emissions within the European Union by at least 40 percent by 2030 against 1990, as part of a triad of goals for green-

house gas reduction, expansion of renewables and energy efficiency. Ambitious European climate protection targets must not result in competitive disadvantages for energy-intensive European companies facing international competition. In Germany in particular such companies are central to the existing and well-functioning industrial value chains. The Federal Government advocates an ambitious, globally binding climate agreement. The priority here is also to quickly establish planning certainty for long-term investment in the energy industry and in the industrial sector.

129. Germany has set very ambitious goals in the development of renewable energy (cf. Box 2) and continues to make considerable progress towards achieving them. These goals are also set down in the National Sustainability Strategy. After 20 percent in 2011, preliminary estimates suggest that the share of renewables in electricity production rose to 24 percent in 2013 (cf. Figure 10). Section II.C provides an overview of the reforms planned in the field of renewable energy. The aim is to deliver an efficient system of promoting renewable energy that is compatible with EU legislation and does not adversely affect the international competitiveness of German industry.

**Figure 10: Gross electricity generation in Germany in 2013 (633 TWh\* in total)**



\* provisional \*\* biogenic

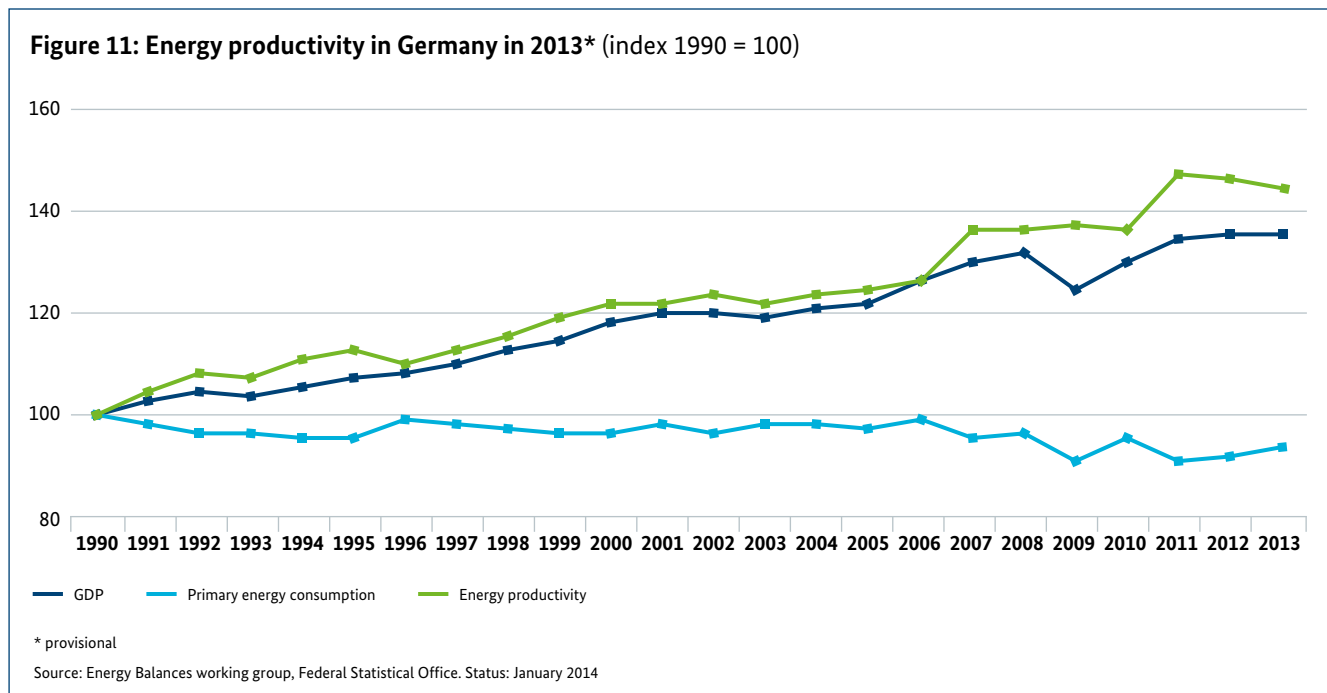
Source: Working Group on Energy Balances (AGEB), Status: February 2014

130. Boosting energy efficiency is of central importance both for the affordability of the energy supply and for the security of supply and environmental protection. Germany has made significant progress in this regard. Energy productivity has risen in Germany in recent years (cf. Figure 11), with more gross domestic product produced today with one unit of energy than before. The growth in energy productivity demonstrates the increasing decoupling of economic growth and energy consumption. The goal of the National Sustainability Strategy is to double energy productivity by 2020. However, additional efforts are needed to deliver on the efficiency goals and make the trend permanent.

131. The transition to an energy system broadly based on renewable energy – Germany’s *Energiewende* – will only be successful if energy efficiency is increased across the board in all domains – such as transport, industry, business and households – and in all areas of application, i.e. cooling, heating and electricity. It is therefore a matter of central importance for the Federal Government to create the right incentives for individuals and businesses to reduce energy usage. At the same time, this opens up new markets and

fields of business for efficiency technologies and services. For this reason, the Federal Government is producing a *National Action Plan for Energy Efficiency* in 2014, bringing together the targets for the various fields, the instruments, the financing and the responsibilities of the various stakeholders. It also aims to promote the implementation of challenging efficiency measures in the business community, the crafts sector, SMEs, municipalities and households. It will be reviewed in an annual monitoring system.

132. In achieving its energy efficiency goals, the Federal Government is placing a particular focus on increasing energy efficiency in the building sector (cf. Table II, No. 27) and in the field of transport (cf. Table II, No. 28), on labelling the energy consumption of products (cf. Table II, No. 29), on measures aimed to improve energy efficiency in connection with energy and electricity tax relief for certain businesses in special circumstances (cf. Table II, No. 30) and on the proper implementation of the EU Energy Efficiency Directive<sup>11</sup>, also with new measures (cf. Table II, No. 31). Further to this, in tandem with the *Länder* and municipalities the Federal Government also advocates energy efficiency within the context of sustainable public procurement (cf. Table II, No. 32).



11 No use is made of the option given to member states under the Energy Efficiency Directive 2012/27/EU of presenting certain reports required under the Directive as part of the National Reform Program. Germany will present a separate report to the European Commission within the context of the implementation of the Directive.

133. In addition, the *Europe 2020* strategy also contains action areas that have not appeared in the top objectives up to now. Examples include the Resource Efficiency flagship initiative. A range of measures are in place in Germany to improve resource efficiency: the German resource efficiency programme (ProgRes) is being enhanced, a resource efficiency platform is under development and advisory services for businesses and households improved.

#### D. Improving education levels

134. Education is the key to participation, integration and equal opportunities – core elements of the social market economy. Substantial and successful efforts have been invested by the Federal Government and the *Länder* in developing the education system (cf. Item 67ff. and 77). At 43.5 percent, the proportion of 30 to 34 year olds with a tertiary or equivalent educational qualification in 2012 already well exceeded the national target.

135. Between 2006 and 2012, the percentage of school-leavers without a *Hauptschule* (lower secondary) leaving certificate dropped from 8 percent to 5.9 percent. This takes Germany a good step closer to halving the rate by 2015, as set down in the Skills Development Initiative (cf. NRP 2013, Item 100).<sup>12</sup> A core responsibility of the educational system is to provide a wide range of programmes that promote overall education, skills and capabilities. The Federal Government and the *Länder* have launched a raft of comprehensive support programmes for this purpose, also with funding from the European Union (cf. Table II, Nos. 34, 35 and 36).

136. The Federal Government has increased its financial commitment to the second programme phase of the Higher Education Pact 2020 – lasting through to 2015 – to roughly 7bn euros (cf. Table II, No. 37). The *Länder* will also make comparable additional financial contributions and secure overall funding. By making this investment the Federal Government and the *Länder* are creating the framework to accept around 625,000 additional first-year students at German institutes of higher education by 2015. The Federal

Government and the *Länder* also support individuals with vocational qualifications in entering higher education (cf. Table II, No. 38) and promote better interlinkages between vocational and third-level education.

#### E. Promoting social inclusion in particular by reducing poverty

137. As long-term unemployment harbours a major risk of individuals experiencing poverty and social exclusion, the Federal Government has defined its quantitative goal in the fight against poverty and the promotion of social inclusion based on the number of individuals living in households affected by long-term unemployment. The aim is to reduce the number of long-term unemployed<sup>13</sup> by 20 percent by 2020 (measured against the annual average in 2008). According to current data, this is equivalent to a drop of around 320,000 long-term unemployed (2008 annual average: 1.62 million). With conservative estimates of two persons per unemployed household, this reduces the number of people at risk of poverty by 640,000. Given the extraordinarily positive employment trends in Germany, long-term unemployment has declined significantly in recent years with numbers dropping below the 1 million mark (roughly 970,000 persons) in Q3 2013. Benchmarked against the figures for Q3 2008, this translates to a drop of around 37 percent, or 570,000 people.<sup>14</sup>

138. Continuing the fight against long-term unemployment is a labour market policy priority of the Federal Government. While long-term unemployment has dropped on average nationwide in recent years, the long-term unemployed benefit less than average from the positive developments in the labour market. On account of complex, individual problems, sustained integration into work is often only possible with major effort from all parties involved over an extended period.

139. The Federal Government has therefore set the goal of qualifying low-skilled and long-term unemployed individuals more so that their skills fit market needs and of placing them in jobs in the general labour market. Under a

12 Source: Report on “Advancement through Education – The Skills Development Initiative for Germany, 2013 Implementation Report” (decision of the Standing Conference of the Ministers of Education and Cultural Affairs of the *Länder* in the Federal Republic of Germany of 10 October 2013, decision of Joint Science Conference of 22 November 2013.).

13 Unemployed for more than one year according to the ILO definition.

14 Data on the basis of the Eurostat labour force survey.

government programme, the long-term unemployed are given prospects for vocational integration into the general labour market, and receive ongoing coaching and guidance following successful integration into work. In the case of basic benefits for job-seekers, the aim is to place greater emphasis on avoiding long-term benefit claims and ensuring that the distribution of funding is more results-oriented.

140. Germany's qualitative goals in the reduction of poverty and social exclusion continue to centre primarily on the following target groups: children, young people, women, single parents, individuals from a migrant background, people with disabilities and older people. Over the past year, the Federal Government and the *Länder* have developed various strategies and programmes in this respect with the aim of improving the opportunities of the disadvantaged groups to partake at a social and economic level. Everyone must be given the opportunity to unlock their individual potential at every stage of life. To this end, the aim is to improve the opportunities for education, social participation and integration both into society and the labour market (cf. also Item 77 ff.).

141. People should be able to rely on the social security systems once they reach old age. To this end, the structures and benefits must be continuously adapted to changes in the working environment. Currently only 2.7 percent of those aged 65 and over receive basic security benefits in old age and in the event of reduced earning capacity. Nevertheless, old-age poverty must also be prevented in the future.

142. The Federal Government will therefore appreciably improve the pension entitlements of individuals with a reduced earning capacity, who rely particularly on the solidarity of the insured community (cf. Table II, No. 39). In addition, a life-work pension is expected to be introduced by 2017. Based on the principle of solidarity, this top-up pension is geared to low-earners who have been insured under the statutory pension system for many years and who can only expect a very low retirement income.

143. More detailed information on these and other measures of the Federal Government and the *Länder* to promote social inclusion and combat poverty is provided in the 2014 National Social Report (NSR).

## IV. The Euro Plus Pact

144. The Euro Plus Pact requires the heads of state and government to make their own annual commitments to specific targets and measures ('action programmes'). These action programmes should be designed to boost competitiveness, increase employment, improve the long-term viability of public finances and reinforce financial stability. Choosing specific targets and measures within these core areas is each country's own responsibility.

### A. Implementation of the German Action Programme 2013

145. On 20 March 2013, the Federal Government approved the German Action Programme 2013. The programme encompasses six obligations that address all strategic goals defined by the Euro Plus Pact and that have an appreciable macroeconomic impact. All planned measures were in line with the Cabinet decision of 13 March 2013 about fiscal benchmark figures in relation to the 2014 federal budget and the financial plan for 2013 to 2017. The Action Programme 2013 was implemented as follows:

*1. The Federal Government intends to amend the Renewable Energy Sources Act (EEG) in the immediate short term to reduce the costs of the expansion of renewable energy for consumers. A separate fundamental reform of the EEG is planned by the Federal Government in order to enhance market and system integration of renewables and also to more closely coordinate the expansion of renewables with grid expansion and necessary investment in power plants.*

146. For the amendment to the Renewable Energy Sources Act, please see Section II.C above (Item 90).

*2. The Federal Government intends to intensify competition on the energy wholesale and fuel markets by setting up market transparency authorities within the Federal Network Agency and the Federal Cartel Office. These authorities should make it easier to identify unauthorised behaviour on the markets, such as breaches of anti-trust legislation. In the fuel sector, motorists will also be able to compare current petrol station prices.*

147. The market transparency authority for fuels, which was set up within the Federal Network Agency, commenced regular operation on 1 December 2013. Since then it has approved consumer information services which allow consumers to find the cheapest petrol station in their area.

148. The market transparency authority for the wholesale supply of electricity and gas is currently being established within the Federal Network Agency. The national ordinance, which must stipulate in concrete terms the market monitoring activities of the market transparency authority, is ready and will be enacted following the adoption of EU legislation on reporting obligations under the REMIT regulation (EU Regulation No. 1227/2011) in order to avoid duplicate reporting. The EU legislation is expected to enter into force in Q2 2014. The market transparency authority is scheduled to commence operation after Q2 2014.

*3. The German economy needs skilled workers with academic and professional qualifications from other countries. With this in mind, the Federal Government plans to allow skilled workers who have vocational training that has been acquired abroad and is equivalent to German vocational training, to take up employment in Germany if there is a need for their skills.*

149. The commitment was met in Germany in July 2013 with the revised Ordinance on the Admission of Foreigners for the Purpose of Taking up Employment. From now on, foreign graduates with professional qualifications from other countries can enter the German labour market if (i) their qualification is equivalent to a German professional qualification and (ii) the target profession is included on a "white list" of professions for which there is a shortage of workers. The white list currently contains 18 profession categories and is updated regularly.

*4. The Federal Government is pushing ahead with its policy of pro-growth consolidation. It intends to set up the federal budget for 2014 with no structural deficit.*

150. This commitment has been met (cf. Section II.A.).

*5. To reinforce the operation of the debt brake and thus bolster fiscal discipline, the Federal Government will ensure that the book balance that accrues when the transitional rule expires at the end of 2015 cannot be offset with future deficits. The Federal Government is seeking to enshrine this approach in law in 2013. In the last two years, a positive balance has been recorded because the public debt has fallen below the deficit limit defined for the transitional period of the debt rule.*

151. This commitment has been met. As part of the Act on the National Implementation of the Fiscal Compact (*Gesetz zur innerstaatlichen Umsetzung des Fiskalvertrags*) a statutory regulation entered into force on 19 July 2013: with effect from 31 December 2015 the cumulative balance that has accumulated in the control account over the financial years between 2011 and 2015 will be reset to zero (Art. 4 of the Act on the National Implementation of the Fiscal Compact).

*6. The Federal Government is committed to further improving the stability of the financial markets. There is to be a particular emphasis, first, on simplifying the resolution or restructuring of credit institutions and financial groups; second, on ringfencing more risk-prone areas from the deposit business; third, on introducing clear rules defining the accountability of managers of banking and insurance institutions, to be applied if these managers fail to fulfil their duties and thus endanger the existence of their institutions or the viability of insurance policies.*

152. The Federal Government met this commitment in 2013 with the Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups (*Gesetz zur Abschirmung von Risiken und zur Planung der Sanierung und Abwicklung von Kreditinstituten und Finanzgruppen*). The Act was adopted in summer 2013 as a further module of the new regulatory framework for financial markets. It contains the following points: (i) credit institutions and supervisors are required to present recovery and resolution plans; (ii) particularly high-risk areas must be separated from the deposit business; (iii) the framework for initiating criminal proceedings against directors in risk management who fail to fulfil their duties is strengthened and clear rules defined (cf. Table I, No. 46).

## B. German Action Programme 2014

153. On 8 April 2014, the Federal Government adopted the Action Programme 2014 under the Euro Plus Pact (cf. Box 3).



**Box 3: The German Action Programme 2014 for the Euro Plus Pact**

1. The Federal Government will continue its successful policy of fiscal consolidation and strengthen growth orientation. Government income and expenditure will be organised so that federal budgets are set up from 2015 onwards without net new borrowing.

2. The Federal Government plans to fundamentally reform the Renewable Energy Sources Act. The aim of the reform is to increase the share of renewables in the electricity supply to 40 – 45 percent by 2025 and to 55 – 60 percent by 2035. Quantity control instruments will be introduced in order to deliver on these goals. At the same time, the cost effectiveness and the market and system integration of renewable energy will be improved. All electricity consumers will participate in the costs in an adequate manner without the international competitiveness of electricity-intensive industry being imperilled.

3. The Federal Government will present a Digital Agenda 2014 – 2017 by the summer of 2014. A central goal is to extend the digital infrastructures. For example – and using all available technologies – there is to be nationwide coverage of at least 50 Mbit/s by 2018. Further to this, the aim is to accelerate the development of forward-looking digital technologies and support and press ahead with the systematic digitisation and networking of traditional industry (Industry 4.0) and in the fields of energy, health care, education, science, transport and administration. In addition, in the interest of creating a more dynamic economy the growth of young ICT businesses and start-ups is also to be strengthened.

4. A modern, efficient and well-developed infrastructure is a valuable basis for international competitiveness. For this reason, the Federal Government will increase transport investment by 5 billion euros in total in this period of legislation and also make 505 million euros available for this purpose in a first step in 2014. This will contribute to increasing the profitability of private investments, boost overall economic productivity and thereby increase growth and employment.

5. The Federal Government will develop and expand the High-tech Strategy into a comprehensive, interdepartmental innovation strategy for Germany. Even greater focus will be placed on challenges such as demographic trends, sustainable commercial activity or the digitisation of industry and society. Big data or health care will become new priority areas of central topics such as Industry 4.0 or sustainable mobility.

6. Germany has a robust labour market. Nevertheless, roughly 1 million individuals have been unemployed for over one year. In light of this, the Federal Government has set itself the goal of reducing the still high number of long-term unemployed. As part of an ESF/Federal Government programme, the Federal Government therefore intends to create prospects for vocational integration into the general labour market for long-term unemployed benefit claimants at the margins of the labour market. The activities are centred on specifically approaching and advising employers, employee coaching services once employment has commenced, and degressive wage subsidies to compensate for the workers' poorer performance.

All these measures are in line with the Cabinet decision of 12 March 2014 concerning the draft 2014 federal budget, the key figures for the 2015 federal budget and the financial plan for 2014 to 2018.

## V. Use of European Structural and Investment Funds in connection with the Europe 2020 strategy

154. In the 2014 – 2020 funding period, the European Structural and Investment Funds (ESI funds)<sup>15</sup> are to make an even greater contribution to the attainment of the headline targets of the *Europe 2020* strategy for growth and employment. The focus here is the close and systematic interlinkage between planned ESI fund interventions and the priorities of the *Europe 2020* strategy. To this end, thematic objectives have been introduced for the ESI funds resulting in the thematic and financial concentration of funding. These objectives constitute the strengthening of research, technological development and innovation, the strengthening of the competitiveness of SMEs, the reduction of carbon emissions across all sectors of the economy, the promotion of sustainable, high-quality employment and the support of worker mobility, the promotion of social inclusion and poverty alleviation and investment in education.

155. In the case of the EU Structural and Investment Fund, the funding strategy – incorporating multiple funds and states – is described in the Partnership Agreement. The Partnership Agreement is the national umbrella strategy for all EU programmes under the ESI fund. The Partnership Agreement has been under preparation in Germany since 2011 with intensive dialog with all the stakeholders concerned at federal, *Länder* and economic and social partner level, and was submitted to the European Commission for approval at the end of February 2014. The Partnership Agreement is also one of the prerequisites to the Federal Government and the *Länder* being able to approve the 33 operational programmes and 14 rural development programmes. These programmes constitute the primary implementation tools of EU structural policy and EU policy for the rural area in Germany.<sup>16</sup>

### Box 4: Overview of funding under the ESI fund in Germany for 2014 – 2020

A total of approx. 27.5 billion euros in ESI funding will be made available in Germany in the 2014 – 2020 period. This is apportioned as follows to the individual funds:

- ▶ European Regional Development Fund (ERDF): 11.7 billion euros
- ▶ European Social Fund (ESF): 7.5 billion euros
- ▶ European Agricultural Fund for Rural Development (EAFRD): 8.3 billion euros
- ▶ European Maritime Fisheries Fund (the funding for Germany has yet to be specified)

Total ERDF and ESF funds: 19.2 billion euros; of which

- ▶ 9.771 billion euros for transition regions (new *Länder* excluding the Leipzig region and including the Lüneburg region)
- ▶ 8.498 billion euros for more strongly developed regions
- ▶ 967 million euros for European Territorial Co-operation.

15 The European Structural and Investment Funds comprise the EU Structural Funds (European Regional Fund and the European Social Fund), the European Maritime Fisheries Fund (EMFF) and the European Agricultural Fund for Rural Development (EAFRD).

16 The Partnership Agreement (PA) was submitted to the European Commission for approval on 26 February. Within four months of submission of the Partnership Agreement at the very latest the European Commission delivers an approval decision – also on a revised version of the PA where warranted. In 2017 and 2019, all member states must submit a progress report to the European Commission outlining their progress made in implementing their individual Partnership Agreement.

## VI. Drafting the NRP 2014: process and stakeholders

156. The NRP 2014 was prepared by the Federal Government under the leadership of the Federal Ministry for Economic Affairs and Energy and with the involvement of the *Bundesländer*. Under the coordination of Baden-Württemberg – the state currently chairing the Conference of Minister-Presidents – the *Länder* Conferences of Specialised Ministers and the Joint Science Conference (GWK) supplied articles, delivered comments on the draft versions of the NRP or submitted statements. The contributions of the *Länder* have been incorporated into the document.

157. Many industry and social associations, trade unions, employers and other civil society groups have also contributed to the creation of this document. These include the Confederation of German Employers' Associations, the Federation of German Industries, the Confederation of German Trade Unions, the Association of German Chambers of Industry and Commerce, the German Confedera-

tion of Skilled Crafts, the Federation of German Local Authority Associations, the Federal Association of Non-Statutory Welfare, the National Anti-Poverty Conference and the German Association for Public and Private Welfare. In addition, the German Civil Service Federation (DBB), the German Federation of Trade Unions (DGB) and the Joint Committee for German Industry and Commerce (GA) were given the opportunity to discuss the NRP with the Federal Government.

158. The NRP 2014 was adopted by the Federal Cabinet on 8 April 2014. Directly after the Cabinet decision, the NRP was formally submitted to the German *Bundestag* and the *Bundesrat*.

159. The Federal Government will submit the NRP 2014 and the Stability Programme 2014 to the European Commission in mid-April.

**Table I: Actions to support the implementation of the country-specific recommendations**

No.	Action name	Description of action and anticipated impact	Status and schedule
<b>A. Public finances</b>			
1.	Budget Act 2014 (of the Federal Government)	Further compliance with the constitutional debt rule. With the draft 2014 federal budget, structural net borrowing is again below the maximum threshold of 0.35 percent of GDP. Not only that, in line with the specifications of the coalition agreement no structural new borrowing is required in the federal budget and there is even a slight structural surplus. At the same time, the Federal Government links this path toward consolidation with a strengthening of key policy priorities and a targeted expansion of investment in the federal budget: the implementation of initial priority measures from the coalition agreement is already planned for 2014. This includes increased ODA expenditure, the strengthening of investments in the transport sector and greater urban development assistance. Roughly 3.3 billion euros will be made available in 2014 for these and other priority measures, with approximately 23 billion euros being made available in total in the period of legislation.	Draft 2014 Budget Act of the Federal Government was adopted by the Cabinet on 12 March 2014. Legislative process expected to be completed in July 2014.
	16 current Budget Acts of the <i>Länder</i>	Budgets of the <i>Länder</i> : based on the fiscal and debt rules that apply under Land law for the individual <i>Länder</i>  For Germany overall (Federal Government, <i>Länder</i> , municipalities, social security systems including extra budgets): the medium-term objective (MTO) was easily attained in 2013. Germany will continue this policy and also attain the MTO in 2014.	Legislative process for the Budget Acts of the <i>Länder</i> concluded at different times.
2.	Act on the National Implementation of the Fiscal Compact ( <i>Gesetz zur innerstaatlichen Umsetzung des Fiskalvertrags</i> )	The main new regulations are: – An upper limit for the national structural financing deficit of 0.5 percent in relation to GDP is enshrined in the Law on Budgetary Principles for Federation and <i>Länder</i> ( <i>Haushaltsgrundsatzgesetz</i> ), (for details see Art. 3 of the Fiscal Compact and EC Regulation 1466/97). – The Stability Council is responsible for monitoring compliance with the national structural deficit ceiling. An independent advisory council has been set up to support the Stability Council. Further to this, an amendment to the Act on the Apportionment of Penalty Payments ( <i>Sanktionszahlungs-Aufteilungsgesetz</i> ) regulates the national apportionment of the new penalties introduced with the reform of the Stability and Growth Pact to safeguard budgetary discipline. The Act also stipulates that the positive cumulative balance that has accumulated in the debt brake control account will be reset to zero at the end of the transitional period, on 31 December 2015.	In force since 19 July 2013

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
3.	Regulation in the pharmaceutical sector	<p>The Acts to Amend the Fifth Book of the Social Code (<i>SGB V – Änderungsgesetze</i>) contain the following measures:</p> <ul style="list-style-type: none"> <li>– 13<sup>th</sup> Act to Amend the Fifth Book of the Social Code: continuation of the price freeze at the pricing level of August 2009 until 31 March 2014.</li> <li>– 14<sup>th</sup> Act to Amend the Fifth Book of the Social Code: termination of benefit assessments of pharmaceuticals with new active ingredients that were already on the market prior to 1 January 2011 (known as the established market). By way of compensation: continuation of the aforementioned price freeze until 31 December 2017 and increase in manufacturer discount from 6 percent to 7 percent.</li> </ul> <p>Furthermore, measures are taken to clarify the calculation of the pharmacy retail price of drugs with a refund amount and it is made clear that the refund amount applies for all drugs with the same new active ingredient. In addition, at least one representative of a statutory health insurance fund should take part in pricing negotiations for innovative drugs and the Federal Joint Committee should create a list of drugs that may not be replaced by medication with the same active agent.</p>	<p>13<sup>th</sup> Act to Amend the Fifth Book of the Social Code: In force since 1 January 2014</p> <p>14<sup>th</sup> Act to Amend the Fifth Book of the Social Code: 2nd/3rd reading in <i>Bundestag</i>: 21 February 2014 <i>Bundesrat</i>: 14 March 2014 Entry into force: 1 April 2014</p>
4.	Measures to strengthen the quality focus of health care provision	<p>Key elements to strengthen quality focus include:</p> <ul style="list-style-type: none"> <li>– Expansion of cross-sector quality assurance with routine data, the establishment of an institute that permanently and independently tracks the quality of in-patient and out-patient care.</li> <li>– Creation of an innovation fund for the promotion of innovative cross-sector forms of healthcare delivery and for healthcare research.</li> <li>– Quality is introduced as an additional criterion for decisions on hospital planning.</li> <li>– In the new quality institute to be set up, cross-sectoral routine data will be compiled, analysed and made public with reference to the facility.</li> <li>– Compliance with the requirements of the quality policies of the Federal Joint Committee (GBA) is mandatory. To monitor the requirements of the GBA, the medical service of the health insurance funds should in future perform unannounced spot-checks in hospitals for internal and external quality assurance purposes. The authority of the GBA to specify minimum volumes should be formulated with legal certainty.</li> <li>– The hospital quality reports which must be created annually should be more transparent and comprehensible.</li> <li>– Quality is taken into consideration in the context of remuneration.</li> <li>– Possibility for health insurance funds to conclude quality agreements with hospitals in selected indications.</li> <li>– Avoidance of unnecessary treatments.</li> <li>– Sufficient staffing guaranteed at hospitals.</li> </ul>	<p>Measures are implemented in different legislative processes in this period of legislation, beginning with the Act on the Financial Structure and Quality Enhancement of SHI (<i>GKV-FQWG</i>); Referral to Cabinet – <i>GKV-FQWG</i> on 26 March 2014</p>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
5.	Prevention Act ( <i>Präventionsgesetz</i> )	The following measures are to be incorporated into the Prevention Act: <ul style="list-style-type: none"> <li>– Strengthen prevention and health promotion particularly in areas such as childcare facilities, schools and nursing homes and strengthening of in-company health promotion programmes</li> <li>– Improve the cooperation and coordination of all social security bodies and of the <i>Länder</i> and municipalities in relation to binding framework agreements similar to the regulations for the promotion of dental health (Section 21 of the Fifth Book of the Social Code) and inoculations (Section 20d Par. 3 of the Fifth Book of the Social Code) at Land level while taking into consideration standardised nationwide health targets and specifications for quality and evaluation and the incorporation of <i>Länder</i> prevention approaches</li> <li>– Strengthen early detection check-ups for children – the primary focus here is to lift the age limit and therefore allow young child check-ups (<i>U-Untersuchungen</i>) to be performed on children of school age, and also to include primary preventive advisory services in the check-up programme</li> <li>– Strengthen preventive medical check-ups on adults, with an improvement in the structure, reach, effectiveness and quality</li> <li>– Increase vaccination coverage in Germany</li> </ul>	Cabinet decision in 2014
6.	Training and Skills Development Programme for Elder Care	As a community initiative of the Federal Government, the <i>Länder</i> and associations, the Training and Skills Development Programme for Elder Care is addressing the challenges facing the field of training, occupation and employment with the aim of promoting initial, further and continuing training in the field of elder care and making jobs and employment in this sector more appealing. The most important target agreements include: <ul style="list-style-type: none"> <li>– Gradual increase in training numbers by 10 percent annually until 2015</li> <li>– Reintroduction of three-year retraining support by the Federal Employment Agency for the course of the programme</li> <li>– Skill upgrading of up to 4,000 care assistants to train as skilled elder care staff.</li> </ul>	Agreement signed on 13 December 2012; programme duration and implementation until 31 December 2015
7.	Caring Professions Act ( <i>Pflegeberufegesetz</i> )	Vocational training in the care sector must be modern, appealing and geared to the future. Individuals must be able to switch more easily between the individual professions in the care sector. In a new Caring Professions Act the aim is to create a uniform occupational profile consisting of a common basic training programme followed by specialisation for elder care, nursing care and paediatric nursing. In this respect, due attention must be given to the specifications of the Amending Directive for the European Directive on the Recognition of Professional Qualifications which came into effect on 17 January 2014.	Ministry draft expected by end of 2014

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
8.	Upgrading certain professional fields	<p>With a view to promoting the principle of “equal pay for equal and equivalent work”, in tandem with the partners to collective bargaining the Federal Government wants to upgrade certain professional fields and jobs – particularly in the area of nursing care, support and early childhood education – and improve career and study guidance for gender-equitable career choices.</p> <p>Aiming to upgrade and professionalise person-related and household-related services, the centre of excellence for the “professionalization and quality assurance of household-related services” commenced operation in mid-2013. The centre of excellence will work, among other things, on the development of qualification modules for household-related services through to mid-2015.</p>	Started mid-2013
9.	Act to Implement the Mutual Assistance Directive and to Amend Tax Regulations ( <i>Gesetz zur Umsetzung der Amtshilferichtlinie sowie zur Änderung steuerlicher Vorschriften</i> )	<p>The purpose of the Act is, inter alia, to adapt taxation law to European Union law and jurisdiction and to international developments. Relief measures include VAT exemptions for services of legal conservators, stage directors and choreographers and income tax exemption on the allowance given to voluntary service members as legally defined in Section 32 Paragraph 4 Clause 1 Number 2 Letter d of the Income Tax Act.</p> <p>The Act also restricts undesired forms of tax avoidance. The introduction of a new chargeable event in the Act on Real Estate Acquisition Tax (<i>Grunderwerbsteuergesetz</i>) effectively deals with the possibility of avoiding real estate acquisition tax through real estate transfer tax-blocker structures (RETT-blocker).</p> <p>Compensation for disadvantages resulting from the private use of electric or hybrid electric company cars is also established, thereby preventing excessive taxation on the advantages of using these vehicles.</p>	The Act entered into force on 30 June 2013; numerous regulations must, however, be applied for the entire 2013 assessment period.
<b>B. Labour market and labour force participation</b>			
10.	Opening of the Posted Workers Act to all industries	Increasing the scope of application of the Posted Workers Act to all industries facilitates additional collectively agreed minimum wages for industry sectors.	Cabinet date set in April 2014, expected to enter into force in autumn 2014
11.	Facilitating the extension of wage agreements under the Collective Agreements Act to non-contracting parties	In future, to make collective agreements under the Collective Agreements Act generally binding it will not be necessary for employers bound by the agreement to employ at least 50 percent of the workers falling within the scope of the agreement. Rather, particular public interest will suffice in the future. The measure aims to facilitate the extension of wage agreements to non-contracting parties.	Cabinet date set in April 2014, expected to enter into force in autumn 2014
12.	Introduction of national statutory minimum wage	Nationwide statutory gross minimum wage of 8.50 euros/hour; divergences arising from collective pay agreements are permitted until 31 December 2016; a board whose members are appointed by the central organisations of employers and employees and whose chair alternates will examine the minimum wage regularly with the assistance of academics where necessary; initial review of the minimum wage by the board with effect from 1 January 2018. This is intended to ensure an appropriate level of minimum protection throughout Germany. Further to this, the minimum wage also strengthens broad-based consumer demand.	Cabinet date expected in April 2014, entry into force 1 January 2015



Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
13.	Act to Reduce the Fiscal Drag ( <i>Gesetz zum Abbau der kalten Progression</i> )	The Act makes a contribution to containing the taxation and contribution burden. With the entry-level tax rate kept constant at 14 percent, the basic allowance was increased in two stages. Starting on 1 January 2013 it was increased retroactively by 126 euros to 8,130 euros, and by 224 euros to 8,354 euros with effect from 1 January 2014.	The first increase took effect on 1 January 2013 and the second on 1 January 2014
14.	Cultural education programme " <i>Kultur macht stark. Bündnisse für Bildung</i> "	Education must be interpreted broadly. It concerns the individual as a whole. Active participation in out-of-school cultural activities supports the holistic development of the character of a child or young person. For this reason, with the " <i>Kultur macht stark. Bündnisse für Bildung</i> " cultural education programme the Federal Government supports out-of-school cultural education measures which are implemented at local level by educational alliances sponsored by civil society in order to strengthen the personal development of educationally disadvantaged children and young people. The Federal Government has been supporting the programme since 2013 with 230 million euros in funding available over a period of five years.	The programme is implemented by 34 associations and initiatives nationwide. Since the programme commenced in 2013, roughly 2,000 education offerings have been initiated at local level.
15.	Programme to Enhance the Quality of Teacher Training	The Federal Government and the <i>Länder</i> are strengthening their collaboration in the promotion of science and research, and in 2013 concluded a Federal Government/ <i>Länder</i> agreement on a joint programme (" <i>Qualitätsoffensive Lehrerbildung</i> ") to enhance the quality of teacher training. The programme supports innovative approaches to teacher training, improves the standing of teacher training at universities and promotes the mobility of student teachers between the federal states. The Federal Government will lend 500 million euros in financial support to the programme in the coming ten years.	Still open.
16.	<i>JUGEND STÄRKEN im Quartier</i> ESF youth empowerment programme	Under the pilot programme, the aim is to support young people aged 12–26 inclusive in making the transition from school to work. The programme focuses on individuals who are not served, or no longer served, by the range of services for general and vocational education, basic security for job seekers and/or employment promotion, or those individuals who did not have success with these services on account of individual problems or social disadvantage. The range of support services is coordinated and implemented by local municipal youth work and youth welfare services and can consist of the four modules: individual coaching by youth workers (case management), advice and guidance, outreach youth social work and participation in micro-projects related to the individuals' place of residence.	Implementation following approval of the ESF-OP 2014 to 2020 by the European Commission, expected at the end of 2014

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
17.	Raising the level of education of disadvantaged individuals	<p>The following measures, among others, are in place in the <i>Länder</i> in order to raise the level of education of disadvantaged individuals:</p> <ol style="list-style-type: none"> <li>1. Bavaria: The Bavarian Act to Establish Professional Qualifications (BayBQFG) and the Bavarian Act on Youth and Community Workers and Childhood Educators (<i>BaySozKiPädG</i>) establish an entitlement to the appraisal of vocational credentials acquired abroad for professions regulated under <i>Land</i> law in the Free State of Bavaria.</li> <li>2. Bavaria: Introduction (implementation) of the new skills-oriented framework curriculum for schools with a special needs focus on “learning” (for pupils with special educational needs in programmes focussing on learning).</li> <li>3. Bavaria: Introduction of the qualification for “Successful completion of educational pathway with a special needs focus on learning following final examination”.</li> <li>4. Bavaria: Support for weaker pupils through practical classes at general secondary schools (<i>Mittelschule</i>) within the framework of the ESF/<i>Land</i> programme.</li> <li>5. Bavaria: Promotion of literacy courses to combat functional illiteracy (ALPHA+ measure) as part of the ESF/<i>Land</i> programme.</li> <li>6. Berlin: Bonus programme to improve the educational opportunities of pupils in strained social environments (empower all pupils to be as successful as possible in school and to achieve their best school qualifications, reduce the proportion of school-leavers without a certificate, reduce the dependency of educational success on social origins).</li> <li>7. Brandenburg: a) Guideline/ESF vocational education measures as part of public youth welfare services for the vocational integration of psychosocially disadvantaged young people on completion of the period of mandatory schooling b) support programme/ESF youth welfare projects to prevent early school-leaving.</li> <li>8. Bremen: At special schools known as <i>Werkschulen</i>, pupils in Bremen can earn their secondary modern school leaving qualification (<i>erweiterte Berufsbildungsreife</i>).</li> <li>9. Lower Saxony: ESF support programme entitled “<i>Inklusion durch Enkulturation</i>”: prevention of early school-leaving and reduction in the number of early school-leavers; promotion of same access to high-quality early education, and high-quality primary and secondary education.</li> <li>10. North Rhine Westphalia: Revision of the principles for the funding of education for children aged 0 – 10 in child day care facilities and in primary schools in North Rhine Westphalia (educational principles)</li> <li>11. North Rhine Westphalia: Ability across the state to earn entrance qualifications for universities of applied sciences (<i>Fachhochschulreife</i>) in the dual system of vocational education and training.</li> <li>12. North Rhine Westphalia: Development of a literacy and basic education network.</li> <li>13. Rhineland-Palatinate: Initiative for literacy and basic education.</li> <li>14. Saxony-Anhalt: Establishment of comprehensive schools (<i>Gemeinschaftschulen</i>).</li> </ol>	<ol style="list-style-type: none"> <li>1. In force since 1 August 2013</li> <li>2. Implementation of framework curriculum: from 1 August 2015</li> <li>3. Possible from current 2013/14 school-year onwards (first examination run in 2014)</li> <li>4. Bavaria: ongoing with ESF co-funding, from 2014/15 school year co-funding planned from ESF/<i>Land</i> programme 2014 – 2020</li> <li>5. Bavaria: ongoing since 1 January 2013, with co-funding from the 2007 – 2013 ESF/<i>Land</i> programme</li> <li>6. Programme commenced on 1 February 2014, 6-year timeframe</li> <li>7. Both measures until the end of the 2014/2015 school year</li> <li>8. 2014/15</li> <li>9. ESF project 2007 – 2013, application for 2<sup>nd</sup> funding phase 2014 – 2020</li> <li>10. Educational agreement expected in 2014.</li> <li>11. Introduction planned for 1 August 2014</li> <li>12. Started in October 2013</li> <li>13. Ongoing since 2013</li> <li>14. 2013/2014 school-year</li> </ol>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
18.	Career orientation measures	<p>The following career orientation measures, among others, are in place in the <i>Länder</i>:</p> <ol style="list-style-type: none"> <li>1. Baden-Württemberg: Introduction of a “skills inventory in the career planning process” for young people with a significant disability.</li> <li>2. Baden-Württemberg: Blanket implementation of the <i>Profil AC</i> skills and ability analysis to determine the individual generic and career-related skills of pupils and to improve career and educational planning (with ESF funding).</li> <li>3. Hamburg: Opening of agencies for youth employment and vocational training for teenagers and young adults with the aim of providing advice, placement services and support in choosing a career and preparing for a career path. Reform of career orientation and higher education guidance at district schools to facilitate and improve the transition to a working life.</li> <li>4. North Rhine Westphalia: Systematisation of the range of additional qualifications offered in the dual system of vocational training.</li> <li>5. Saxony: Pilot project for the implementation of the <i>Profil AC</i> potential analysis process in Saxony (advisors at 50 grammar schools [<i>Oberschule</i>]).</li> <li>6. Saxony-Anhalt: State-wide BRAFO career orientation programme in all seventh grades of secondary schools and gradual extension to all special needs schools (practical exploration of interest in a wide array of occupational fields on four days).</li> </ol>	<ol style="list-style-type: none"> <li>1. Introduction in general education schools in the course of the 2013/2014 school year</li> <li>2. Compulsory since 2013/2014 in general secondary schools (<i>Realschule</i>) Trialled since 2013/2014 in 2-year full-time vocational schools (<i>Berufsfachschule</i>)</li> <li>3. Opened in 2013, binding introduction of the new approach to career orientation and higher education guidance from the 2014/15 school year onwards</li> <li>4. Identification of needs in 2013, implementation as of 1 August 2014</li> <li>5. Pilot phase: August 2013 – July 2015</li> <li>6. Gradual introduction of state-wide skills and ability assessments planned from 2015 onwards</li> </ol>
19.	Reorganisation of the transitional area between schooling and work	<p>In autumn 2013, the Baden-Württemberg Vocational Training Alliance (consisting of representatives from the state government, chambers, trade unions and employers, industrial associations, municipal state associations and the Regional Directorate for labour) presented a reform of the transitional area between schooling and work, which is largely school-based in the state of Baden-Württemberg.</p> <p>The aim of the reform is to have more direct transitions from school to vocational training.</p> <p>Core elements: More intensive career orientation at general education schools, greater involvement of businesses in preparation for training (internships) and establishment of a regional transition management centre, including case management across all jurisdictions (one-stop agency).</p>	<p>Currently in the preparation phase; the reorganisation will be introduced in four model regions starting in the 2014/15 school year. Evaluation is planned alongside implementation.</p>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
20.	Framework agreements on cross-border vocational training	<p data-bbox="496 495 1091 853">Baden-Württemberg: A total of 28 partners from Alsace, Baden-Württemberg and Rhineland Palatinate signed the framework agreement on cross-border vocational training in the Upper Rhine area on 12 September 2013. The focus of the agreement is a cross-border dual system of vocational education and training, where trainees can complete the theoretical or school-based part in their own country and the practical part in a company in the neighbouring country. It is aimed at trainees in the dual system of vocational education and training and at students at cooperative state universities (<i>duale Hochschule</i>). The young people earn their qualification in the country in which the theoretical training took place. If they meet the specific conditions, they can also take the examinations in the partner country and thereby earn a dual German-French qualification.</p> <p data-bbox="496 887 1091 1238">Rhineland Palatinate: At the initiative of the state of Rhineland Palatinate, a framework agreement on cross-border vocational training is currently being drafted between Rhineland Palatinate, Saarland, Luxembourg, Lorraine, the Walloon region and the German-speaking Community of Belgium. This comprises cross-border measures for training, continuing vocational training and active labour market policy and makes a key contribution to the promotion of professional mobility – particularly of young people – to securing the skilled labour base and to fighting youth unemployment. The framework agreement is based specifically around the <i>Europe 2020</i> strategy and the employment policy guidelines and supports, at the regional level, the “Youth on the Move” and “Agenda for New Skills and Jobs” flagship initiatives.</p>	<p data-bbox="1098 495 1442 551">Baden-Württemberg: Started with the signing on 12 September 2013</p> <p data-bbox="1098 887 1442 987">Rhineland Palatinate: The framework agreement will be signed in Q4 2014. Implementation will also commence in Q4 2014.</p>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
21.	Measures for the promotion of “good work”	<p>Berlin: Strategic realignment of the state’s labour market and vocational training policy under the “BerlinArbeit” programme. The programme forms the basis for a comprehensive and cooperative policy approach to combating unemployment in Berlin. Priorities: securing and developing the skilled labour base; greater integration of migrants into the labour market; fighting youth unemployment; establishing good work as a basic principle. The aim is to reduce the number of unemployed in Berlin to under 200,000 in 2014 and to achieve an unemployment rate of under 10 percent among under 25-year-olds by the end of the period of legislation.</p> <p>Brandenburg: The ESF funding guidelines for strengthening social partnership and increasing the quality of work (Brandenburg Social Partner Guideline) aim to further develop the organisation of work among Brandenburg-based businesses along the principle of “good work“. Support is lent to the creation and implementation of action plans for the further development of the organisation of work within companies. The social partners are closely involved in the supported projects.</p> <p>Saarland: “BusinessMonitor” project. To deliver on the goals of the “good work” strategy, the quality of work in businesses in the state of Saarland is continuously analysed, evaluated and improved. This aims to make greater use of the potential and abilities of workers in the business enterprises.</p> <p>Saarland: Act on Compliance with Collective Agreements (<i>Tariftreugesetz</i>) – establishment of an audit authority. On account of public procurement procedures the following have been introduced: a minimum wage of 8.50 euros, regulations for the specification of the minimum wage by a board, equal-pay regulations for the employment of temporary workers, stricter contractual penalties and checks, as well as regulations on compliance with collective agreements also with regard to working conditions. The aim of the Act is to minimise distortion of competition and the threat of low-wage dumping – which would otherwise exist – by specifying fair wages for good work. In future, compliance with the Act will be monitored by an audit authority set up by the federal state.</p>	<p>Berlin: Social partner agreement concluded in May 2013; a common framework labour market programme concluded between the Senate and the BB Regional Directorate of the Federal Employment Agency in July 2013</p> <p>Brandenburg: In force since 1 December 2013</p> <p>Saarland: Started in July 2013; one year pilot phase, extension planned</p> <p>Saarland: Act entered into force on 22 March 2013, and Ordinance for the Establishment of a Monitoring System entered into force on 22 November 2013. Audit authority will commence duties at the start of 2014.</p>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
22.	Measures to secure the supply of skilled workers	<p>In light of the challenges presented by demographic changes, numerous <i>Länder</i> have taken action to secure the supply of skilled labour:</p> <ol style="list-style-type: none"> <li>1. Baden-Württemberg: The Baden-Württemberg Alliance for Skilled Workers brings together all the stakeholders responsible for securing the supply of skilled labour. Aims: Make better use of domestic employment potential by intensifying training and CVET measures and by increasing the employment of women, older workers, unemployed persons and people with a migrant background.</li> <li>2. Hamburg: "Strategy for Meeting the Demand for Skilled Workforce": Core objectives: skills development of workers and tapping existing potential. Greater integration of women, older workers, migrants and people with disabilities. With the Skilled Labour Network founded in June, a working group was created to develop solutions to securing the supply of skilled labour, evaluate current approaches and refine them where necessary, and brings together and draws on the expertise of economic and social partners, labour administration and specialised bodies in order to successfully secure the supply of skilled labour.</li> <li>3. Hesse: Overall Strategy for Securing the Supply of Skilled Labour: strategy of the <i>Land</i> government with the involvement of trade unions, employers, chambers of commerce and labour administration. Its focus is on three strategic action areas: 1. initial and further training, 2. potential-based labour market policy and 3. internationalization as a locational factor.</li> <li>4. Saarland: In the newly created "Saar Future Alliance for Skilled Labour" the strategy paper on skilled labour supply in Saarland has been updated and modules added. The bundle of measures for securing the supply of skilled workers covers a comprehensive range of actions, with a strategic priority placed on the implementation of the concept of "good work" and on the targeted support of SMEs. The overriding goal of the <i>Land</i> government remains that of making Saarland a business location that is fit for the future and an attractive place to live in order to retain skilled workers in the state and attract new ones.</li> <li>5. Schleswig-Holstein: "Future in the North" skilled labour programme: the joint initiative of the <i>Land</i> government of Schleswig-Holstein, municipal <i>Land</i> associations, chambers, trade unions, the Federal Employment Agency, business associations and the state Rectors' Conference was adopted on 22 October 2013. Prior to this, a catalogue of measures comprising 132 actions to secure the supply of young and upcoming skilled workers in the state of Schleswig-Holstein was developed in the course of a one-year development process. The central actions areas are: identification and analysis of skilled labour needs, creation of opportunities for education and promotion, unlocking skills potential and creation of better employment opportunities, strengthening the retention of skilled staff and the development of a targeted location marketing campaign. The skilled labour programme is designed as an initiative which will be developed further as part of a long-term process and will be optimised regularly in continuous dialog with all partners.</li> </ol>	<ol style="list-style-type: none"> <li>1. Baden-Württemberg: updated regularly, last time in mid-2013, at least until 2016</li> <li>2. Hamburg: established June 2013</li> <li>3. Hesse: Cabinet decision 19 August 2013; implementation 2013 to 2019</li> <li>4. Saarland: strategy updated in 2013</li> <li>5. Schleswig-Holstein: programme adopted on 22 October 2013</li> </ol>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
23.	North Rhine Westphalia: Land initiative for “Fair Work – Fair Competition”	<p>The aim of the initiative is to contribute to reducing precarious employment. The focal topics are mini-jobs, temporary employment and adequate wages. Within the mini-job priority area the focus is to improve the working conditions of persons in marginal employment and prevent and reverse shifts from employment involving mandatory payment of social insurance contributions to mini-jobs, i.e. low-paid part-time jobs that are not subject to social insurance.</p> <p>Using good company examples, the state seeks to demonstrate that fair work and competitiveness are not mutually exclusive. The aim is to support and increase the penetration of good approaches and strategies for the prevention of precarious employment, render the situation in the labour market transparent and identify irregularities. Furthermore the aim is to also improve framework conditions at federal level and inform workers in non-standard employment conditions about their rights and duties.</p>	Initiative commenced in 2013, planned duration: 2013 – 2017
24.	ESF/Federal programme: <i>Co-funding of career entry support programmes</i>	<p>Subject to the approval of the Federal Government Operational Programme in the ESF 2014 – 2020 period, in the coming ESF funding period the Federal Government intends to continue the career entry support programmes, which serve to prevent youth unemployment, with co-financing from ESF funds. In this way, the instrument – which has been trialled in pilot projects – will become a more permanent feature in the 2014 – 2020 ESF funding period. The scope and duration of the programme will depend on the ESF and co-financing money which will be made available for the programmes. With this programme, which is set to be the biggest German individual ESF programme in the coming ESF funding period, the Federal Government is placing a clear priority of ESF funding on support for weaker young people in making the transition to vocational training. Early, continuous and individual coaching of the young people is a good approach to giving these young people the prospect of taking part in working life as a person with qualifications.</p>	Expected to start in November 2014
25.	<i>AusBILDUNG wird was – Spätstarter gesucht/ 2. Chance</i> Programme focusing on late starters and giving young people a 2 <sup>nd</sup> chance	<p>The focus of work in the job centres and employment agencies is trained increasingly on young adults (aged 25 – 34) without a professional qualification. Here, as part of the “initial training for young adults” initiative young people are approached and encouraged to make another attempt at initial and further training. Qualification and skills development are primarily to take place in a company setting. The initiative will be continued as the “2<sup>nd</sup> Chance” programme and, by providing financial incentives, the aim is to make young people willing to subsequently earn a professional qualification and increase their perseverance.</p>	Ongoing process since February 2013
26.	ESF programme: “Initiative to strengthen resources and secure the future: job prospects for mothers with a migrant background”	<p>The “Strengthen Resources” initiative will coach and support mothers with a migrant background in entering the labour market. By providing support services targeted directly at specific target groups and through close collaboration with the relevant stakeholders, the aim is to facilitate the entry of mothers with a migrant background into the labour market. Furthermore the initiative seeks to:</p> <ul style="list-style-type: none"> <li>– Approach businesses and raise awareness of the potential offered by the target group</li> <li>– Step up collaboration among suitable stakeholders in the local area to coach and support the target group</li> </ul>	Starts in Q4 2014



Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
27.	Coordination centres for migration and participation in Lower Saxony	48 coordination centres for migration and participation are set up across the federal state to improve the participation of people with a migrant background in a way that also supports equal opportunities. The coordination centres also help support regional networks of stakeholders that are relevant for the labour market and provide and advertise advisory services for issues surrounding the labour market and working life, particularly low-threshold services in the immediate social environment.	Commences at the start of 2014, ongoing implementation
28.	Federal programme for the long-term unemployed at the margins of the labour market	The programme co-funded by the ESF is geared toward long-term unemployed benefit claimants under Book II of the Social Code with multiple obstacles to placement (particularly individuals lacking a useful professional qualification). The aim is to involve around 30,000 such individuals in the programme, and give the target group the prospect of working in a business in the private sector. The approach is geared towards re-establishing individuals' ability to work in the general labour market. The activities are centred on specifically approaching and advising employers, employee coaching services once employment has commenced, and wage subsidies to compensate for the workers' poorer performance.	Expected to start in Q4 2014
29.	JOBSTARTER	With the JOBSTARTER training structure programme, measures are taken to strengthen in-company vocational training and fill the skills gap. The programme focuses on supporting companies, particularly small- and medium-sized enterprises (SMEs), in securing the supply of skilled labour and developing a skilled labour base. The approaches developed under the funded projects are to be incorporated into the regional training structures on a lasting basis and prepped for nationwide transfer. The programme aims to: <ul style="list-style-type: none"> <li>- Increase the participation of SMEs in training programmes</li> <li>- Increase the willingness and ability of SMEs to integrate and train special target groups, e.g. academically weak young people, young people with a migrant background, young women and men with family responsibilities and college drop-outs</li> <li>- Motivate weaker young people to enter the dual system of vocational training</li> <li>- Increase permeability between vocational and academic education by developing and trialling creditable additional qualifications and dual study courses</li> <li>- Trial innovative training models, such as skills-driven training modules that are standardised across the country</li> <li>- Develop and trial an in-company training preparation scheme for young people who need support.</li> </ul>	The projects in the current round of funding commenced in September/October 2013 with national funds without co-funding from the ESF. ESF co-funding is planned for the next round of funding (probably as of Q4 2014) subject to the approval of the 2014 – 2020 ESF-OP by the European Commission.
30.	ESF integration policy <i>Bund</i>	The planned “ <i>Bund</i> ” ESF integration policy is to gradually integrate people with particular difficulties entering work or training into the labour market on a lasting basis. Target groups are: <ul style="list-style-type: none"> <li>- Teenagers and young adults under 35 with particular difficulties entering work or training, including the long-term unemployed</li> <li>- People whose particular difficulty in entering work or training is due to their unstable residency status (asylum seekers and refugees).</li> </ul> Measures under the integration policy are implemented by cooperative groupings with the active participation of business enterprises and/or public administration in collaboration with regional labour administration bodies (job centres/work agencies). This structure facilitates sustainable access to the labour market for these target groups. Transnational mobility measures are also promoted under the integration policy.	Implementation following approval of the 2014 – 2020 ESF-OP by the European Commission, expected to be mid-2014

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
31.	Battling long-term unemployment	As part of the initiative to combat long-term unemployment and long-term benefit claims, Lower Saxony is promoting the establishment of support centres for the support, skills development and placement of long-term benefit claimants, and also supports the upskilling of young adults between 25 and 35 through the "Second Chance" state programme (particularly through earning vocational qualifications at a later stage in life).	Support centres since 2010; "Second Chance" since the start of 2014
32.	<i>Perspektive Wiederstieg</i> : "Vocational Reintegration as a Perspective" action programme	Women and men are supported in returning to work in jobs subject to compulsory social security payments following a career break for family reasons. The plan is to continue this programme and develop it further in the new ESF funding period (2014–2020). In particular, new priority areas of the programme will focus on return to work in the event of care commitments and the potential of women in mini-jobs.	2 <sup>nd</sup> programme phase until 31 August 2014
33.	Promotion of female labour force participation	Berlin: "Programme to Promote Equal Opportunities for Women in Research and Teaching". The aim is to attract highly qualified women to the scientific community and raise their visibility in management positions. Support in four priority areas: a) professional qualifications, b) stabilisation of careers in the scientific community, c) measures for the long-term removal of structural barriers to the career paths of young upcoming female scientists, d) enshrinement of gender aspects in research and teaching. As part of the programme goals, a flexible support mechanism was developed that respects the autonomy and particularities of third-level institutions and their individual academic cultures. Since the programme commenced in 2012, programme funding has seen the implementation of over 100 personnel and structural measures at state-run and denominational third-level institutions.  Hamburg: ESF project " <i>Hamburger Karriereschmiede</i> ": The project is aimed at experienced career women and helps them advance to the next level in their career through mentoring modules and networking meetings.	Berlin: 1. Programme commenced 1 January 2012 2. Evaluation 1 November 2013 3. Continuation through to 31 December 2015  Hamburg: 1 January 2014 to 31 December 2015
34.	"Family Success Factor" company programme ( <i>Erfolgsfaktor Familie</i> )	In tandem with associations of trade and industry and trade unions, the Federal Government is promoting family-friendly working environments in order to strengthen the ability of workers to combine work and family commitments, increase the employment of women and retain skilled workers in Germany. This is accomplished through a range of measures, such as the "in-company childcare" support programme which commenced at the end of 2012. Further to this, a report on "Family and Work" is created regularly. In this, the stakeholders involved document the progress made and gaps to be overcome in establishing a family-conscious working environment. The business programme is co-financed by the ESF.	Ongoing, "Family and Work" report at the end of 2014

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
35.	Measures to expand and secure child care spaces in child day care facilities and crèches	<p>The <i>Länder</i> are supporting the expansion of child care spaces in child day care facilities and crèches. Examples include:</p> <ul style="list-style-type: none"> <li>- Schleswig-Holstein: To support the expansion of childcare facilities, both the Federal Government and the <i>Land</i> have provided funding for the necessary investments. To date, over 150 million euros have been invested by the Federal Government and the <i>Land</i> in the expansion of childcare. With this funding it was possible to authorise a total of 15,300 additional child care spaces from the time the programme started in 2008 through to the end of June 2013. To continue expansion measures in line with market needs, the <i>Land</i> made a short-term commitment of a further 10 million euros at the end of 2013. The expansion of childcare facilities is supported by continuously increasing grants from the <i>Land</i> towards operating costs.</li> <li>- North Rhine Westphalia: Between 2010 and 2013, the <i>Land</i> government of the state of North Rhine Westphalia committed 440 million euros in additional <i>Land</i> funding to the intensive expansion of facilities for under-threes. With the entry into force of the Act to Regulate Cost Compensation for Duties of Public Youth Welfare Services (<i>Belastungsausgleichsgesetz Jugendhilfe</i>) on 21 November 2012, the <i>Land</i> government is also lending support to the municipalities with regard to the operating costs involved in the provision of childcare services to under-threes. Starting in the 2013/2014 kindergarten year, compensation will be provided permanently by increasing the <i>Länder</i> share in the operating costs.</li> </ul>	<p>Schleswig-Holstein: 15,300 additional child care spaces until June 2013. Further annual increase of grants towards operating expenses through to 2017</p> <p>North Rhine Westphalia: permanent, starting in the 2013/2014 kindergarten year</p>
36.	In-service training in the field of child day care provision in the state of Saxony	<p>University graduates of courses in educational science or pedagogy are given the opportunity to gain and establish theoretical knowledge and practical skills in the field of childhood education by taking part in a continuing training programme which involves working part-time. This programme will give them the tools to work as educational specialists with children in childcare facilities and manage child day care establishments. The CVET programme ends with an oral presentation and discussion. This enables participants to take up work in a child-care facility.</p>	July 2013 – September 2014

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
37.	Measures to expand and secure child care spaces for children under three and to improve the quality of child day care services	<p>Since 1 August 2013 every child over the age of one has had a right to early childhood education in a childcare facility or kindergarten. The Federal Government has provided considerable financial and quality-related support for the additional spaces for under-three-years-olds, who also have a legal entitlement. With two investment programmes and by assuming a share of the running costs, the Federal Government is making a total of 5.4 billion euros available for the expansion of facilities for the under-threes through to 2014. From 2015 onwards, the Federal Government will provide permanent support to safeguarding and improving the quality of childcare services in the form of 845 million euros each year.</p> <p>Further to this, the Federal Government in tandem with the KfW – Germany’s state-owned development bank – set up a special funding programme in 2013 (KfW special programme) which allows municipal local authorities, associations of local government as well as businesses and private individuals with a connection to the municipality to receive low-interest and long-term financing for measures to develop and guarantee child care spaces for children under three. With loan approvals valued at 550 million euros, more than 28,000 spaces were secured or created for under-threes in 10 months.</p> <p>With the “<i>Lernort Praxis</i>” programme, the Federal Government is strengthening practical guidance for trainees in childcare facilities. Since August 2013, 76 projects in seven <i>Länder</i> have been supported in a pilot phase of the project which will run for a maximum of three years. The Federal Government is providing a total of 8 million euros for this pilot phase, thereby making a further contribution to upskilling and attracting qualified staff and to enhancing the quality of child day care services.</p>	<p>Legal entitlement to early childhood education in a childcare facility or kindergarten: 1 August 2013</p> <p>Programme commenced in February 2013.</p>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
38.	Expansion of all-day services with the aim of extending education and support opportunities	<p>The <i>Länder</i> are promoting the expansion of all-day education and care for pupils. Measures include:</p> <ul style="list-style-type: none"> <li>- Hamburg: All pupils under the age of 14 at schools in Hamburg have a legal entitlement to care from 6 a.m. to 6 p.m.</li> <li>- Baden-Württemberg: Expansion of all-day schools: in the 2012/2013 school year 1545 public and private general-education schools offered all-day service. The expansion of all-day schools will continue to be supported. A new strategy aims, in particular, to give smaller primary schools the opportunity of offering all-day services.</li> <li>- Baden-Württemberg: Dualisation of prevocational types of school by introducing practical days and all-day services in prevocational programmes.</li> <li>- Bavaria: State-wide, needs-oriented development of all-day services (with compulsory and optional attendance) at all types of school and (extended) lunch-time care at primary schools and special needs schools; support for a specific all-day service for transition years within the framework of the ESF/<i>Land</i> programme</li> <li>- Berlin: In the 2013/14 school year, the focus is on the further development of the quality of Berlin's integrated secondary schools and comprehensive schools (all-day schools).</li> <li>- Brandenburg: Quality-driven further development of all-day services in the primary sector</li> <li>- Bremen: Improvement of the infrastructure for all-day primary schools with compulsory and optional attendance for the all-day programmes (programmes following the periods of learning)</li> <li>- Bremen: Expansion in the number of all-day schools: development of two more all-day primary schools with compulsory attendance, and five other all-day primary schools with optional attendance, conversion of an optional-attendance all-day primary school (OAADS) to a compulsory-attendance all-day primary school (CAADS)</li> <li>- Hesse: Expansion of all-day schools: By 2015 all parents and their children should have an all-day school nearby for voluntary participation in all-day services at primary and secondary level I.</li> <li>- Lower Saxony: Further development of care services complementing schools; trialling of cooperation models between primary schools and youth welfare services/after-school care centres. This is expected to improve the range of services.</li> <li>- Saxony: Development of all-day services (ADS) in schools: In the current school year, 1223 ADS were supported in primary schools, special needs schools, intermediate/upper secondary schools and grammar schools.</li> <li>- Saxony-Anhalt: Further development of all-day school services for primary-level children by strengthening collaboration between primary schools with reliable opening times and day care facilities in accordance with the Child Day Care Promotion Act of the state of Saxony-Anhalt (<i>KiFöG LSA</i>).</li> </ul>	<p>Hamburg: complete system changeover in the 2013/2014 school year.</p> <p>Baden-Württemberg: new all-day programme for primary schools expected to start in the 2014/15 school year.</p> <p>Baden-Württemberg: gradual introduction since 2011.</p> <p>Bavaria: ongoing expansion</p> <p>Berlin: all integrated secondary schools and comprehensive schools have become all-day schools since the school structure reform in the 2010/11 school year.</p> <p>Brandenburg: ongoing</p> <p>Bremen: implemented from 2013/14 school year onwards</p> <p>Bremen: one CAADS from 2014/15 school year, one more CAADS from 2016/17, five OAADS from 2015/16, conversion of OAADS to CAADS in 2015/16</p> <p>Hesse: (2013: approx. 55 percent – 2015 approx. 66 percent).</p> <p>Lower Saxony: started in 2007, status: ongoing.</p> <p>Saxony: funding (standardised special purpose contribution to schools) will be continued through to 2015 for the time being.</p> <p>Saxony-Anhalt: status: ongoing</p>

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
<b>C. Energy</b>			
39.	Second Act on Measures to Accelerate the Grid Expansion for Electricity Grids ( <i>Zweites Gesetz über Maßnahmen zur Beschleunigung des Netzausbaus Elektrizitätsnetze</i> )	The Federal Requirement Plan Act ( <i>Bundesbedarfsplangesetz</i> ) identifies the priority grid expansion projects at transmission system level and accelerates the associated planning and approval processes. Furthermore, the inter-Länder and cross-border grid expansion projects that fall within the scope of the Grid Expansion Acceleration Act (NABEG) are identified.	In force since 27 July 2013
40.	Ordinance on the Delegation of Planning Approval Procedures for Inter-Länder and Cross-border Extra-High Voltage Lines to the Federal Network Agency ( <i>Verordnung über die Zuweisung der Planfeststellung für länderübergreifende und grenzüberschreitende Höchstspannungsleitungen auf die Bundesnetzagentur</i> )	For inter-Länder and cross-border projects in the Federal Requirement Plan, responsibility for implementing planning approval projects is transferred to the Federal Network Agency under the Grid Expansion Acceleration Act.	In force since 27 July 2013
41.	Ordinance to Amend Ordinances in the Field of Energy Sector Legislation ( <i>Verordnung zur Änderung von Verordnungen auf dem Gebiet des Energiewirtschaftsrechts</i> )	Changes to the Electricity and Gas Network Fee Ordinance, the Electricity Grid Access Ordinance and the Incentive Regulation Ordinance to improve the framework for regulation and investment in the grid infrastructure.	In force since 22 August 2013
42.	Co-operation with neighbouring countries on energy policy	Germany works closely with its neighbouring countries in the field of energy policy. Among the multilateral institutionalised forums, the following deserve special mention: <ul style="list-style-type: none"> <li>– The Pentalateral Energy Forum for issues surrounding market integration and supply security (in collaboration with NL, BE, LU, FR, AT);</li> <li>– Central and Eastern European Electricity Forum for market integration and network infrastructure (in collaboration with PL, CZ, SI, SK, HU, AT);</li> <li>– North Seas Countries' Offshore Grid Initiative for technical issues, regulatory frameworks, market rules and market access as well as planning and approval procedures when developing an offshore grid (in collaboration with NL, BE, LU, FR, GB, DK, NO, SE);</li> <li>– Concerted Action on the Renewable Energy Sources Directive (CA-RES) for the coordinated and consistent implementation of the Renewable Energy Sources Directive, and best practices in the promotion of renewables (in collaboration with all EU member states)</li> <li>– Energy Efficiency Working Party (EEWP) of the International Energy Agency for energy efficiency policy (in collaboration with all IEA member states, including all EU member states).</li> </ul>	Permanently

Table I: Actions to support the implementation of the country-specific recommendations

No.	Action name	Description of action and anticipated impact	Status and schedule
<b>D. Competition</b>			
43.	8 <sup>th</sup> amendment to the Act against Restraints on Competition ( <i>Gesetz gegen Wettbewerbsbeschränkungen</i> )	With the revision, the Federal Government is modernising competition law particularly in the area of merger control and monitoring to prevent the abuse of market dominance: <ul style="list-style-type: none"> <li>– Adoption of elements of European merger control</li> <li>– Restructuring of regulations on abuse</li> <li>– Extension of the ban on margin squeezing and the price abuse rule for electricity and gas providers with a dominant market position</li> <li>– Extension of the scope of application (merger control) to statutory health insurance funds</li> <li>– More efficient organisation of the penalty procedure and raising of penalty levels for misdemeanours</li> <li>– Regulation of succession</li> <li>– Adequate involvement of consumer associations in private antitrust enforcement.</li> </ul>	In force since 30 June 2013
44.	Implementation of Directive 2012/34/EU	The purpose of the Directive Establishing a Single European Railway Area (recast 1 <sup>st</sup> Railway Package), which is to be implemented by 16 June 2015, is to strengthen competition in the railway sector. In particular, it regulates the non-discriminatory access of railway undertakings to the rail infrastructure and charges for this access. The powers and position of the Federal Network Agency are strengthened.	The Ministry draft is currently in preparation; Cabinet expected in the 2 <sup>nd</sup> half of 2014
45.	CRD IV Implementation Act	The Banking Act ( <i>Kreditwesengesetz</i> ) was aligned with new EU equity capital and liquidity requirements and the EU rules on corporate governance. The EU requirements (CRD IV package from the EU Regulation and Directive) serve to transpose the requirements of Basel III into European law.	Staggered entry into force on 4 September 2013 and 1 January 2014
46.	The Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups ( <i>Gesetz zur Abschirmung von Risiken und zur Planung der Sanierung und Abwicklung von Kreditinstituten und Finanzgruppen</i> )	By ringfencing high-risk businesses, the aim is to increase the stability of financial markets, improve the ability to resolve systemically important banks and reduce the risks for the real economy, customers and tax-payers. It also aims to promote EU regulations to this effect. Further to this, the Act requires the creation of recovery and resolution plans. Under the provisions of this Act banks in future must present recovery plans to the supervisory body in which they describe how the institute can be rescued if in distress. In future supervisory authorities must plan in advance the measures that they would take if recovery efforts failed. In addition, certain breaches of the law by directors in risk management are now treated as a criminal offence.	Staggered entry into force on 13 August 2013, 2 January 2014 and 31 January 2014



**Table II: Actions to support the implementation of the Europe 2020 strategy**

No.	Action name	Description of action and anticipated impact	Status and schedule
<b>A. Fostering employment – National Job Plan</b>			
1.	Reorganisation of the Ordinance on the Admission of Foreigners for the Purpose of Taking up Employment ( <i>Beschäftigungsverordnung</i> )	<p>The new Ordinance on the Admission of Foreigners for the Purpose of Taking up Employment brings together the previous ordinance of the same name, which regulated immigration for employment purposes in Germany, and the Ordinance on Official Procedures Enabling Resident Foreigners to Take up Employment (<i>Beschäftigungsverfahrensverordnung</i>), which regulated access to the labour market for family members and in the event of residence for reasons of international law, or because of humanitarian or political considerations, as well as for asylum seekers and individuals whose deportation has been temporarily suspended (<i>Geduldete</i>). There is therefore only one ordinance now in legislation on the employment of foreigners.</p> <p>The Ordinance has been restructured and streamlined to make it clearer and easier to understand. The immigration of skilled workers was the first to be regulated in order to emphasise the goal that the immigration of skilled workers will contribute to the supply of skilled labour.</p> <p>The reorganised Ordinance on the Admission of Foreigners for the Purpose of Taking up Employment opens up the labour market to foreigners who have completed their vocational training in a non-EU country. The vocational training must be equivalent to a German vocational training qualification. Furthermore, the profession in question must be one for which there is a shortage of workers and which the Federal Employment Agency has included on the white list.</p> <p>There are also new regulations which state that everyone who is legally in Germany with a residence permit for reasons of international law, or because of humanitarian or political considerations, is granted unlimited access to the labour market.</p>	In force since 1 July 2013
2.	Directive on Measures Facilitating the Exercise of Rights Conferred on Workers in the Context of Freedom of Movement for Workers	With the goal of improving the mobility of workers in the EU and the protection of their rights arising from the freedom of movement for workers (Regulation 492/2011), the draft of a “Directive on Measures Facilitating the Exercise of Rights Conferred on Workers in the Context of Freedom of Movement for Workers” was negotiated in 2013. A central element of the proposed Directive is the creation of contact points or structures to advise migrant workers and their families on their rights in the context of the freedom of movement of workers. This aims to eliminate information gaps and practical obstacles to taking up employment in another member state.	Agreement in informal triologue in December 2013 (formal entry into force is expected in spring 2014).

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
3.	Freedom of Movement for Workers: Croatia	<p>In view of Croatia's accession to the EU on 1 July 2013, the Federal Government has continued to pursue its strategy of the gradual opening and adjustment of the German labour market. Like other member states, Germany is also using the first phase of the transitional provisions for the free movement of workers, as laid down in the Treaty of Accession, and continues to control access to the labour market according to national law. At the same time, in light of shortages of skilled workers access to the labour market has been eased considerably for Croatian workers. Accordingly the following groups do not require a work permit:</p> <ul style="list-style-type: none"> <li>- Academics taking up employment that corresponds to their third-level qualification</li> <li>- Apprentices who would like to complete a vocational training programme in Germany lasting at least two years</li> <li>- Seasonal workers for seasonal jobs that may be carried out for up to six months in the year</li> </ul> <p>With regard to employment in jobs that require vocational training in Germany, the work permit is granted without checking the preferential status of a German worker. In addition, in the first phase there are restrictions on the posting of workers by Croatian companies to the construction, building cleaning and interior decorating sectors.</p>	Freedom of movement of workers with transitional provisions in the first phase in force since 1 July 2013
4.	Special programme for the "promotion of professional mobility of young people interested in vocational training and unemployed young skilled workers from Europe" (MobiPro-EU)	<p>Under the special programme for the "promotion of professional mobility of young people interested in vocational training and unemployed young skilled workers from Europe" (MobiPro-EU), since 2 January 2013 young people interested in vocational training and unemployed young skilled workers (generally aged 18 to 35) from EU states, who only have limited job prospects in their country of origin, have been receiving assistance in taking up employment in Germany. The special programme supports them in being placed in in-company vocational training schemes and skilled jobs (for which there is a shortage of workers). Support is provided, inter alia, for:</p> <ul style="list-style-type: none"> <li>- German courses in the country of origin and in Germany</li> <li>- Travel expenses (interviews; commencement of internship, vocational training or employment)</li> <li>- In the case of apprentices: benefits, where necessary, to secure a livelihood and for coaching from youth and community workers and vocational educators</li> <li>- In the case of skilled workers: costs of recognition procedures in regulated professions for which there is a shortage of workers</li> </ul> <p>The aim of this programme is to make a contribution to fighting the high level of youth unemployment in the EU and to securing the skilled labour base in Germany as well as strengthening professional mobility in the context of the freedom of movement guaranteed in the EU.</p>	2013 – 2016

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
5.	Act to Improve the Assessment and Recognition of Professional Qualifications Acquired Abroad ( <i>Gesetz zur Verbesserung der Feststellung und Anerkennung im Ausland erworbener Berufsqualifikationen</i> )	<p>In the past, professional qualifications acquired abroad could often not be put to optimum use in the German labour market due to a lack of appropriate assessment procedures and standards.</p> <ul style="list-style-type: none"> <li>– The Act introduces a legal right to an assessment procedure for professions under federal jurisdiction (newly opened, in particular, for vocational initial and further training programmes and for qualifications from a non-EU country in the case of regulated professions).</li> <li>– Individuals seeking assessment of their credentials, employers and businesses receive comprehensible, verifiable and uniform assessments of the professional qualifications acquired abroad.</li> <li>– The integration of people with foreign training into the German labour market is improved, sending a signal to skilled workers abroad that Germany is an attractive place to live and work.</li> <li>– The Professional Qualification Recognition Act of the Federal Government constitutes a paradigm shift as it shines a spotlight on the potential of migrants.</li> </ul> <p>The first statistics for the Professional Qualification Recognition Act of the Federal Government were presented on 15 October 2013. Of the roughly 11,000 procedures registered nationwide in the period from April 2012 to December 2012, a decision had already been delivered for almost 3/4 (roughly 8,000) of the cases by 31 December 2012, the vast majority of which (82 percent) receiving full recognition of the professional qualifications acquired abroad.</p>	<p>Further uniformity required in the enforcement of the law.</p> <p>Recognition should be more deeply anchored in businesses.</p> <p>The first monitoring report will be released in spring 2014.</p>
6.	Enterprise award for the promotion of a warm and welcoming culture for international staff in SMEs	<p>With the enterprise award for a warm and welcoming culture for international staff in SMEs, in 2013 small and medium-sized enterprises were awarded a prize for the first time ever for their innovative approaches to attracting and integrating international skilled workers in their companies. The plan is to continue the award programme in order to raise public visibility of examples of a successful welcoming environment for international staff in SMEs and therefore help ensure that such successful models will set a precedent.</p>	Since 2013
7.	Welcome Centres in Baden-Württemberg	<p>In 2014, Baden-Württemberg is lending 1.9 million euros in support from the ESF to a pilot project that focuses on the development of a network of welcome centres for international skilled workers. The funding will sponsor welcome centres in ten regions in Baden-Württemberg and a state-wide welcome centre especially for the care and education sectors. The welcome centres help companies recruit international skilled staff in professions where there is a shortage of skilled labour, such as mechanics, plumbers and heating technicians, engineers, computer engineers, care workers or educators. Furthermore, they help the international skilled workers and their families integrate in Germany, providing assistance with regard to residence legislation, labour legislation, dealings with authorities, accommodation, education, childcare and job placement for the individual's partner.</p> <p>Hesse: The first Hesse Welcome Centre for international skilled workers and apprentices was opened on 2 July 2013 at the Frankfurt am Main employment agency. The Regional Directorate of Hesse is its partner. Information is available on the online portal <a href="http://www.work-in-hessen.de">www.work-in-hessen.de</a>.</p>	<p>Baden-Württemberg: 1 January 2014 – 31 December 2014</p> <p>Hesse: started on 2 July 2013 through to end of 2014</p>

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
8.	Recognition Acts of the <i>Länder</i>	<p>In addition to the administrative enforcement of the Federal Government's recognition rules in regulated professions, the <i>Länder</i> are also responsible for the regulation and enforcement of the <i>Länder</i> Recognition Acts for professions within the jurisdiction of the <i>Land</i> (e.g. teachers, educators, engineers). This is based on the common wish of the Federal Government and the <i>Länder</i> to ramp up the establishment of uniform and unbureaucratic recognition rules. By 1 March 2014, 13 <i>Land</i> Recognition Acts had entered into force for professions regulated under <i>Land</i> law:</p> <ul style="list-style-type: none"> <li>– Brandenburg: Brandenburg Act to Improve the Assessment and Recognition of Professional Qualifications Acquired Abroad of 5 December 2013.</li> <li>– Baden-Württemberg: Act on the Recognition of Foreign Professional Qualifications in Baden-Württemberg of 19 December 2013.</li> <li>– Bavaria: Bavarian Act on the Assessment of the Equality of International Professional Qualifications of 24 July 2013.</li> <li>– Berlin: Act on the Assessment of the Equality of International Professional Qualifications of 20 February 2014.</li> <li>– Hesse: Act to Improve the Assessment and Recognition of Professional Qualifications Acquired Abroad of 12 December 2012.</li> <li>– Hamburg: Hamburg Act on the Recognition of Professional Qualifications Acquired Abroad of 19 June 2012.</li> <li>– Mecklenburg-Western Pomerania: Act on the Assessment and Recognition in Mecklenburg-Western Pomerania of Qualifications Acquired Abroad and to Amend other Acts of 10 December 2012.</li> <li>– Lower Saxony: Act to Improve the Assessment and Recognition in Lower Saxony of Professional Qualifications Acquired Abroad of 12 December 2012.</li> <li>– North-Rhine Westphalia: Recognition Act of North-Rhine Westphalia of 28 May 2013.</li> <li>– Rhineland-Palatinate: <i>Land</i> Act on the Assessment and Recognition of Professional Qualifications Acquired Abroad of 8 October 2013.</li> <li>– Saarland: Act to Improve the Assessment and Recognition of Professional Qualifications Acquired Abroad of 16 October 2012.</li> <li>– Saxony: Act to Improve the Assessment and Recognition of Professional Qualifications Acquired Abroad of 17 December 2013.</li> </ul>	The bills are already in Parliament in all the <i>Länder</i> .
9.	ESF funding programme “ <i>unternehmensWert: Mensch</i> ”	<p>The ESF/Federal Government programme entitled “<i>unternehmensWert: Mensch</i>” supports micro-businesses and small- and medium-sized enterprises in creating a staff-oriented, forward-looking human resources policy. With input from staff, the aim is to give SMEs the tools to develop perfectly tailored solutions and also empower them to be able to respond independently in future to the challenges businesses face as a result of changes in the working environment and the demographic shift. Following the programme pilot phase in 30 regions across the country, the plan is to expand the programme from 2015 onwards.</p>	Pilot phase until 31 March 2015 Bid invitation for the planned extension as of 2015 expected mid-2014

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
10.	Parental allowance	The new rules on parental allowance – <i>ElterngeldPlus</i> – seek to create the best possible framework for parents to be able to receive parental allowance in conjunction with a non-marginal part-time job. Furthermore, to promote the sharing of responsibilities among partners a partnership bonus will be introduced under the parental allowance scheme for parents who both work 25 – 30 hours a week at the same time. Under the provisions of the Federal Act on Parental Allowance and Parental Leave ( <i>Bundeselterngeld- und Elternzeitgesetz</i> ) parents have a right to parental leave up until the child turns three. There are also plans to make regulations surrounding parental leave more flexible such as by allowing parents to take a 24-month block (previously 12 months) of parental leave between the child's 2 <sup>nd</sup> and 7 <sup>th</sup> birthday without the approval of the employer (having announced such plans duly in advance).	Cabinet 2014
11.	“weiter bilden” – CET initiative of the social partners to secure the skilled labour base and promote gender equality	For businesses, continuing education and training (CET) makes a key contribution to securing the supply of skilled labour and strengthening competitiveness and innovative capacity. For staff, CET helps guarantee their employability. Furthermore, the equal participation of women in the labour market is also necessary particularly with a view to securing the skilled labour base. As part of a policy co-funded by the ESF, the programme aims to support the efforts of the social partners with regard to continuing vocational education and training and gender equality.	Expected to start in Q4 2014
12.	Social economy programme: “ <i>rückenwind – Für die Beschäftigten in der Sozialwirtschaft</i> ”	The aim of this programme is to join forces with the social economy – one of the biggest economic sectors in Germany – and address the challenges posed by demographic change. The social economy is doubly affected by demographic change due to (i) the increase in demand for personal services as a result of an aging population, and (ii) the declining supply of skilled labour. By implementing measures that promote personnel and organisational development, the aim is to give employees and businesses in the social economy the tools to be ready to tackle future challenges. The programme will be co-financed by ESF funds.	Expected to start in Q4 2014
13.	ESF project “ <i>Hamburger Karriere-schmiede</i> ”	This project is aimed at experienced career women and, through mentoring modules and networking meetings, supports them in bringing their career to the next level.	1 January 2014 to 31 December 2015
<b>B. Improving conditions for innovation, research and development</b>			
14.	High-tech Strategy	In the national High-tech Strategy the Federal Government is concentrating its research and innovation activities across policy fields and across topics. Throughout all ministries, the High-tech Strategy pursues the goal of triggering innovations in growth markets of the future that respond to global challenges and are the driving force behind prosperity and a good quality of life in Germany. To this end, the innovative capabilities of the scientific and business community are brought together in special networks as the benefit of an innovation hinges on how well the innovation can be transferred to applications in the business community. Further to this, decisive trends for Germany's future are examined in core projects with a vision of the future. In addition, the High-tech Strategy creates the right framework for a pro-innovation country in the form of skilled workers, funding for innovation or support for business start-ups and places a priority on dialog with society on issues concerning research and innovation.	Report on the current state of the High-tech Strategy and future prospects in the Federal Cabinet on 10 April 2013  Agenda conference between Federal Government and science and business research union on 23 April 2013.  Continued development of the strategy until summer 2014

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
15.	Government electric mobility programme	Under the framework of this programme, a range of instruments are used to promote electric mobility, including: Favourable tax treatment for all-electric vehicles or plug-in hybrids when calculating company car taxation. The use/benefit in money's worth for the private use of a company electric car or plug-in hybrid is calculated from the gross list price minus the costs this contains for the battery system. For vehicles purchased on or before 31 December 2013, private users can offset the list price with 500 euros per unit of battery size, expressed in kilowatt hours. For electric vehicles purchased after this date, the amount that can be offset drops annually by 50 euro per kWh. The maximum offset is 10,000 euros per electric vehicle and this amount also drops annually by 500 euros.	Decision: summer 2013, the regulation is backdated to 1 January 2013 and applies for all electric and hybrid electric vehicles purchased up until 31 December 2022.
16.	“Virtual technology for the factory of the future – a contribution to the Industry 4.0 project of the future”	The assumption is that, in Industry 4.0, production will be supported by numerous embedded computer systems in the production facilities. These embedded systems do not have their own individual user interfaces. Instead they require novel approaches for their control and maintenance. Furthermore, a smart production facility enables extremely flexible production. Its configuration and optimisation is, however, only easily possible with the use of virtual and augmented reality (VR/AR) technologies. Therefore the aim of the support measure is to apply research projects to help support factories in working with novel production systems through the use of VR/AR technologies.	Notice for innovative interaction technologies for Industry 4.0 published on 27 February 2013
17.	Programmes for the development of innovation clusters	SMEs actively involved in cutting-edge and innovation clusters are particularly successful in business. Programmes like <i>go-cluster</i> and the <i>Leading-Edge Cluster Competition</i> support this. These measures are bolstered by “ <i>Clusterplattform Deutschland</i> ”, which is jointly supported by the Federal Government and the <i>Länder</i> .	<i>Clusterplattform Deutschland</i> established in January 2013, 2014 spring session with partner country Switzerland in March 2014
18.	“Centre of Excellence for Innovative Procurement” (KOINNO)	The Centre of Excellence for Innovative Procurement – KOINNO – aims to strengthen the innovative direction of public procurement, thereby making a contribution to modernising administration and providing impetus for more innovation in the business community. The KOINNO supports public contracting authorities in the form of information services, targeted events with best-practice examples and individual advice in the organisation of innovation-driven procurement processes. At the same time, with its work the Centre of Excellence also wishes to help promote exchange and networking among innovation-oriented procurers in the public sector and private sector.	Set up since January 2013. September 2013: project database rolled out with examples of best practices in public procurement
19.	Research at Universities of Applied Sciences	The “Research at Universities of Applied Sciences” programme fosters application-related research into engineering, natural sciences, social sciences and economics in collaboration with business enterprises (especially SMEs) and university-based and non-university research institutions. The aim is to strengthen the application-oriented innovation and research areas of universities of applied sciences and accelerate knowledge and technology transfer. On 28 June 2013, the Federal Government and the <i>Länder</i> agreed to continue the joint programme which has been running since 2003. The amount of federal funding made available in the current programme has quadrupled since 2005, increasing from around 10.5 million euros that year to roughly 41.5 million euros in 2013. The <i>Länder</i> share in the funding of the programme by providing the basic infrastructure.	Extension to 2018 decided in 2013

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
20.	National Cohort	With the National Cohort, the Federal Government and the <i>Länder</i> are jointly sponsoring the development of a unique research resource for biomedical research in Germany. As part of a representative long-term population study, the aim is to be able to make reliable statements on the causes of widespread diseases. The Federal Government and the <i>Länder</i> will make a total of 210 million euros available over a period of ten years for this study. Both university-based and non-university research institutes are involved in the National Cohort.	Commenced in 2013
21.	Measures of the <i>Länder</i> to improve conditions for innovation and research	<p>Measures implemented by the <i>Länder</i> to promote and foster innovation and research include:</p> <ul style="list-style-type: none"> <li>– Baden-Württemberg: Promotion of research at universities of applied sciences (research associations encompassing multiple universities and institutions, networks, clusters and research facilities) with 8 million euros p.a.</li> <li>– Baden-Württemberg: Sponsoring of industry-on-campus projects (sponsoring is case-dependent).</li> <li>– Bavaria: Bavarian University Patent Initiative (<i>Bayern Patent</i>): The aim is to harness the potential for invention of Bavarian universities and promote the transfer of scientific developments through the professional exploitation of results. The Free State of Bavaria will continue to sponsor the “Bavarian Patent” programme after 2013.</li> <li>– Bavaria: In 2013 the Free State of Bavaria set up three new interdisciplinary research associations and is supporting them with a total of roughly 10.3 million euros for a period of four years.</li> <li>– Hesse: With its “House of” strategy, Hesse is taking the approach of bringing science, business and policy-makers together in order to research and teach together. To this end, a “House of Finance” (Frankfurt), a “House of IT” (Darmstadt) and the “House of Logistics &amp; Mobility” (HOLM, at Frankfurt Airport) have been set up to date. In HOLM, space is available to universities and research institutions for free for research purposes. The state makes 2 million euros available each year for this substitute rent which 20 universities have availed of up to now. In addition, Hesse also makes project funding available for research projects.</li> </ul>	<p>Baden-Württemberg: bid invitation from 2014</p> <p>Bayern Patent: funding pledged for 2014</p> <p>Bavaria: runs from 2013 to 2017</p> <p>Hesse: HOLM substitute rent system commenced in 2013, project funding available from 2014</p>
22.	“Gründercoaching Deutschland” programme to coach and assist entrepreneurs in Germany	The Federal Government will continue to develop the “Gründercoaching Deutschland” programme further in the new European Social Fund funding period (2014–2020) with the funds available. In particular, the funding conditions are to be defined in more detail for specific target groups, such as founders of start-up companies, start-up of small and sideline businesses, and unemployed persons starting a business.	Implementation expected in July 2014
23.	<i>Mikromezzaninfonds</i> : fund for start-up entrepreneurs and young businesses	The Federal Government has created a special fund – <i>Mikromezzaninfonds</i> – with a financial volume of 35 million euros. Targeting small and young businesses and start-up entrepreneurs, this fund provides financial equity capital in the form of silent partnerships with up to 50,000 euros. This eases access to finance and strengthens the equity capital base of business enterprises.	September 2013
24.	International Accelerators for High-tech Start-ups: GSVA – German Silicon Valley Accelerator	Through a 3–6-month stay in Silicon Valley, the GSVA supports German high-tech start-ups (particularly from the field of ICT and cleantech) in validating their business model and, where applicable, adapting it to suit local requirements in order to prepare to enter the market. With a comprehensive range of mentoring and coaching services on offer, the start-ups also gain access to the very vibrant venture capital scene in Silicon Valley.	Capacity of the GSVA increased at the end of 2013



Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
25.	Venture capital investment grant	With the “venture capital investment grant”, private investors – notably business angels – are encouraged to invest private venture capital in young innovative businesses. Under the conditions of this system, investors get a grant worth 20 percent of their investment if they hold on to their shares for at least three years. Building on experience from the first six months of the measure, the support policy is to be adapted at the start of 2014 in order to even better accommodate the practice of interest holdings ( <i>Beteiligungsgeschäft</i> ) which is quite common in Germany.	In force since 15 May 2013
26.	European Research Area	In addition to policy guidelines such as the significance of stronger voluntary commitments of member states, at national level the ERA Strategy also comprises the development of a national roadmap. In tandem with research and scientific institutions, in particular, and on the basis of progress made thus far this roadmap will set out the next steps (2014 ff.) and measures that are necessary in the six ERA priority areas to further shape the ERA. The major social challenges we are facing can only be addressed with transnational programme planning. Globally competitive cutting-edge research also demands the creation of common research infrastructures. At the same time, stronger national voluntary commitments and implementation measures to deliver on the ERA render harmonising EU legislative initiatives superfluous. A European roadmap of the member states is to be developed in parallel.	National ERA Strategy by mid-2014 European ERA roadmap by mid-2015
<b>C. Reducing greenhouse gas emissions, driving renewable energy and energy efficiency</b>			
27.	Amendment to the Act on Energy Saving ( <i>Energieeinsparungsgesetz</i> ) and the Energy Saving Ordinance ( <i>Energieeinsparverordnung</i> )	Amendments serve the implementation of the recast European Energy Performance of Buildings Directive (Directive 2010/31/EU) and the implementation of the Energy Concept and decisions that promote the faster implementation of the Concept insofar as they concern energy saving legislation for buildings. The major highlights include: <ul style="list-style-type: none"> <li>– Minimum energy performance requirements for new buildings will be increased within the structure of energy efficiency from 1 January 2016.</li> <li>– A basic obligation is enshrined to construct new buildings as nearly zero-energy buildings as defined in Article 2 (2) and Article 9 of Directive 2010/31/EU from 31 December 2020 onwards. This should already apply from 1 January 2019 onwards for new buildings occupied by public authorities.</li> <li>– Extension of the obligation to take old boilers out of service (built in 1984 or before or more than 30 years old). This only concerns old, inefficient constant-temperature boilers; it does not concern condensing boilers and high-efficiency low-temperature boilers.</li> <li>– Extension of obligations to display energy certificates for certain buildings that are frequently visited by the public.</li> <li>– New energy performance certificates for residential buildings will in future contain information on the energy efficiency class; this does not concern energy performance certificates that are still valid under the current system of legislation.</li> <li>– Property advertisements in commercial media must in future have an energy end-use indicator for energy efficiency and, in the case of new energy performance certificates for residential buildings, also contain the energy efficiency class.</li> <li>– Creation of the legal framework for an independent random-selection control system for energy performance certificates.</li> </ul> The measures increase energy efficiency in the building sector. Owners and investors are pointed in the direction of the EU nearly zero-energy building standard. The energy performance certificate is strengthened further as a means of information.	Amended Act on Energy Saving in force since 13 July 2013. Amended Energy Saving Ordinance will come into force on 1 May 2014.

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
28.	Mobility and Fuel Strategy of the Federal Government (MFS)	The Federal Government's Mobility and Fuel Strategy (MFS) is an initial step towards delivery on the goals of the Energy Concept for the transport sector (10 percent savings on energy end-use by 2020 and 40 percent by 2050, based on 2005 levels). It provides a comprehensive overview of technology and energy and fuel options for the various modes of transport. In accordance with a Cabinet decision, the MFS will be continued as a "learning strategy" in order to illustrate ways in which the <i>Energiewende</i> can be implemented in the transport sector on the long term.	Cabinet decision: 12 June 2013
29.	Amendment to the Energy Labelling Ordinance ( <i>Energieverbrauchskennzeichnungsverordnung</i> [EnVKV])	Amendments serve the implementation of the Directive on the Indication by Labelling and Standard Product Information of the Consumption of Energy and Other Resources by Energy-related Products (Directive 2010/30/EU). This includes provisions that the member states lay down penalties applicable to infringements of product-specific regulations based on this Directive. Four new product-specific regulations were already adopted in 2013 and 2014: – Commission Delegated Regulation (EU) No. 665/2013 of 3 May 2013; – Commission Delegated Regulation (EU) No. 811/2013 of 18 February 2013; – Commission Delegated Regulation (EU) No. 812/2013 of 18 February 2013; – Commission Delegated Regulation (EU) No. 65/2014 of 1 October 2013. Based on current information, another regulation on online labels is expected to be adopted soon and should be incorporated into the amendment if possible. This omnibus regulation will amend existing regulations and define additional duties to provide information for offers online. The Energy Labelling Ordinance must be amended to incorporate the changes this involves.	1 <sup>st</sup> half of 2014
30.	Tax Cap and Efficiency System Ordinance ( <i>Spitzenausgleich-Effizienzsystemverordnung</i> [SpaEfV])	The Ordinance on systems to improve energy efficiency in connection with an easing of the energy and electricity tax burden in special situations regulates documentary proof of requirements for a corporate energy or environmental management system, and the operation of an alternative system to improve energy efficiency for small and medium-sized enterprises. This is based on changes to the Energy Tax and Electricity Tax Act ( <i>Energiesteuer- und Stromsteuergesetz</i> ) according to which tax relief for businesses in special circumstances (known as the <i>Spitzenausgleich</i> ) is only granted if appropriate energy efficiency systems are introduced. The Ordinance regulates the requirement concerning documentary evidence in the introductory phase and in general operation.	In force since 6 August 2013
31.	Implementation of the EU Directive on Energy Efficiency	The aim of the EU Directive on Energy Efficiency (2012/27/EU, EED) is to reduce the gap, forecast by the EU Commission, between the energy efficiency gains currently achieved in the member states and the goal of the EU to improve by 2020 energy efficiency by 20 percent compared against forecast development. Energy efficiency must be further improved in all 28 member states in order to achieve this goal. The measures to be taken can vary, however, from country to country.	The EU Directive on Energy Efficiency entered into force on 5 December 2012. It must be transposed into national law by 5 June 2014 unless implementation deadlines to the contrary are stipulated in individual regulations of the Directive. The indicative national energy efficiency target pursuant to Art. 3 EED is set. Provisional information has also been reported pursuant to Art. 7 EED. Work is currently underway on the implementation of the other regulations of the EED for which a need for transposition by Germany has been identified.

Table II: Actions to support the implementation of the Europe 2020 strategy

No.	Action name	Description of action and anticipated impact	Status and schedule
32.	Centre of Excellence for Sustainable Procurement (KNB)	The Centre of Excellence for Sustainable Procurement within the Procurement Office of the Federal Ministry of the Interior supports public contracting authorities at the federal, <i>Länder</i> and municipality level in taking sustainability criteria into consideration in procurement projects.	KNB website (central portal for sustainable procurement) launched by the Chancellor on 13 May 2013.
33.	InnovationCity Ruhr	Comprising some 70,000 inhabitants and roughly 15,000 buildings, a pilot project in the inner city of Bottrop and the area to the south seeks to cut carbon emissions and energy consumption by half by the end of 2020. Now an even more ambitious goal has been set: by 2030/2040 Bottrop wants to be self-sufficient in terms of energy – i.e. the pilot region will produce just as much energy as it uses. A particular feature of the project is the integrated approach taken to connect climate change mitigation and adaptation with urban development measures. It is scientifically monitored and supported by a master plan.	Decade Project, decisive implementation stage since 2013. The large-scale project is expected to end in 2020.
<b>D. Boosting the level of education</b>			
34.	Measures to improve language skills	Measures which the <i>Länder</i> have implemented to promote the enhancement of language skills include: <ol style="list-style-type: none"> <li>1. Bavaria: Starting in the 2013/14 school year, classes to prepare pupils for the vocational integration year will be offered at vocational schools. This project targets asylum seekers and refugees who are obliged by law to attend a vocational school and are greatly in need of support, particularly in the field of language development.</li> <li>2. Bavaria: “<i>Berufssprache Deutsch</i>” project in Bavaria: promotion of the language skills of young people who do not have a training place and apprentices (both individuals who may or may not come from a migrant background) at full-time and part-time vocational schools. The aim is to improve the individuals’ language skills and their ability to use German correctly and appropriately in a work context.</li> <li>3. Brandenburg: state-wide introduction of the “milestones of language development” monitoring mechanism: State-wide introduction of the “milestones of language development” monitoring mechanism for children aged 24 – 60 months in child day care and crèche facilities in the state of Brandenburg for the early and continuous monitoring and support of child language development; implementation supported by ESF-sponsored further training courses (in the field of child care) and disseminators in child care facilities (see <a href="http://www.mbjs.brandenburg.de/sixcms/detail.php/bb1.c.312823.de">http://www.mbjs.brandenburg.de/sixcms/detail.php/bb1.c.312823.de</a>)</li> <li>4. North Rhine Westphalia: amendment to the Act on Child Education (<i>Kinderbildungsgesetz</i>): Additional support for child day care facilities with a high percentage of children with special need for support in the education process. Strengthening of language learning at elementary level.</li> </ol>	<ol style="list-style-type: none"> <li>1. Started in the 2013/2014 school year</li> <li>2. The work of the syllabus committee began in the 2013/2014 school year</li> <li>3. Since 2013</li> <li>4. Entry into force planned for 1 August 2014</li> </ol>

**Table II: Actions to support the implementation of the Europe 2020 strategy**

No.	Action name	Description of action and anticipated impact	Status and schedule
35.	Measures to improve formal education, reading skills and the comprehension of mathematical and scientific correlations	<p>Measures which the <i>Länder</i> are taking to improve formal education, reading skills and the comprehension of mathematical and scientific correlations include:</p> <ol style="list-style-type: none"> <li>1. Baden-Württemberg: The SINUS programme at primary schools aims at improving the quality of mathematics lessons. The cooperation of SINUS primary schools is to be extended and intensified within the framework of networks associated with the education office. The number of SINUS primary schools doubled for the 2013/2014 school year.</li> <li>2. Berlin: Promotion of reading skills under the BISS programme for education through written and spoken language. This is a joint Federal Government/<i>Länder</i> programme to promote language development, linguistic assessment and reading skills and is implemented in tandem with primary and secondary schools. Also “<i>Leseprofis</i>” (<i>reading champs</i>) peer project with primary and secondary schools.</li> <li>3. Berlin: A centre of excellence (<i>iMINT-Akademie</i>) has been set up for MINT disciplines (MINT = mathematics, IT, natural sciences and technology) at all school levels in order to consolidate the experience and networking and collaboration structures from the <i>SINUS</i> and <i>Kontext</i> programmes and expand this on a long-term basis. Training of specialist disseminators on the subject of dyscalculia and creation of a file on “diagnosis and specific support for children with learning difficulties in mathematics” which is expected to be available to all Berlin primary schools by the end of the 2013/14 school year.</li> <li>4. North Rhine Westphalia: “<i>Zukunftsschulen NRW – Lernkultur Individuelle Förderung</i>” network: The “<i>Zukunftsschulen NRW – Lernkultur Individuelle Förderung</i>” network for a culture of learning and individual support seeks to bring together over 1,000 schools in the state of North Rhine Westphalia (NRW) that have worked on the development of schooling and teaching in different projects and schemes. The aim is to inform schools about the benefits of networking and encourage them to join. In doing so, the current profile and individual support needs of the individual school can be identified and topic-related links established between schools.</li> </ol>	<ol style="list-style-type: none"> <li>1. New SINUS primary schools incorporated into the programme in 2013/2014 (and in subsequent years)</li> <li>2. BISS project phase to start in the 2014/15 school year</li> <li>3. Development started in the 2013/14 school year</li> <li>4. Network commenced on 6 March 2013, long-term measure</li> </ol>
36.	Vocational integration year (BIJ) and preparatory classes for BIJ in Bavaria	<p>Complementing the vocational integration year (BIJ) which continues to be promoted at vocational schools, BIJ preparatory classes are offered for language learning. This project targets migrants – especially asylum seekers and refugees who are obliged by law to attend a vocational school – who are greatly in need of support, particularly in the field of language development.</p>	<p>Pilot projects since 2013/14 school year, sponsored generally from 2014/15 school year</p>
37.	Higher Education Pact 2020	<p>The “Programme to Accept Additional First-year Students” aims to ensure a range of study programmes and places in line with needs through to 2020. For the second phase of the programme (2011–2015), the Federal Government and the <i>Länder</i> have increased the number of additional first-year students to be funded through the Pact from 327,000 to 625,000.</p>	<p>Decision of the heads of government of the Federal Government and the <i>Länder</i> to upgrade the Higher Education Pact of 13 June 2013</p>
38.	Competition: <i>Advancement through Education: Open Universities</i>	<p>The competition is part of the “Advancement through Education” upskilling initiative in which the Federal Government and the <i>Länder</i> have set themselves the task of increasing the educational opportunities of all individuals. A total of 26 projects are funded in the first round of the competition (16 individual projects and 10 collaborative projects). The aim of the projects is to develop and trial demand-driven, needs-responsive third-level CVET programmes for different target groups and implement them on a lasting basis.</p>	<p>Next round of funding is planned to start in mid-2014</p>

**Table II: Actions to support the implementation of the Europe 2020 strategy**

No.	Action name	Description of action and anticipated impact	Status and schedule
<b>E. Promoting social inclusion in particular by reducing poverty</b>			
39.	Pension on account of reduced earning capacity	The pension entitlements of individuals with a reduced earning capacity will be improved. To this end, the non-contributory supplementary period is extended by 2 years (60 to 62) when calculating the pension, and a case-by-case analysis will be carried out on whether or not to include the last four years before the occurrence of the reduction in earning capacity in order to determine the most favourable pension scenario for the individual.	Legislative process introduced Entry into force: 1 July 2014
40.	Coordination centres for migration and participation in Lower Saxony	48 coordination centres for migration and participation are set up across the federal state to improve the participation of people with a migrant background in a way that also supports equal opportunities. The coordination centres also help support regional networks of stakeholders that are relevant for the labour market and provide and advertise advisory services for issues surrounding the labour market and working life, particularly low-threshold services in the immediate social environment.	Commenced at the start of 2014

