



Federal Ministry
for Economic Affairs
and Energy



National Reform Programme 2015

Imprint

Publisher

The Federal Ministry for Economic Affairs and Energy (BMWi)
Public Relations
D-11019 Berlin, Germany
www.bmwi.de

Text and editing

The Federal Ministry for Economic Affairs and Energy (BMWi)

Status

May 2015

Illustrations

StudioD3x – Digitalstock (cover)

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Federal Ministry for Economic Affairs and Energy (BMWi)
Public Relations
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Introduction

1. The German economy is in good shape. Employment is at a record level, unemployment is falling, and the employed are benefitting from rising wages. This year, the public-sector budget will again be close-to-balance, and there will be a slight structural surplus. A steady and reliable debt limitation policy is creating confidence amongst companies, employees and investors, and also provides an important platform for future investment and growth. In this respect, investment is a key to higher competitiveness, lasting prosperity, and a better quality of life for people in Germany and Europe. The Federal Government has therefore set itself the target of strengthening private-sector and public-sector investment in Germany and Europe.

2. A sustainable economic recovery in Europe is a crucial precondition for growth and employment in Germany. In Europe, there must be a triad of accelerated investments, ambitious structural reforms and pro-growth fiscal consolidation to further improve the competitiveness, the fiscal sustainability and the growth prospects of the economies of all European member states. National and European efforts, solidarity and individual responsibility must go hand in hand. Balanced economic growth which opens up opportunities for economic and social participation for all citizens can also improve and safeguard the social situation of people in the European Union.

3. Germany's Social Market Economy is rooted in the understanding that, if a society is to enjoy lasting economic success, it needs to be open, competition-oriented and fair, and show solidarity. The Social Market Economy therefore

needs a shared understanding of the balance between individual responsibility and solidarity. The Federal Government would like to further deepen this shared understanding via dialogue, transparency and broad opportunities for all citizens to participate. It forms a solid foundation from which to master current and forthcoming challenges. After all, we need to keep up our efforts to maintain the levels of prosperity and quality of life in Germany and Europe.

4. Following the outbreak of the financial and economic crisis, the EU reformed or introduced a number of procedures in order to improve fiscal, economic and employment-policy coordination and to avoid future crises as much as possible. The Federal Government calls for the thorough application of existing procedures. To ensure more effective co-ordination, the member states must take greater ownership of the country-specific recommendations in particular. Therefore the Federal Government argues strongly in favour of concentrating the country-specific recommendations on central problem areas, and of strengthening the horizontal debate in order to identify benchmarks and best practices.

5. This National Reform Programme 2015 (NRP) is a cornerstone of the 2015 European Semester which the European Commission launched with the presentation of the Annual Growth Report on 28 November 2014. The report is aligned with the priorities set out in the Annual Growth Report and with the conclusions of the European Council of 19/20 March 2015.

I. Macroeconomic context

A. Macroeconomic development

6. After a brief dip in growth around mid-2014, the German economy is back on course for expansion. Output grew in the 2014/2015 winter semester. Germany's gross domestic product increased by 1.6% on average in 2014, following the weak development of 0.1% and 0.4% in the previous two years.

In its annual forecast¹ of 28 January 2015, the Federal Government expects GDP growth this year to continue along the lines of 2014, with an annual average increase of 1.5% projected for 2015 (cf. Overview 1). Therefore, for the sixth consecutive year economic growth in Germany is likely to be above the euro area average and slightly higher than potential growth.

7. In purely arithmetic terms, growth this year will be driven almost exclusively by the domestic economy. The sharp increases in incomes and the continued growth in employment have been the prime contributors to this dynamism in the domestic economy. In the past number of years, the rise in employment has exceeded expectations repeatedly. With a growth of 170,000, employment is set to hit a new record high this year. The additional demand for labour is served almost exclusively by the integration of individuals in the hidden reserve and the continuing high level of immigration. Positive net migration of 420,000 persons is expected for 2015.

8. The positive development in wages and employment will raise the disposable income of private households, which is expected to grow by 2.7% this year. The Federal Government assumes that economic policy measures, such as the introduction of the minimum wage and the increase and broadening of pension payments, will bolster disposable income. Overall, the non-labour income of private households will experience somewhat weaker development than disposable income due to the prolonged period of low interest rates. Nominal private consumption expenditure will grow at a similar rate as disposable income this year, and the savings ratio will remain stable. As the rise in the price level will remain moderate not least on account of oil prices, price-adjusted private consumption expenditure will increase by 1.6% in 2015. Private consumption will thereby be a key driver of the economy once again this year.

9. In view of geopolitical tensions and a eurozone which is only recovering slowly, the external economic environment remains difficult. In line with the forecasts of international organisations, the projection for 2015 assumes a slow acceleration in the world economy and world trade. On balance, the lower oil price is likely to stimulate growth worldwide. Overall, a moderate increase in exports can therefore be expected.

10. As a result, there will be a gradual increase in investment confidence among German export-oriented businesses. Nevertheless, assuming there is a smooth and moderate recovery in the global economy, investment in equipment is only expected to expand gradually, by 1.9% in 2015. Positive impetus can be expected from public investment, inter alia. Overall, the rate of investment (nominal gross fixed capital formation in relation to GDP) will remain constant at 20% in 2015.

11. The robust domestic economic development and the growth in exports is stimulating the demand for imports. The mathematical contribution to growth deriving from foreign trade is expected to be slightly positive. As prices for crude oil have fallen sharply, at 7.7% Germany's current account surplus will be higher this year than last year.

12. Business profitability will increase considerably this year as falling crude oil prices relieve the cost burden on businesses. In terms of the overall economy, no inflationary tensions are expected. At present, the overall economic production capacities, calculated in line with the EU method, are slightly under-utilised but are gradually reaching the level of normal utilisation. Unit wage costs will mark a moderate rise this year. All in all, consumer prices are likely to only rise by 0.8% this year on account of the drop in oil prices brought about by external factors. The core inflation rate excluding the volatile development of the price level for energy and foodstuffs will stand at 1.4% this year. In this respect, there are no signs of deflationary tendencies for Germany. This is also indicated by the persistently high willingness to consume and private households' propensity to buy, which rose again recently.

13. The outlook for the German economy is also good over the medium term. Potential output will increase by 1.3%

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 2015 German Stability Programme, which will be also presented to the European Commission in April. The Federal Government's spring projection is expected to be released on 22 April 2015.

on average each year between 2015 and 2019. Due to the decline in the working population on account of demographic developments, growth potential is, however, likely to drop from 1.4% this year and next year to 1.1% in 2019. For the years following the short-term projection, medium-term projections (2017 to 2019) forecast an average growth of 1.25% per year based on the technical assumption of normal production capacity utilisation by the end of the medium-term projection period.

14. From the vantage point of today, for the Federal Government the baseline in the annual forecast presents the most likely course economic development will take in Germany. This assertion is naturally subject to some uncertainty, including the precise impact of the fall in the price of oil, geopolitical tensions and measures taken as part of economic, fiscal and monetary policy in Germany and the euroarea. Opportunities for more favourable development are derived more from the domestic economy, such as from planned measures to stimulate investment in Germany and Europe. But risks remain high in the external trading environment, with an escalation of geopolitical conflicts and new uncertainty regarding development in the euro area the primary risk factors. The low oil price could also lead to upheavals in oil-exporting countries and impact demand for German products. A central assumption for the projection is that the financial sector will remain stable and that there will not be negative developments in the euroarea

and the global economy which will increase uncertainty significantly.

15. In its 2015 Report on Germany, the European Commission points out that Germany has not established an independent institution which creates or supports the macroeconomic projection (cf. P. 59). The European Commission is not criticising the quality of the Federal Government's projection but rather the formal implementation of EU Regulation 473/2013. The Federal Government fully agrees with the aim of the regulation that budgetary plans of the member states are to be based on unbiased and realistic macroeconomic forecasts. At present, the Federal Government's macroeconomic forecasts (spring and autumn) are created in a committee of experts under the leadership of the Federal Ministry for Economic Affairs and Energy and with the participation of other departments as well as the German Bundesbank, the Federal Statistical Office and the Institute for Employment Research. The macroeconomic forecasts of the Federal Government are based on the joint forecast of the leading economic research institutions and compete with forecasts of numerous other national and international institutions. The link to external, scientifically based independent forecasts and the high level of transparency ensure the high quality of the Federal Government's official macroeconomic projection. The Federal Government is currently examining and developing options to suitably adapt the projection process.

Overview 1: Key figures for macroeconomic trends in the Federal Republic of Germany¹

	2013	2014	Annual projection 2015
Percentage change on preceding year			
Gross domestic product (GDP), output approach			
GDP (real)	0.1	1.5	1.5
Total employment	0.6	0.9	0.4
Unemployment rate in % (Federal Employment Agency definition) ²	6.9	6.7	6.6
GDP by expenditure (real)			
Private consumption expenditure	0.8	1.1	1.6
Machinery and equipment	-2.4	3.7	1.9
Construction	-0.1	3.4	2.2
Domestic demand	0.7	1.2	1.6
Exports	1.6	3.7	3.6
Imports	3.1	3.3	4.1
External balance of goods and services (contribution to GDP growth) ³	-0.5	0.4	0.1
Total gross wages and salaries per employee	2.1	2.7	3.2

1 Up to 2014 results of the Federal Statistical Office; National Accounts Status: January 2015.

2 In relation to the total labour force.

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

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

16. The Macroeconomic Imbalance Procedure (MIP) which was introduced in 2011 is geared towards the early detection and correction of undesirable economic developments. The Federal Government supports the European Commission in the resolute implementation of the MIP.

17. As part of the MIP, in November 2014 the European Commission identified 16 member states, including Germany, as warranting further analysis. The in-depth reviews (IDR) were published on 26 February 2015. For the first time ever, these reviews are embedded in country reports² which also look at progress toward the implementation of the 2014 country-specific recommendations.

18. The European Commission identified imbalances for all member states that were subject to an in-depth review. According to the European Commission, the imbalances are excessive in five member states, while specific monitoring and decisive policy action was required in the case of three other member states.

19. The European Commission has also identified imbalances for Germany which require decisive policy action. However, in the opinion of the European Commission, the imbalances are neither excessive nor do they warrant specific monitoring.

20. As was the case last year, Germany's consistently high current account surplus triggered the in-depth review. The European Commission dedicates much of this year's review to examining the determinants and background circumstances that can explain the German current account surplus. The Federal Government welcomes this comprehensive analysis, particularly the in-depth analysis of returns from German business investments abroad. In the NRP 2014, the Federal Government had already indicated that this income is a primary contributor to the German current account surplus.

The development of the German current account surplus

21. In the in-depth review, the European Commission discusses several potential reasons for Germany's persistent current account surplus. One main reason which the European Commission cites is the export surplus resulting from the high level of competitiveness of German industry. The Federal Government shares this opinion. In addition, the European Commission also identifies the drop in oil prices, high revenues from successful investments made by German companies abroad and subdued development in domestic demand, particularly private and public investment, as reasons for the persistently high current account surplus.

22. In the Federal Government's opinion, the declining price of oil and commodities is a decisive factor behind the renewed increase in the German current account balance in 2014 and 2015. The European Commission also acknowledges this. Specifically, the increase in the current account surplus of 0.7 percentage points in relation to GDP in 2014 is almost entirely attributable to the drop in import prices for oil and gas. Further to this, since mid-2014 exports to non-euro countries have also been aided by the marked depreciation of the euro.

Competitiveness

23. According to the European Commission, the German surplus is largely based on the high level of competitiveness of German industry, which is reflected in a high demand for exports. Given Germany's strong value chain linkages with its European partner countries, the European Commission holds that German competitiveness is of central importance for the entire European Union and must therefore be maintained. The Federal Government emphatically shares this opinion.

24. Capital returns in the form of revenue from successful foreign investments made by German businesses constitute a further component of the current account. The Federal Government considers this to be a welcome development. Since the 1990s German companies have been investing greatly in Central and Eastern European partner countries,

2 This National Reform Programme refers to the Country Report for Germany of 26 February 2015. It was not possible to incorporate the findings of the revised version, which the European Commission released on 18 March 2015.

in particular, and have contributed to growth and employment in these areas. These successful foreign investments are now reflected in the high balance of primary income, accounting for over 30% of the German surplus in 2014.

The need for stronger investment dynamics

25. In its in-depth review for Germany, the European Commission expresses concerns that the development of public investment is weak and lags behind the fiscal potential. Additional efforts are required, particularly at the municipal level and with respect to the transport infrastructure. In addition, domestic investment by the private sector has continued to decline while German businesses have been investing heavily abroad at the same time.

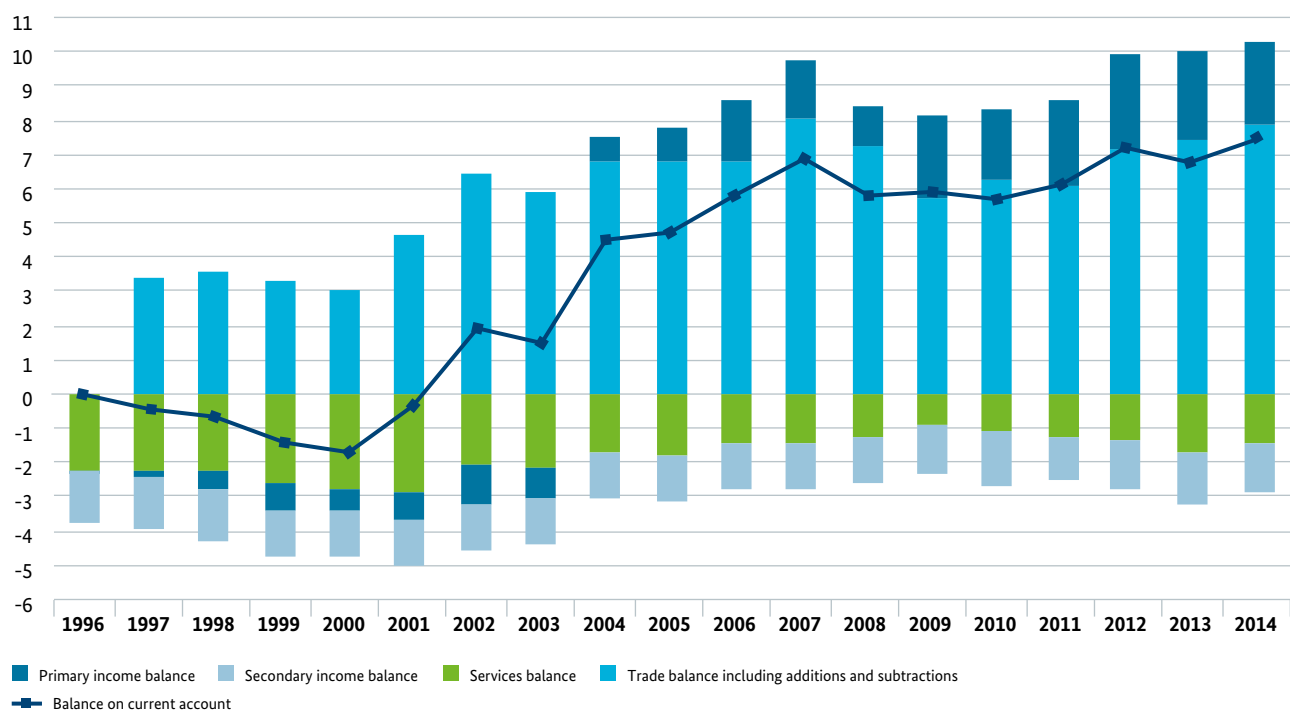
26. The Federal Government also recognises the need to strengthen investment dynamics in Germany. As one of its priority objectives, therefore, it is pursuing a comprehensive approach to increasing both public and private investment (cf. No.58 ff.).

27. The aim of the Federal Government is to increase investment in Germany on a lasting basis, particularly in the fields of infrastructure, education, science and research, and to appreciably improve the framework for private investment. In this way, growth can be increased on a permanent basis and a contribution made to reducing the current account balances.

28. Even though nominal public gross investment has increased in recent years, the priority must be to focus the structure of public budgets even further on investment. Therefore it is the Federal Government's intention to further increase public-sector investment. As explained in detail SectionII.A, the Federal Government has already set up additional comprehensive state investment and is also working on further measures to mobilise private investment.

29. The Federal Government will provide an additional €5 billion in total for the transport infrastructure by 2017. From 2016 to 2018, the Federation will again designate considerable additional funding amounting to €10 billion for public investment, particularly in infrastructure and

Figure1: Current account balance in Germany (in relation to nominal GDP)



Source: Federal Statistical Office, German Bundesbank

energy efficiency. The European Commission acknowledges important progress in this area but was yet unable to take all the measures into consideration in its report, however.

30. Beyond the activities considered by the European Commission in its in-depth review, the Federal Government will again greatly strengthen the investment capacity of the local authorities in the years ahead. Alongside the additional relief amounting to €10 billion through to 2017 which has already been agreed for the Länder and municipalities, a further €1.5 billion will be provided to the municipalities in 2017. Further to this, the Federation will set up a special fund worth €3.5 billion this year, with the aim of supporting investment in financially weak municipalities and associations of municipalities.

31. Therefore, a total of €18.5 billion in additional funding will be made available directly at the federal level during the legislative term. Compared against the 2013 fiscal plan for this period, this equates to an increase of roughly 20%. In terms of their scale, these financial efforts therefore even exceed the municipal investment programme to fight the impacts of the 2008/2009 financial crisis. Overall, the Federal Government assumes that there will be a significant increase in public-sector investment in Germany this year and in the coming years, also in relation to GDP.

32. The Federal Government is also examining courses of action to strengthen private investment activity. The priority here is both to improve the framework for private investment and remove barriers to investment, and to identify strategies as to how the maintenance and expansion of the public infrastructure can be financed in the future by mobilising private capital.

33. With regard to education, Germany has also already significantly increased public spending in this area in recent years. Public budgets made provisions for spending on education totalling €120.6 billion in 2014. This equates to an increase of 39% benchmarked against spending levels in 2005 (€86.7 billion). The additional investments made in the current legislative term are also testimony to the fact that education, research and development are priority investment areas for the Federal Government: an additional €6 billion have been made available for education alone, and a further €3 billion for the field of research and development.

34. The Federal Government shares the opinion of the European Commission that there is a considerable need for investment in energy infrastructure and energy efficiency (cf. Items 98ff. and 137ff.). The Federal Government has already adopted extensive measures to encourage new investment here. Further to this, the Federal Government and the European Commission are also agreed that the implementation of the *Energiewende* – the transformation of Germany's energy system – will continue to demand serious efforts. Essentially for the *Energiewende* to succeed, multiple measures must optimally mesh with one another, the high level of supply security must continue to be guaranteed and the costs for industry and consumers must be contained (cf. Item 95ff.).

Fiscal scope for additional investment

35. In light of Germany's positive fiscal position, the European Community urges the Federal Government to make additional public-sector investment in the coming years and fully utilise the fiscal scope which national and European debt rules permit.

36. From the Federal Government's point of view there is room for additional investment on account of the good economic development currently witnessed and Germany's successful consolidation of public finances. This scope is already being used to strengthen public investment. However, considering the demographic challenges Germany is facing, the further consolidation of public budgets is a very important goal, particularly in times of economic prosperity. Public investment also cannot be increased at will at short notice. For one, the administrative capacities for planning and implementing investment projects are limited. Further to this, high short-term pressure to spend public funds carries the risk of fund misallocation. In this respect, it is more a question of the need for structural or institutional approaches to strengthen resources and knowledge transfer for the implementation of investment projects.

37. While it has been possible to significantly reduce the German debt ratio in recent years, it is still well above the reference value of 60%. The Stability and Growth Pact defines the medium-term objective of a close-to-balance budget or a budget surplus. In principle, the European and the German fiscal rules are not guideline values. Rather, they define maximum upper limits. Cyclical factors must

also be considered in the budget preparation process. Given that Germany's rate of unemployment is at a record low and the output gap is virtually closed, a distinctly expansive fiscal policy in Germany would be pro-cyclical.

Private consumption

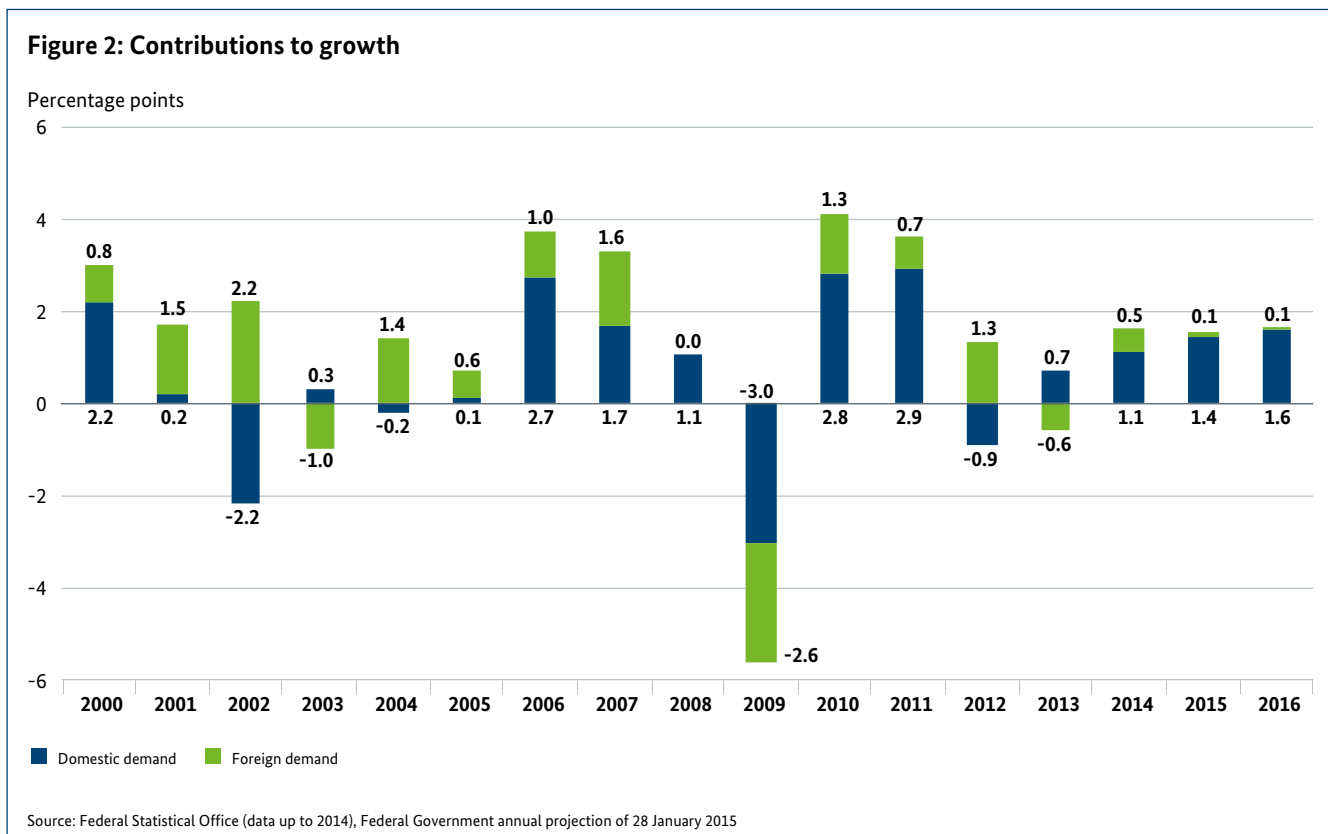
38. In its in-depth review, the European Commission presents an analysis of the development in private consumption. It recognises that the consumer demand of German households has increased appreciably since 2012 and has been making a considerable contribution to growth as of 2015.

39. At the same time it points out that while the average effective tax and contributionburden on labourincome is below the euro area average, it is comparatively high for low-wage earners in particular. The European Commission believes that this, coupled with the fiscal drag, could reduce the disposable income of private households and possibly hinder growth.

40. The Federal Government agrees with the observations of the European Commission that growth in Germany in 2014 and over the forecasting period is largely driven by domestic demand, while the contribution to growth from net exports (exports minus imports) has dropped considerably over time. Private consumption is strong and stable and it benefits from employment that continues to grow and from increasing wages. As a consequence of the strong domestic demand, there has been a recent decrease in the German current account balance in relation to a number of other euro area member states.³

41. The currently higher wage agreements reflect the strong price competitiveness of German industry and the favourable economic development overall. In this way, workers benefit from the economic success of their companies.

42. In the opinion of the Federal Government, the German system of taxation and contributions is appropriate, competitive and socially equitable (cf. alsoItem 80 ff.). Over the last 15 years, relief provided in income tax and social secu-



3 See also P. 17 of the Country Report (version dated 26 February 2015).

rity contributions has significantly reduced the burden on labour income, strengthened the system of taxation and contributions so that it supports growth, and appreciably eased the burden on businesses and workers.

43. According to OECD calculations, the taxwedge for single average earners has been reduced by 3.6 percentage points since 2000.⁴ Together with structural labour market reforms, this has made a considerable contribution to the positive employment trend in Germany. In particular, the employment rates of low-skilled workers and women have also increased continuously in the past few years and are now well above the EU average.

44. The rate of contribution to the statutory pension insurance system is at the lowest level since the mid 1990s. With regard to unemployment insurance, the contribution rate has been gradually reduced from 6.5% in 2006 to the current rate of 3%, where it has been since 2011, and has therefore been more than halved in this time. The important thing is to ensure the sustainability and future viability of the social security systems in Germany. A one-sided reduction of the social security contribution rate exclusively for low wage-earners would mean lower pensions for these individuals later on and potentially increase the risk of this demographic experiencing poverty in old age. After all, contributions and pension payments are contingent on one another.

45. The continuation of a stability-oriented fiscal policy that incorporates higher investment spending alongside targeted tax relief is the basis for strengthening the confidence of German consumers further and therefore also helps boost domestic growth.

Euro area spillovers

46. Germany is closely integrated in the euro area. The Federal Government shares the opinion of the European Commission that Germany is a large and important sales market for member states within and outside the monetary union.

47. By importing upstream goods and services from EU countries, Germany indirectly supports growth in other

European countries through value chains thanks to the global demand for German products. The Federal Government therefore welcomes the European Commission's findings that euro area member states benefit from the success of German exports and the competitiveness of German industry.

48. On the other hand, the European Commission's argument that additional public spending in Germany would have considerable spillover effects in other euro area member states appears rational only to a certain extent in the opinion of the Federal Government. The simulation applied in the in-depth review suggests that if public sector investment in Germany were increased by 1% of GDP, the resulting spillover effect on the growth of other euro area countries would be merely 0.03%. Furthermore, estimated at a maximum of 0.04% the effect on the balance of trade of neighbouring countries is also extremely low. The authors of the study used by the European Commission share this interpretation of the results ("effects are likely to be weak"). On the basis of its own simulation models, the Federal Government also comes to the conclusion that the effects of an expansion in public sector investment, for instance, on European partners would be limited.

Increasing potential output

49. The Federal Government shares the opinion of the European Commission that strengthening potential output on the medium to long term will present a considerable challenge, particularly in light of demographic change. The priority is to tap the German labour force potential as much as possible in order to absorb the decline in the workforce on account of demographic developments. Germany's task is to increase labour market participation even further. In this respect, one focus of the Federal Government is the section of the population from a migrant background, which constitutes an area of the potential workforce which is continuing to grow (cf. also Sections II.B, III. A and III.D).

50. In the European Commission's Report on Germany, potential growth in Germany appears to weaken suddenly after the short-term forecast period (up until 2016).⁵ The obvious reason for this is that a sharper decline in the

4 cf. OECD Taxing Wages, Paris 2014, P. 153.

5 cf. Graph 1.11 on Page 7 of the Country Report (version dated 26 February 2015).

workforce potential is assumed in the projections of the European Commission than in the Federal Government's projections. This could be put down to the implicit assumptions concerning migration which the European Commission applies, whereby an abrupt drop in the currently high upsurge in migration is expected from 2017 onwards. In contrast, the Federal Government's technical assumption is of a regular decline in positive net migration. As a result, the anticipated potential output for 2017 through to 2019 is also slightly higher than that projected by the European Commission.

Conclusion

51. The European Commission's in-depth review demonstrates that the reasons for Germany's current account surplus are complex and varied, and include demographic developments, the success of German business enterprises in foreign markets and the high level of investments made by German businesses abroad. The Federal Government agrees with the European Commission that the priority must now be to continue to strengthen domestic economic dynamics and therefore the growth potential of the German economy. Important steps towards strengthening public and private investment have been taken in recent months and more will follow.

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

53. At its meeting on 26/27 June 2014, the Council of the European Union discussed new country-specific recommendations for Germany and for the other member states for the 2014–2015 period and finally adopted them on 8 July 2014. These recommendations were based primarily on the European Commission's assessment of the reform efforts of the member states within the context of the 2014 European Semester.

54. The Federal Government has always been committed to the resolute implementation of the country-specific recommendations. 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. 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 2014/2015.

A. Public finances and the sustainability of the social security system

“The Council of the European Union recommends that Germany should take action within the period 2014–2015 to:

1. Pursue growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective continues to be adhered to throughout the period covered by the Stability Programme and that the general government debt ratio remains on a sustained downward path. In particular, use the available scope for increased and more efficient public investment in infrastructure, education and research. Improve the efficiency of the tax system, in particular by broadening the tax base, in particular on consumption, by reassessing the municipal real estate tax base, by improving the tax administration and by reviewing the local trade tax, also with a view to foster private investment. Make additional efforts to increase the cost-effectiveness of public spending on healthcare and long-term care. Ensure the sustain-



ability of the public pension system by (i) changing the financing of new non-insurance/extraneous benefits ('Mütterrente') to funding from tax revenues, also in order to avoid a further increase of social security contributions, (ii) increasing incentives for later retirement, and (iii) increasing the coverage in second and third pillar pension schemes. Complete the implementation of the debt brake consistently across all Länder, ensuring that monitoring procedures and correction mechanisms are timely and relevant. Improve the design of fiscal relations between the Federation, Länder and municipalities also with a view to ensuring adequate public investment at all levels of government;”

Continuing a sound, pro-growth fiscal policy

55. Germany will continue its successful policy of fiscal consolidation. In 2014, the overall public sector achieved a slight surplus (according to national accounts definition) for the third year in succession. The overall financial surplus amounted to 0.6% of gross domestic product in 2014; there was also a structural surplus. This year, the public-sector budget will also be close-to-balance and achieve a slight structural surplus. This means that Germany is continuing to consistently comply with the deficit limits stipulated at European level.

56. In addition to the improved financing balances of the Länder and municipalities, the federal budget is playing a major role in the positive development of public finances. A nominal balanced budget without net new borrowing was achieved as early as 2014 – a year ahead of schedule. The Federal Government's sound, pro-growth fiscal policy is also reflected in its fiscal planning, which is continued without any new borrowing. At the same time, the Federal Government will continue to clearly prioritise on the expenditure side and increase investment in education, research and infrastructure (cf. Table I, No. 1).

57. In line with European requirements and the explicit recommendation of the Council, the general government debt ratio is also on a sustained downward path. The reduction in the debt ratio from 79.0% in 2012 to 76.9% in 2013 has continued in 2014 and 2015. At the start of the legislative term, the Federal Government declared its goal to reduce the debt ratio to less than 60% of GDP within ten

years in order to also be equipped for the Stability and Growth Pact over the long term. As a key prerequisite for this, the success of the consolidation policy must be made permanent. To this end, the medium-term budgetary objective will be maintained with a safety margin. The goal of bringing the debt ratio below 70% by 2017 is expected to be achieved as early as 2016 (cf. Euro Plus Pact Action Programme).

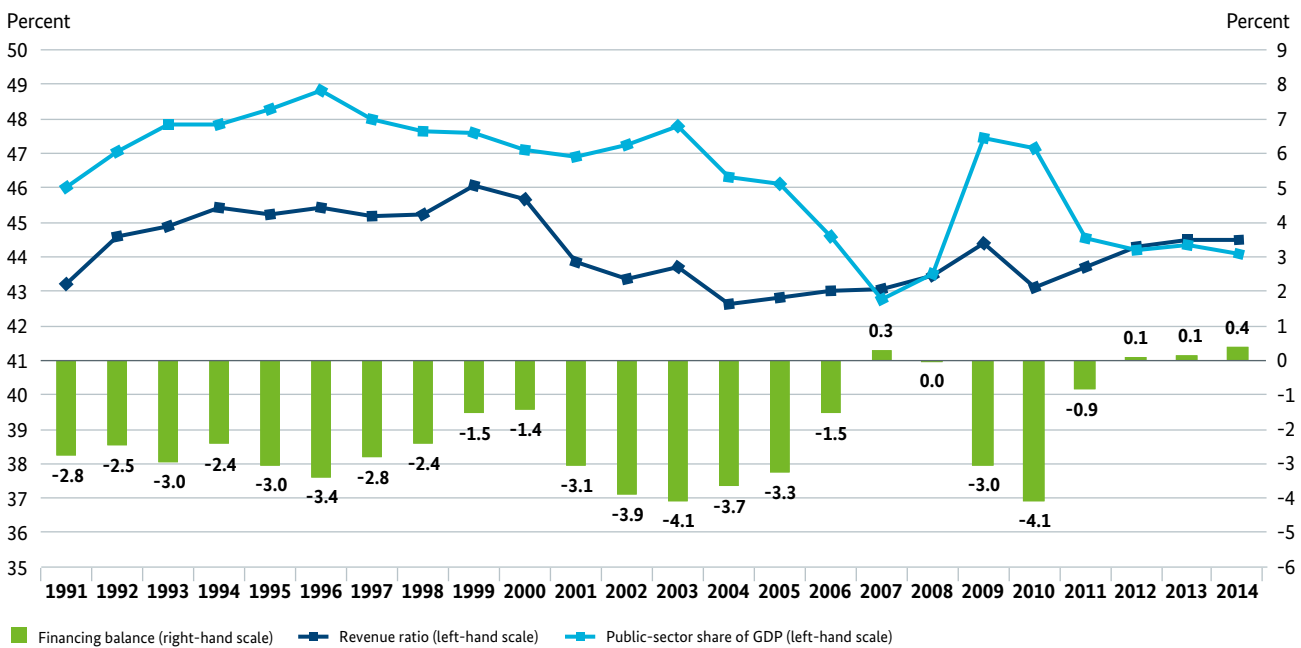
Using the available scope for increased and more efficient public investment

58. One of the main goals of the Federal Government for the next few years is to boost investment dynamism in Germany. In addition to improving the framework for private investment, the overriding priority is also to boost the funding of the maintenance and expansion of public infrastructure in a targeted fashion without veering from the path of pro-growth fiscal consolidation. One focus here is to be on efficient transport routes and municipal infrastructure. To this end, the Federal Government is also

examining to what extent possibilities for private-sector finance can be sensibly integrated.

59. In order to increase public-sector spending on investment, the Federal Government’s budget planning is providing an important stimulus for broadband and transport infrastructure, and also in the field of education, science and innovation (cf. Sections III.Band III.C). Up to 2017, it is providing an additional €5 billion in total for the transport infrastructure. At the same time, the user-based funding of road traffic will be extended, with a broadening of the HGV toll and an infrastructure levy for passenger cars. The revenues from the auctioning of spectrum will be used for the nationwide broadband infrastructure rollout offering at least 50 Mbit/s by 2018 and to provide additional incentives for the necessary investments. In this legislative term the Federal Government will invest an additional €9 billion in total in education and research. Of this amount, the Federation will be providing an additional €3 billion for research and development, and the remaining €6 billion are intended to provide relief to the *Länder* and municipalities so they can better respond to the challenges they face in the

Figure 3: Expenditure, revenues and Maastricht financing balance for the state (in percent 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 9.3 % of GDP
 2000: Excluding UMTS revenues. Including this effect, the public-sector budget generated a surplus of 1.0 % of GDP.

funding of early childhood education, school education and institutions of higher education.⁶ In this way, the Federal Government is significantly lowering the burden on the Länder and the municipalities, and thus boosting their scope for investment. From 2016–2018, it will once again provide further funding, totalling €10 billion, for public-sector investment. Of this amount, a total of €7 billion is to be used for additional investment, including the public transport infrastructure, flood control, measures to increase energy efficiency, the digital infrastructure, climate protection and the promotion of urban development. The departments are to receive €3 billion for future-oriented spending. The amount they receive will be commensurate with their contribution up to now towards counter-financing the childcare allowance (*Betreuungsgeld*).

60. Further to this, the Federation will set up a special fund this year with the aim of supporting investment in financially weak municipalities and associations of municipalities. The Federation intends to direct a total of €3.5 billion into this special fund which is to provide funding for projects that have started by the end of 2018. In addition, the Federation will provide an additional €1.5 billion – on top of the €1 billion already designated – to the municipalities in 2017 to give them latitude for additional investment. In this way, an additional €5 billion will be made available to the municipalities in the next few years and the Federation's municipality-friendly policy will be continued. The investment initiative of the Federation must not call into question the goal of achieving a balanced federal budget without any new borrowing.

61. Not least, the Federal Government welcomes the European Investment Offensive. To support this Offensive, Germany will share, inter alia, in the financing of projects and in investment platforms through the *Kreditanstalt für Wiederaufbau* (KfW) – Germany's state-owned development bank – with a contribution anticipated to be in the region of roughly €8 billion. To this end, the KfW will work with the European Fund for Strategic Investments (EFSI) as proposed by the European Commission.

Improving the efficiency of the tax system

62. Overall, German tax law is modern and competitive. The continued development and adaptation of tax legislation to bring it into line with the needs of a modern society in a globalised world ensures favourable conditions for the economy (cf. Table I, Nos. 2, 3, 4 and 5). In further developing aspects of tax law a focus will be on taking 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.

63. New technical and economic conditions, a changing global environment, demographic developments in society and the human resources available in fiscal administration increasingly influence the taxation procedure. In order to improve the efficiency of the tax system, the Federal Government and the Länder recognise the need to restructure and modernise processes in fiscal administration (cf. Table, No. 6). The aim is to increase the scope of electronic communication with the fiscal administration and largely waive the compulsory provision of paper documentation when filing a tax return. Furthermore, the automatic processing of tax returns on the basis of objective risk attributes is to be strengthened to also ensure the consistent and efficient collection of taxes in the future. All those involved should equally benefit from the opportunities afforded by a more targeted use of resources. In addition, the Federal Government is also examining the further development of tax procedural law towards a self-assessment procedure, starting with corporation tax.

64. An efficient taxation system must still ensure that no-one can avoid his obligation to pay taxes at the expense of society in general. The fight against the shifting of profits across borders by companies which operate internationally is a central objective of taxation policy in the current legislative term. Therefore the Federal Government is actively working with its G20 partners for the development of international standards within the framework of the OECD "Base Erosion and Profit Shifting" project (BEPS).

65. There is consensus on the need to reform land tax. The primary objective of the reform is the creation of a modern

⁶ With regard to the structure of the *Länder* budgets it is important to also underline the prioritisation: While the share of educational spending in total *Länder* spending still stood at 32.2% in 2005, 35.7% was spent on education on average in 2011.

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, particularly with regard to the assessment basis.

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

66. The statutory health insurance system (SHI) and the social long-term care insurance system are on a sound financial basis. The Act to Further Develop the Financial Structure and Quality of the Statutory Health Insurance System which entered into force on 1 January 2015 puts the finances of the SHI on a viable basis and strengthens competition in terms of price and quality in the interests of the members (cf. Table I, Nos. 7 and 10). With the reduction of the general contribution rate from 15.5% to 14.6% and the introduction of the possibility for health funds to levy individual, income-based additional contributions, the autonomy of the health insurance funds with regard to contributions has been increased. In order to remain attractive for members, the health insurance funds must endeavour to deliver high-quality health care services and limit the amount of the additional contribution rate by making efficient use of resources.

67. The establishment of an Institute for Quality Assurance and Transparency in the healthcare sector, as specified in the Act to Further Develop the Financial Structure and Quality of the Statutory Health Insurance System, strengthens competition in terms of quality in the statutory health insurance system. The aim is for patients to have a set of transparent criteria which they can use to ascertain which specific hospitals offer the best quality for a specific treatment, for instance. Over the medium to long term, a better quality of service leads to the more efficient use of resources. Better in-patient treatment, in turn, will mean fewer complications and re-admissions, and thereby less subsequent expenditure.

68. In terms of the provision of long-term care, the cost efficiency of expenditure can be improved particularly by strengthening out-patient services for those in need of

care. More support for home-based care is therefore a priority of the statutory improvements in benefits brought about by the First Act to Strengthen Long-Term Care (cf. Table I, No. 11) which entered into force on 1 January 2015. Care at home is strengthened, for example, by expanding the framework of possibilities to claim respite care and short-time care and making this framework more flexible, and by fully granting day care and night care in addition to out-patient benefits in cash and in kind. In addition, low-threshold assistance services are complemented by respite services. These services will be available to all those in need of care and not only to insured parties with a considerably limited ability to cope in everyday life. Furthermore, the maximum amounts for measures to improve the individual's living environment and for the use of certain nursing aids have been increased significantly. The care services in care facilities are improved in that in-patient care facilities will in future be able to hire more care staff and the services will be extended to all those in need of care.

69. The Federal Government, in tandem with the Länder, presented key parameters of a hospital reform at the start of December. The aim is to boost the efficiency of hospital care – ranging from nationwide care provision right through to high-end medical care – by ensuring the targeted use of resources. Important goals include strengthening quality as a criterion when it comes to hospital planning and the remuneration of services, and establishing a nursing home promotion programme and a structural fund in order to promote the reduction of excess capacity and the specialisation and concentration of hospital centres. The key parameters are to be implemented in legislation and regulations this year. With regard to out-patient health care provision, the care provision structures are to be further improved for those insured under the SHI system through the Act to Strengthen Care Provision in the Statutory Health Insurance System which was adopted by the Cabinet on 17 December 2014 and is set to enter into force mid-2015.

70. Sufficient, motivated staff are needed if we are to guarantee the provision of high-quality care. Therefore, the Federal Government intends to make careers in the health care and nursing profession more appealing to potential workers. A Caring Professions Act is to incorporate the current vocational training programmes for “elder care,” “nursing and health care”, and “nursing and paediatric care” into a new, general and standardised nursing training programme

(cf. Table I, No. 12 and 13). The measures already implemented will be developed further.

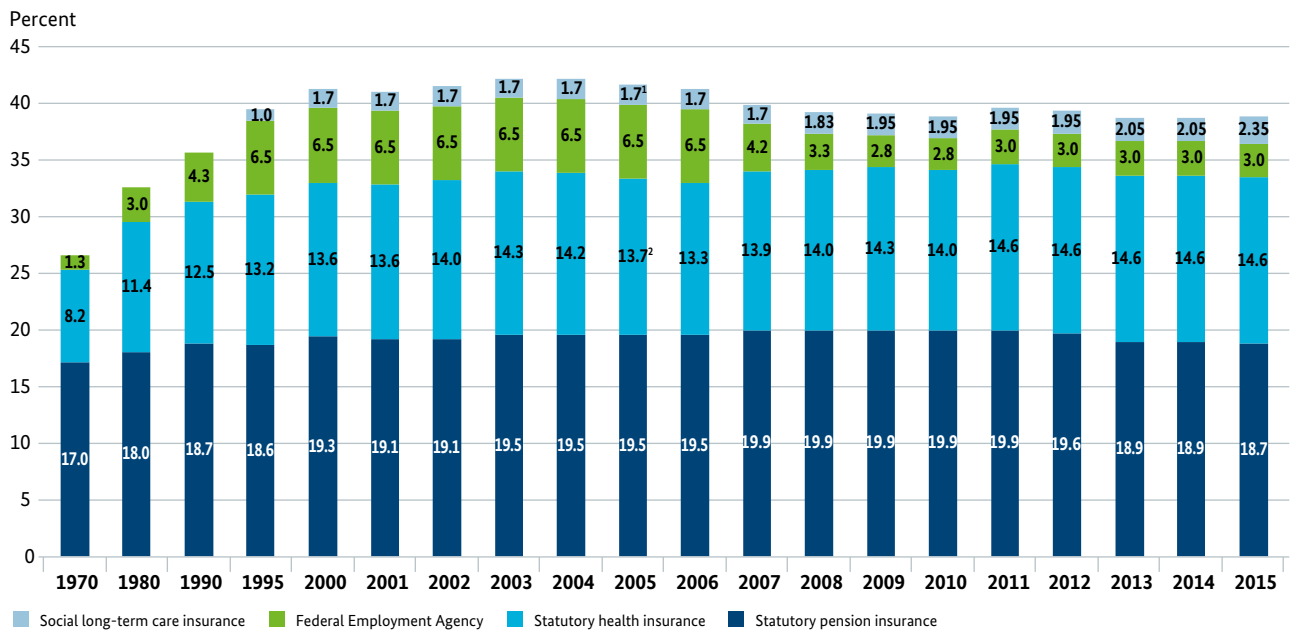
Ensuring the sustainability of the public pension system

71. Through far-reaching reforms in the past, the Federal Government has done much to ensure the financial sustainability of the statutory pension insurance system. The general retirement age in Germany is already over 65 today and is therefore at a level matched only by a small number of member states. It will continue to be gradually increased to 67. The development in the labour participation of older workers has proved exceptionally dynamic in recent years under this policy. Since 2000, the labour participation rate of 55–64 year-olds has increased more in Germany than in all other EU countries. Standing at around 20% in 2000, the participation rate for the 60–64 age bracket has since exceeded the 50% mark and had reached 53% in the third quarter of 2014. This development also has a positive impact on the pension forecasts of the EU’s Ageing Working Group. According to the projections, the spending from the 2014 pension package, which was introduced as part of

the reforms, will be more than compensated for on the whole by the improved overall situation of the statutory pension insurance system (due to the higher participation rates of older workers, among other things). As a result, the share of pension spending in the GDP will be even 0.3 percentage points less than that projected in the 2012 Ageing Report on a long-term basis through to 2060.

72. The Federal Government has closed existing gaps affecting the fairness of the statutory pension insurance system. The pensions of parents whose children were born before 1992 are being increased, thereby giving greater recognition to their child-raising work (cf. Table I, No. 14). Furthermore, improvements have been introduced to the pension system for people who have been insured for a particularly long period of time. If conditions are met, these improvements temporarily allow individuals to enter retirement from age 63 without any deduction in their pension payments. The pension package is financed by contributions and tax money. In funding the pension package, the Federal Government made sure that the pension insurance system is on a firm financial footing and that contributors will not be overburdened in the long term. Starting in 2019, the

Figure 4: Annual average contribution rates to welfare insurance as percentage of gross wages and salaries liable for welfare contributions



¹ Excluding the additional contribution of rate 0.25 percent paid by childless individuals since 1 January 2005
² Average annual contribution rate without considering the member-specific contribution of 0.9 percent (this specific contribution was conceived as an additional contribution rate from 1 July 2005 to 31 December 2014)

Source: Federal Ministry of Labour and Social Affairs, Status: January 2015

Federation will make an additional contribution to financing the pension package through a discretionary, gradual increase in the general federal subsidy in four stages with around €0.5 billion per stage, with the result that additional federal funding amounting to roughly €2 billion will be available annually on a permanent basis from 2022 onwards.

73. Despite the increase in benefits as a result of the Act to Improve Benefits under the Pension Insurance System, the solid financial foundation of the pension insurance system has meant that the contribution rate could be reduced by a further 0.2 percentage points to 18.7 percent on 1 January 2015, having already been reduced twice previously in 2012 and 2013. (cf. Item 43). Current calculations suggest that it will stay at this level until 2018 (cf. Item 82). According to the 2014 Pension Insurance Report, the contribution rate will remain below 20% until 2020 and below 22% until 2030, thereby staying within the contribution rate ceilings set down by law.

74. The gradual increase in the retirement age to 67 factors in longer life expectancy and demographic change. Not least due to the increasing demand for skilled labour, the aim is to make it more attractive for employees in good health to remain in work for as long as possible. The pension package from 2014 enables the parties to employment contracts to reach agreement within an existing contract on delaying – even repeatedly – a termination of the contract which had been agreed for the reaching of the normal retirement age. In order to give greater support to working patterns that fit in with other aspects of life, a working group of the political groups is currently looking into possibilities for a more flexible transition from work to retirement.

75. As demographics change, the system of old-age security is more stable if it is based on several strong pillars. Company pension schemes must also be a given for workers at small- and medium-sized enterprises. The Federal Government therefore wants to create the framework to ensure that company pensions become a common feature even among small business enterprises. To this end, the Federal Government is examining to what extent it is possible to remove barriers for small- and medium-sized businesses.

Implementing the debt brake in the Länder, restructuring federal fiscal relations and strengthening investment

76. Together with the fiscal rules also 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 the Stability and Growth Pact. The debt brake also applies directly to the *Länder* (cf. NRP 2014, Item 53 ff.).

77. The specific implementing provisions for the constitutional debt brake are subject to implementation under *Land* law. The *Länder* have made use of this to varying degrees so far. Absent *Land*-specific implementation, the *Länder* are subject to a ban on any new borrowing, without exception, from the 2020 fiscal year onwards. In light of this, the criticism expressed by the European Commission in the Country Report⁷ appears unfounded.

78. As of 31 December 2019, the rules on fiscal equalisation in Germany – the Standards Act and the Financial Equalisation Act – will cease to apply. This also means that the rules on the distribution of the funding from Solidarity Pact II will expire. It is therefore necessary to restructure federal-*Länder* fiscal relations in good time. The Federal Government aims to arrive at a result during this legislative term which meets the interests of the Federation and the *Länder* and which strengthens federalism in general. The talks held between the Federation and the *Länder* will focus on both the vertical fiscal relations between the Federation and the *Länder*, and the horizontal fiscal relations among the *Länder* themselves.

79. As already mentioned (cf. Item 59ff.), the Federal Government is providing relief totalling roughly €10 billion to the *Länder* and municipalities in this legislative term in a range of areas including child care, schools and third-level institutions, immigration and urban development. In addition, the Federation is prepared to provide a total of €1 billion in relief to the *Länder* and municipalities in 2015 and 2016 for the accommodation of refugees. Further to this, the municipalities will receive an additional €5 billion in support to make necessary investments in their infrastructure (cf. Item 60) and for 2015 and 2016 the Federation will support them with €1 billion in total for the accommodation of refugees. Lastly, the municipalities are to

⁷ Country Report for Germany, version dated 26 February 2015.

receive a further €5 billion in relief annually from 2018 onwards. By taking these measures, the Federal Government is helping to improve the investment capacity of the *Länder* and of municipalities in particular.

B. Labour market and labour force participation

“The Council of the European Union recommends that Germany should take action within the period 2014–2015 to:

2. Improve conditions that further support domestic demand, inter alia by reducing high taxes and social security contributions, especially for low-wage earners. When implementing the general minimum wage, monitor its impact on employment. Improve the employability of workers by further raising the educational achievement of disadvantaged people and by implementing more ambitious activation and integration measures in the labour market, especially for the long-term unemployed. Take measures to reduce fiscal disincentives to work, in particular for second earners, and facilitate the transition from mini-jobs to forms of employment subject to full mandatory social security contributions. Address regional shortages in the availability of fulltime childcare facilities and all-day schools while improving their overall educational quality;”

Reducing the tax and contribution burden particularly for low-wage earners

80. On 28 January 2015, the Federal Government adopted the report on the level of the tax-exempt subsistence minimum for adults and children for 2016 (Tenth Report on the Subsistence Minimum⁸). In line with the findings of the Tenth Report on the Subsistence Minimum, the Federal Government will swiftly implement the necessary increases to the basic allowance and the tax-free child allowance.

In its Country Report⁹, the European Commission argues that it does not consider these increases to be new political measures in its assessment of the implementation of the country-specific recommendations as they are based on existing legislation. This is not warranted in the Federal

Government's opinion. For one, decisions concerning specific steps to adjust the basic allowance and other changes to the income tax scale are the responsibility of the legislator. In addition, measures that are based on legal requirements or supreme court judgements, i. e. suitable framework conditions, should also be included in the assessment. Increases in the basic allowance also benefit low-wage earners in particular. Overall, the measures planned by the Federal Government constitute an important contribution to the implementation of the country-specific recommendations.

In addition, the Federal Government will increase the child benefit and improve the supplementary child allowance for low-income families (cf. Table I, No. 15). Furthermore, in the coalition agreement the coalition partners that form the Federal Government agreed to increase the relief amount for single parents and grade it based on the number of children. The raising of the relief amount for single parents is currently being examined.

81. The Federal Government wants to create the fiscal and policy framework to relieve individuals of the effects of fiscal drag in this legislative term. This will also increase net income and create scope for more consumer spending and investment.

82. With the contribution rate in the statutory pension insurance system cut to 18.7% on 1 January 2015, employers and employees each receive annual relief of roughly €1 billion (cf. Item 73f.). Compared with 2011 when the rate stood at 19.9%, the contribution rate has therefore been reduced for the third time – by 1.2 percentage points in total – and is currently at the lowest level since 1995.

83. On account of reforms, the rate of contribution for social long-term care insurance was increased by 0.3 percentage points. The general contribution in statutory health insurance was reduced by 0.9 percentage points to 14.6% with effect from 1 January 2015 (cf. Item 66 ff., Table I, No. 7 and 11 and the “2015 Strategic Social Report”, Sections 5 and 6). At the same time, the health funds have received the possibility to levy individual, income-based additional contributions. At 14.4% at the start of 2015, the average overall contribution rates was slightly less than that of last year.

8 cf. Bundestag document 18/3893.

9 Country Report for Germany, version dated 26 February 2015.

84. The German system of tax and social contributions is competitive and balanced overall. The Federal Government organises the social security systems and the tax system such that the insured continue to receive high-quality, appropriate social benefits should the need arise, while also guaranteeing the sustainability of the social security systems and public finances, providing incentives for decent and fair work, facilitating participation and preventing poverty.

The Federal Government takes a differentiated view with regard to the simple demand to lower taxes and contributions particularly for low-wage earners. While positive employment effects may be associated with a reduction in non-wage labour costs, a one-sided reduction in social security contributions could also result in a lower level of social protection for low-wage earners.

Monitoring the impact of the minimum wage on employment

85. A general statutory gross minimum wage of €8.50 per hour has been in place in Germany since 1 January 2015 (cf. Table I, No. 16). Every two years, an independent minimum wage board of social partners will review the minimum wage amount and decide whether it requires adjustment. The first review will take place in June 2016 and have effect from 1 January 2017. Under the terms of the Minimum Wage Act, the board is required to give due attention to appropriate minimum worker protection, fair and functioning competitive conditions and likely impact on employment. In addition, the minimum wage board will continuously evaluate the impact of the minimum wage and present its findings to the Federal Government, along with its decision, in a report every two years. The data required for this evaluation have been improved.

Raising the educational achievement of disadvantaged people

86. It is the goal of the Federation and the Länder to improve opportunities for participation through education and continue to secure the supply of skilled labour at the same time (cf. Sections III.A and III.C).¹⁰ Measures already taken to raise the educational achievement of disadvantaged persons are beginning to bear fruit: the percentage of school-leavers without a school-leaving qualification dropped from 8% to 5.7% between 2006 and 2013. The share of young adults without an adequate vocational qualification is also trending downwards, dropping from roughly 17% in 2006 to roughly 15% in 2012).

Overall the participation in learning of teenagers and young adults from a migrant background in the 16-30 bracket has increased since 2005. While in 2005 the rate of participation in learning for this group was significantly below that of individuals not from a migrant background, following an increase of more than 4 percentage points it is now slightly above it. An increase of even roughly 13 percentage points could be reported for individuals from a Turkish background. The percentage of individuals from a Turkish background enrolling at a third-level institution has doubled from 4.2% to 8.4%.¹¹ The percentage of pupils of foreign nationality leaving school with a higher education entrance qualification also rose significantly during this period.

87. The Federation and the Länder specifically support the skills development of young people (cf. Table I, Nos. 17, 18, 19, 20, 21, 22, 23, 24 and 25 and the “2015 Strategic Social Report”, Section 3). Further to this, the Federal Government wishes to facilitate the successful integration into training and working life for lower-attaining young people through youth social work services and career start coaches and to strengthen the preventive approach of career counselling and career guidance. At the same time, the Federal Government and the Länder are taking comprehensive measures to improve educational opportunities and integration of people from migrant backgrounds (cf. Table I, Nos. 26, 27 and 28). Numerous Länder are actively involved in scholar-

10 See the report on “Advancement through Education – the Skills Development Initiative for Germany in 2014” which the heads of government of the Federation and the Länder took note of in December 2014 and which provides information on progress towards the implementation of education measures agreed by the Federation and the Länder in 2008. Furthermore, the “Education in Germany 2014” report was presented in June 2014 by the educational reporting authoring group.

11 cf. “Education in Germany 2014”, P. 38.

ship programmes for migrants. At this stage, practically all the *Länder* have introduced the “START” programme that provides scholarship programmes for dedicated and talented young migrants. Further to this, the Federal Government and the *Länder* are together promoting better teacher education and training (cf. Table I, No. 29).

More ambitious activation and integration measures

88. Recently, the long-term unemployed have not benefited as much as others from the good development on the labour market. For this reason, the continued battle against long-term unemployment – also via preventive action – is a priority aspect of labour market policy for the Federal Government and the *Länder* (cf. Section 141 and Table I, Nos. 30, 31 and 32). It remains the case that not enough long-term unemployed people manage to enter the primary labour market. With the aid of a federal programme partly financed through the European Social Fund, skill development measures for job-seekers are supported, wage subsidies are granted and intensive coaching services are provided once the individual has taken up employment (cf. Item 157 and Table I, No. 33).

89. Further to this, the Federal Government also intends to make the legal procedures surrounding basic welfare benefits for job-seekers as defined in Book II of the Social Code more transparent, and optimise administrative processes while also relieving the burden on administration and social courts (cf. Table I, No. 34). In addition, the priority is also to gain a better understanding of the causes of long-term unemployment in order to strengthen long-term prevention in the future and take more targeted measures to guard against long-term unemployment. This starts with opportunities for education and participation in childhood.

90. The Federal Government also intends to ease the transition from marginal employment to regular employment subject to social security contributions. Individuals in marginal employment should be better informed of their rights.

Removing disincentives for second earners and improving childcare facilities

91. The Federal Government is providing specific work incentives for second earners, particularly for mothers and fathers (cf. NRP 2014, Item 83 f.). It continues to improve the conditions for parents to combine family and career commitments and in doing so not only contributes to securing equal opportunities but also to activating additional potential skilled labour for business enterprises. For example, with the *Elterngeld Plus* parental allowance, the Federal Government helps young parents to hold down a part-time job and therefore return to work earlier (cf. Table I, Nos. 35, 36 and 37). Further to this, the Federal Government will simplify the marginal burden, or *Faktorverfahren*, and thereby strengthen acceptance for it.

92. High-quality childcare that is aligned with needs also makes a serious contribution to reconciling family and work commitments and increases children's educational opportunities and scope for participation. Therefore the Federal Government is providing a total of €5.95 billion in support to the *Länder* and municipalities for the expansion of child care facilities for children under three. Starting in 2015, it will provide €845 million annually towards ongoing operating costs of child day care, as well as an additional €100 million each year for 2017 and 2018 (cf. Table I, No. 38). Furthermore, in order to make it easier to combine long-term care with working life, the Federal Government has improved the possibilities – including financial support – for employees to be fully or partially released from work in order to provide care to family members (cf. Table I, No. 39).

93. The *Länder* have jointly developed a skill-centric qualification profile for educators in college training which qualifies the individual to work in a range of social and educational fields (cf. Table I, No. 39), including childcare facilities, working with children and youths, and educational assistance and youth work in school. Particular importance is attached to early childhood speech and language development in the education and training of educators.

94. The *Länder* are making considerable efforts to push ahead with the systematic development and expansion of all-day school facilities (cf. 2014 NRP 2014, Item 86 and Table I, No. 41). By linking tuition and extracurricular education and by collaborating with non-school partners in

the field of sport, cultural education and child and youth welfare it is possible to provide better individual support for children and young people and enhance their skills. In future, the priority will be to increase the quality of all-day facilities to better leverage their potential. In 2013/2014, 58.8%¹² of all general-education primary and lower-secondary schools offered all-day facilities (secondary general (Hauptschule): 67.9%; schools with multiple educational pathways: 76.9%; special schools: 67.3%). The number of administrative units with all-day facilities has increased from 13,381 in 2009 to 16,198 in 2013, and the percentage of pupils attending all-day general-education primary and lower-secondary schools stood at 35.8% in 2013.

C. Energy

“The Council of the European Union recommends that Germany should take action within the period 2014–2015 to:

3. Keep the overall costs of transforming the energy system to a minimum. In particular, monitor the impact of the Renewable Energy Act reform on the cost-effectiveness of the support system for renewable energies. Reinforce efforts to accelerate the expansion of the national and cross-border electricity and gas networks. Step up close energy policy coordination with neighbouring countries;”

Keeping the overall costs of the energy transition to a minimum

95. As it implements the energy transition, the Federal Government aims to bring affordability, security and environmental compatibility of the energy supply into line. It is crucial that supply security is guaranteed at all times and that energy prices remain affordable so that the implementation does not put broad public acceptance at risk and result in disadvantages for energy-intensive industries facing international competition, the rest of the economy, and private households.

96. The Federal Government’s reform of the Renewable Energy Sources Act (*EEG*), which entered into force in August 2014, has placed the further expansion of renew-

able energy sources on a viable basis. The other key energy policy projects for this legislative term have been brought together as a 10-point Energy Agenda. The measures are coordinated in terms of timing and substance so that the energy transition can be rolled out in a methodical and efficient manner.

Monitoring the impact of the Renewable Energy Sources Act

97. The reform of the Renewable Energy Sources Act (cf. Table I, Nos. 42 and 43) was the necessary first step towards a continued successful implementation of the energy transition. By adopting the 2014 Renewable Energy Sources Act, the Federal Government has ensured that the future expansion of renewables will be steered in a methodical manner along a prescribed expansion corridor and concentrated on the cheaper technologies, that the renewables will be brought closer to the market, and that the financial burden of their funding will be distributed better. Starting from a 25%-plus share of renewables in power generation, the future expansion will become more methodical and predictable due to the prescribed corridor and will be focussed on low-cost technologies, namely onshore wind and photovoltaics. To further the integration of electricity from renewable sources in the market, operators of new wind, solar, biomass and other installations will have to sell their electricity on the market themselves, and in doing so will receive support in the form of a market premium. This market premium compensates for the difference between the feed-in tariff and the average electricity price on the exchange. At the same time, operators of such installations are incentivized to align more to the electricity price on the exchange and therefore demand. The plant operators that best respond to market signals will be the most successful. The prescribed expansion corridor creates the conditions to link up the growth in renewables better with the overall system. By adapting the Special Equalisation Scheme and the related increase in the required ratio of electricity costs to gross value added from 14% to 16%, the reform of the Renewable Energy Sources Act has already reduced prices in the short term. Furthermore, from 2017 onwards the level of support will be determined competitively by auction in order to implement the most cost-effective projects for a particular technology. Starting in 2015, pilot auctions

¹² Last year’s publication incorrectly cited 62.9% as the value for 2012. The correct value is 54.3%.

for ground-mounted photovoltaic installations will help gather the necessary experience with this new instrument. The Federal Government has adopted the Ground-mounted PV Auction Ordinance to this end (cf. Table I, No.44).

Accelerating the expansion of the electricity and gas networks

98. Modern electricity networks that are aligned with needs are the cornerstone of a successful energy transition (cf. Table I, Nos. 45 and 46). With the Grid Expansion Acceleration Act and the Federal Requirement Plan Act, the Federal Government has provided the framework for a methodical and accelerated expansion of the transmission grids. At the same time, the 2014 Renewable Energy Sources Act has extended the possibilities for partial underground cabling on all the “electricity highways” (direct current ultra-high transmission lines). In addition, the possibilities of partial underground cabling pilot projects are to be increased to a moderate extent (cf. Table I, No. 45). This will make it possible to gather additional technology experience with the use of underground cables. The formal procedures for federal planning of the expansion of the transmission grids have been set in motion for three out of 36 projects. Also, the electricity grid planning will be continued in the form of regular grid development plans. The Federal Requirement Plan Act will be updated on the basis of the 2015 Grid Development Plan in 2016 as scheduled. If the energy transition is to be a success, all political stakeholders will need to continue to give stable backing to the expansion of the power grid. Dialog with the public and fair compensation for the impairment of real estate are also important elements for public acceptance of the grid expansion.

99. Increased investment will also be needed in the distribution grids in the coming years (cf. Table I, Nos. 47 and 48). In order to make these grids fit for the energy transition, the Federal Government will present a revision of the Incentive Regulation Ordinance in the spring and invite comments on it. The draft ordinance is then to be adopted in the summer. The aim is to make the rules governing the distribution grids more investment-friendly – also with a view to investment in smart technologies and grids – whilst keeping an eye on the affordability of electricity. The investments will be refinanced via the grid fees and thus via the consumers. The distribution system operators can be affected to differing degrees. The system of grid fees will be reviewed to ensure that it meets the needs of the energy

transition, enables greater flexibility and distributes the burden of financing the grid infrastructure fairly.

100. The Federal will continue with the swift expansion of the gas networks. The priority in the case of gas networks is on better physical connections with the EU member states and access to LNG terminals.

Stepping up energy policy coordination with neighbouring countries

101. 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. For example, as a member of the Pentalateral Forum the Federal Government is actively involved in the continued development of the European internal energy market. With regard to renewable energy, the Federal Government’s activities include closely overseeing the work of “Concerted Action,” a forum established by the European Commission to implement Directive 2009/28/EC to Promote the Use of Energy from Renewable Sources. These committees and meetings provide the platform to discuss general questions on energy policy and special issues with neighbouring countries, often at a senior level. Furthermore, coordination is also on the basis of existing European instruments, such as participation in Cross-border Strategic Environmental Assessments during grid expansion, for instance.

102. At the international level the Federal Government communicates German energy policy and advocates a switch to a more sustainable energy system that links economic performance with environmental protection and social responsibility. As part of its work in international fora such as the International Renewable Energy Agency (IRENA) and the International Energy Agency (IEA), Germany closely coordinates action with the other EU member states.

103. In addition, since the summer of 2014 three conferences have already been held with Germany’s electricity neighbours (neighbouring countries as well as Norway, Sweden and Italy) to discuss the implications of Germany’s energy transition and the need for continued development in the European electricity market.

104. The 2014 Renewable Energy Sources Act created the opportunity for the first time ever to open up auctions for installations located in another European Union member state: from 2017 onwards, auctions are to be opened up to pan-European competition to a degree of at least 5% of the newly installed capacity each year. As a prerequisite for support, there must be a cooperation agreement under international law with the member state, the principle of reciprocity must apply, and the electricity must be physically imported. The specific form is to be defined within the framework of an ordinance. The Federal Government is actively involved in talks with other member states in order to implement cooperation of this kind.

D. Competition

“The Council of the European Union recommends that Germany should take action within the period 2014–2015 to:

4. Take more ambitious measures to further stimulate competition in the services sector, including certain professional services, also by reviewing existing regulatory approaches and converging towards best practices across Länder. Identify the reasons behind the low value of public contracts open to procurement under EU legislation. Increase efforts to remove unjustified planning regulations which restrict new entries in the retail sector. Take action to remove the remaining barriers to competition in the railway markets. Pursue consolidation efforts in the Landesbanken sector, including by improving the governance framework.”

Action to further stimulate competition in the services sector

105. For the Federal Government, strengthening the internal market for services is an important goal that contributes to greater competitiveness and better structural framework conditions for investment. However, in the Federal Government's opinion, it should still be possible to retain justified and appropriate regulations which, for example, guarantee the quality of a service or training places, ensure adequate consumer protection, serve a social or health purpose, or ensure freedom to exercise a profession independently. Currently the Federal Government is examining – inter alia within the context of the Transpar-

ency Initiative at EU level – whether the applicable regulations fulfil these purposes or whether other measures could achieve this goal in a better or more efficient manner. In doing so, the Federal Government will also consider the questions raised by the European Commission in the pilot process which was launched on 5 December 2014. The *Länder* will also be included.

Public procurement

106. Up to now, Germany has not had nationwide statistics on the public procurement system. Therefore there is no solid evidence of the average volume of advertised contracts or the volume of contracts announced across Europe. The Federal Government has therefore commissioned a research project entitled “Public procurement statistics in Germany – fundamentals and methodology” to develop the foundations for public procurement statistics by the end of 2015. Given that the database must first be set up and data entered, valid statistics cannot be generated before 2017.

107. 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 (cf. NRP 2014, Item 101 f.).

108. Further to this, the Federal Government has repeatedly advised the *Länder* and the municipalities – most recently in its communiqué of 9 January 2015 – that the regulations of EU public procurement law regarding the non-application of pan-European competitive bidding negotiation procedures must be interpreted in a strict sense. The transposition of the new EU public procurement guidelines into national law and the discussion held with contracting parties and the business community in this context also provide an opportunity to further sensitise parties to this issue.

New entries in the market in the retail sector

109. 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 (cf. NRP 2014, Item 104). A comparative study into regulations in the retail sector, which was commissioned by the European Commission and uses a low/

medium/high classification system, indicates that procedural barriers in Germany are around the European average.¹³ In April 2015, the Federal Government will open discussions with the parties concerned, i.e. the business sector, associations, municipalities, trade unions and the academic community, on a number of areas including licensing regulations for retail establishment as part of a “Retail Platform for Dialogue”. This platform seeks to identify solutions in order to address the far-reaching structural change in the retail sector, which is characterised, in particular, by the ongoing process of digitisation, new technological developments, increasing online trade, demographic change and changes in consumer behaviour (cf. Table I, No. 49).

Removing barriers to competition in the railway market

110. The share of non-DB AG in the total turnover of railway undertakings in Germany has increased steadily in recent years and stood at 18 % in 2013. However, an analysis of the individual transport service segments presents quite a mixed picture. The market share of competitors in the rail freight sector has risen to 33 % of the tonne-kilometres, and has increased slightly to 19 % of passenger kilometres in the regional rail passenger sector. The market share of competitors operating in the long-distance rail passenger sector is still less than 1 % of passenger kilometres. From an overall standpoint, therefore, there continues to be positive growth in the share of competitors in the railway sector.

This has been primarily achieved through the competitive conditions on the rail markets, which include:

- ▶ The right to the non-discriminatory use of the rail network and service facilities for all railway undertakings domiciled in Germany, as introduced as part of the railway reform
- ▶ The opening-up of the network at the European level for rail freight transport and cross-border rail passenger transport
- ▶ The full implementation, as confirmed by the ECJ, of the requirements of the EU directives under the First Railway Package regarding the independence of the network for key functions (train path allocation and infrastructure charges)
- ▶ Monitoring of non-discriminatory access to the rail infrastructure by the regulatory authority
- ▶ Exercising of the state's responsibility for infrastructure by developing and maintaining an efficient railway infrastructure
- ▶ The transfer of task ownership and fiscal responsibility for regional rail passenger transport to the *Länder* in tandem with the provision of regionalised funds from federal tax revenues for public local passenger transport (pursuant to Article 106a of the German Constitution), constituting an important prerequisite for more competition in regional rail passenger transport through the greater use of non-discriminatory and transparent contract award processes.

111. With the Act to Strengthen Competition in the Rail Sector, the Federal Government will promote competition in the rail markets, provide incentive to boost efficiency and help create a single European market (cf. Table I, No. 50).

Pursuing consolidation efforts in the Landesbanken sector

112. All participating Landesbanken have passed the ECB's asset quality review and stress test.¹⁴ Considering the growing international competition for customers and persistently low interest rates, the Landesbanken – like many other financial institutions in Germany – face major challenges, however. The German lending industry, and therefore also the Landesbanken sector, are in an ongoing process of consolidation.

13 “Workshop on the Legal Study on Retail Establishment through the 28 Member States: Restrictions and Freedom of Establishment” held on December 3 2014 in Brussels at the invitation of the European Commission, DG Internal Market and Services, business to business (E-2); business consulting agency HVG, which was commissioned by the European Commission, presented interim results at the workshop.

14 The following six Landesbanken took part in the test: Bayerische Landesbank, HSH Nordbank, Landesbank Berlin Holding AG, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale, Norddeutsche Landesbank-Girozentrale. Due to its low total assets, the ECB did not consider Landesbank Saar (€17 bn) to be a “significant institute” and it therefore did not take part in the test.

III. Europe 2020 strategy: progress to date and measures

114. The Federal Government is committed to the five headline targets of the *Europe 2020* strategy for smart, sustainable and inclusive growth in Europe. Box 1 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 2014).

115. 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, a wide number of quantitative and, in particular, qualitative factors would need to be considered. 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.

116. 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. It presented a report to the European Commission to this end last autumn. The Federal Government also welcomes the fact that the funding available through the EU Structural Funds, and totalling over €350 billion, will be concentrated even more on areas relevant to growth and employment across Europe in line with the *Europe 2020* strategy. Further to this, the Federal Government is in favour of consistently interlinking cohesion policy with the mechanisms of economic policy coordination, such as the country-specific recommendations.

A. Fostering employment – National Job Plan

117. The German labour market is in good shape. Employment is at a record high. Real net wages and salaries per worker have risen continuously in Germany since 2010. This has spurred on consumer spending, a reliable mainstay of the economy. The increase in employment subject to social security contributions has played a particular role in driving this economic development forward. All the national employment goals of the *Europe 2020* strategy are currently reached (cf. Box 1). However, not all workers have been able to benefit from this positive development up until now. Therefore, the Federal Government has introduced a series of measures to achieve greater participation,

strengthen free collective bargaining and guarantee appropriate working conditions.

118. A general statutory gross minimum wage of €8.50 per hour has been in place in Germany since 1 January 2015 (cf. Item 85 and Table I, No. 16). The minimum wage does not apply for young people under the age of 18 who do not have vocational training so as not to deter them from entering such training. Certain internships are also exempt from the minimum wage rule, such as orientation internships or internships that are part of third-level or vocational training. The minimum wage also does not apply in the first six months of new employment for individuals who were unemployed for at least twelve months previously. Representative parties to collective wage agreements can set collectively agreed pay below the minimum wage for a transitional period if appropriate collective pay agreements are extended by ordinances to the entire industry on the basis of the Posted Workers Act or the Temporary Employment Act.

The minimum wage was adopted as part of the Act to Strengthen Autonomy in Free Collective Bargaining, which also reformed the extension of wage agreements under the Collective Agreements Act to non-contracting parties and extended the Posted Workers Act to all industries. Previously, to extend collective agreements under the Collective Agreements Act to non-contracting parties, employers bound by the agreement had to employ at least 50% of the workers falling within the scope of the agreement. Now specific "public interest" will suffice in the future. The public interest criterion is generally met if the collective wage agreement has become of predominant relevance for the organisation of working conditions. An extension of wage agreements can also be considered if it is needed to correct undesired economic developments.

The amount set for the minimum wage is reasonable with regard to its impact on employment. The Federal Government has structured the minimum wage in such a way that, if possible, no jobs at all will be lost. Experience from industry-specific minimum wages demonstrates that a minimum level of protection is compatible with good developments on the labour market.

119. Forms of employment like the use of temporary workers or work on the basis of contracts for work and services enable many people to participate in working life and permit companies to respond flexibly. However, the Federal

Box 1: 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
1. Foster employment	<ul style="list-style-type: none"> ▶ Employment rate of 75% for people aged 20–64 ▶ Greater participation of young people, older workers, low-skilled workers and migrants 	<ul style="list-style-type: none"> ▶ Employment rate of 77% for people aged 20–64 ▶ Employment rate of 60% for older people aged between 55 and 64 ▶ Employment rate of 73% for women 	<ul style="list-style-type: none"> ▶ Employment rate of 77.3% (2013) or 78.1% (Q3 2014) for people aged 20–64 ▶ Employment rate of 63.6% (2013) or 66.1% (Q3 2014) for older people aged between 55 and 64 ▶ Employment rate of 72.5% (2012) or 73.4% (Q3 2014) for women
2. Improve the conditions for innovation, research and development (R&D)	<ul style="list-style-type: none"> ▶ R&D expenditure of 3% of GDP ▶ Improve the conditions for R&D 	<ul style="list-style-type: none"> ▶ R&D expenditure: 3% of GDP (two-thirds from the private sector and one third from the public sector) ▶ Spending on education and research by 2015: 10% of GDP 	<ul style="list-style-type: none"> ▶ R&D expenditure: 2.9% of GDP (2013), two-thirds from the private sector and one third from the public¹⁵ ▶ Spending on education and research: 9.0% of GDP (2012)
3. Reduce greenhouse gas emissions and increase energy efficiency and energy from renewables	<p>By 2020:</p> <ul style="list-style-type: none"> ▶ Reduce greenhouse gas emissions by 20% (or 30% if applicable) compared to 1990 levels; ▶ Increase the share of renewables in final energy consumption to 20%; ▶ Increase energy efficiency by 20% in relation to forecast development. 	<ul style="list-style-type: none"> ▶ Reduce greenhouse gas emissions by at least 40% by 2020 compared to 1990 levels and by 80–95% by 2050; ▶ Increase the share of renewables in gross final electricity consumption to 18% by 2020, to 60% by 2050 and to at least 80% in the electricity sector; ▶ 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.¹⁶ 	<ul style="list-style-type: none"> ▶ Greenhouse gas emissions: reduced by 23.9% (2013) compared to 1990; ▶ Share of renewables: 12.4% in total final energy consumption (2013); ▶ 27.8% in gross electricity consumption (2014) ▶ Primary energy consumption: in 2014 8.9% lower than in 2008.
4. Improve education levels	<ul style="list-style-type: none"> ▶ Improve education levels, in particular, reduce the proportion of early school leavers and people leaving vocational training to below 10% ▶ Increase the percentage of 30–34 year-olds with a tertiary or equivalent education to at least 40% 	<ul style="list-style-type: none"> ▶ Increase the percentage of 30–34 year-olds with a tertiary or equivalent education to 42%. 	<ul style="list-style-type: none"> ▶ Proportion of early school leavers and people leaving vocational training¹⁷ in 2013: 9.9% ▶ Percentage of 30–34 year-olds with a tertiary or equivalent education: 44.5% (2013)¹⁸
5. Promote social inclusion in particular by reducing poverty	<ul style="list-style-type: none"> ▶ Lift at least 20 million people out of the risk of poverty or exclusion 	<ul style="list-style-type: none"> ▶ Reduce the number of long-term unemployed by 20% by 2020 compared to 2008 levels 	<ul style="list-style-type: none"> ▶ Reduction of 40.5% in the number of long-term unemployed between 2008 and 2012 (comparison of annual averages)

15 Figures for R&D spending and spending on education and research are calculated in line with the 2014 national accounts general audit. Therefore the values indicated here are not directly comparable with the previous year's values provided in the 2014 NRP.

16 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.

17 Early school-leavers are 18–24 year-olds who, at the very maximum, have successfully completed lower secondary education (*Hauptschule* or *Realschule*), but who have not gone on to earn a further qualification and who are currently not in education.

18 Individuals with qualifications equivalent to ISCED level 4A (post-secondary non-tertiary education with access to tertiary education and qualification to enter a profession), 5A (third-level degree), 5B (master's qualifications, technician's qualifications, other qualifications from technical colleges, professional and vocational academies) and 6 (doctorate) are considered when evaluating the status of this indicator. According to the Council Presidency conclusions on education targets in the Europe 2020 Strategy at the 3013th EDUCATION, YOUTH AND CULTURE Council meeting of May 11 2010, member states may, in justified cases, include ISCED level 4 into their definition of their national target. The conclusion reached by the European Commission in the "Commission Staff Working Document" of 26 February 2015 that Germany only managed to achieve a share of 33.1% here and therefore falls short of the headline target is therefore not comprehensible.

Government will take effective action against illegal contract arrangements. To this end, in particular the key definition criteria between the orderly and abusive deployment of external staff, as derived from case-law, is to be regulated by law, and the right of the works council to be kept informed by the management is to be guaranteed and specified in detail. Further to this, statutory work safety protection is to be guaranteed for individuals employed under a work and services contract, and the inspection work performed by the controlling and supervisory bodies of the financial control section of the Federal Customs Administration is to be improved (cf. Table II, No. 1). The Federal Government will focus the system of temporary workers on its core functions. Important new rules in this regard are (i) the legal regulation stipulating a maximum transfer period of 18 months and (ii) the regulation establishing that temporary workers are equal to permanent staff in terms of pay after nine months at the very latest.

Securing the skilled labour base

120. Together with the social partners, the Federal Government has developed strategies to counteract the effects of demographic change on the business sector and to maintain the performance of the German economy. The Federal Government's Skilled Workers Strategy and the Demographic Strategy, which is due to be developed further this year, bring together a series of measures to this end (cf. NRP 2014, Item 115). The Federal Government's aim is firstly to strengthen and activate the potential pool of skilled labour in the domestic economy, and secondly to make Germany more attractive for qualified professionals from other countries and thereby promote the immigration of skilled workers (cf. Table II, Nos. 2, 3, 4, and 5). To inject additional momentum into securing the supply of skilled labour, the Federal Government has launched the "Partnership for Skilled Labour in Germany" in tandem with the social partners and representatives from the business sector. The *Länder* have also developed *Länder*-specific skilled labour strategies to act against demographic and structural challenges (cf. Table II, No. 6).

121. A high-quality system of training and continuing education is central to securing the supply of skilled workers in areas where professional qualifications are required (cf. Item 86 and NRP 2014, Item 78 f.). Together with the social partners, the *Länder* and the Federal Employment Agency, the Federal Government has turned the Training Pact into the

2015–2018 Alliance for Initial and Further Training. The aim is to increase the appeal and quality of vocational education and improve the permeability between vocational and academic education. Everyone interested in vocational training is to receive a "roadmap" of the fastest track to obtaining a vocational qualification. All partners to the alliance have committed to make specific contributions to achieving the goals set out (cf. Table I, No. 21). As a first measure, the Federation has introduced the "assisted training" instrument and increased the group of young people who are eligible for support and can receive assistance during training. In many *Länder*, the Land government, the business community and other stakeholders in the training market have established a training pact or agreement in which they have pledged to strengthen vocational orientation in schools and improve the educational standards of school-leavers. The "Talent im Land" scholarship programme also specifically prepares pupils for the world of work.

Equality of opportunity between men and women

122. The Federal Government has set itself the goal of improving gender equality both in the private sector and in public service. Publicly listed companies and businesses with obligations for full employee co-determination must ensure that both genders have a representation of at least 30% on their supervisory boards when appointing new board members from 2016 onwards. Starting in 2015, publicly listed or co-determined companies are to be obliged by law to set targets for increasing the share of women on supervisory boards, executive boards and in the two highest management levels, set dates by which these targets will be reached, and report on this in a transparent manner. The Federal Government also seeks to establish new rules for public service from 2015 onwards. The Appointment to Federal Bodies Act and the Federal Act on Gender Equality are to be amended to this end (cf. Table II, No. 7).

123. The Federal Government wants to create more transparency on pay structures at businesses with over 500 workers and thereby help promote the principle of "equal pay for equal and equivalent work" (cf. Table II, No. 8). In joint initiatives with partners to collective agreements, the aim is to examine job assessment and patterns of structural pay inequality. The *Länder* also want to work towards more transparency on pay structures (cf. Table II, No. 9).

A better culture of welcome in Germany

124. In recent years, the Federal Government has improved the conditions for international skilled professionals to immigrate to Germany and has been committed to promoting a culture of welcome in the country. The Federal Government has continued to develop the Skilled Labour Initiative – an awareness-raising and mobilisation campaign within the Skilled Workers Strategy – and has set new priorities through measures such as advisory services in the form of internet sites or a hotline for skilled internationals, students and trainees who have relocated or are interested in relocating to Germany (cf. Table II, Nos. 10 and 11). The Federation's Professional Qualification Recognition Act to recognise professional credentials acquired abroad is increasingly making its mark – along with the Qualification Recognition Acts of the Länder – as a successful tool in the integration of international skilled workers into the labour market, and with roughly 75% of applications for qualification recognition approved in 2013 has a high recognition rate. And now that children of foreign parents who were born and raised in Germany are no longer obliged to choose a citizenship, this also helps promote a culture of welcome where individuals are encouraged to stay (cf. Table II, No. 13).

B. Improving conditions for innovation, research and development

125. With roughly 2.9% of the gross domestic product spent on research and development in 2013, Germany is on the right track and remains significantly above the EU average. The private sector accounts for two-thirds of all spending on research and development, and the public sector for one third. Much remains to be done to retain our position as one of the world's most innovative economies in the future. For this reason, the Federation and the Länder place a priority on pro-innovation conditions and suitable funding and financing tools.

Innovation strategy

126. Innovation and investment in future capabilities are of crucial significance for Germany. The policy environment for innovations therefore is to be improved further. In this context, the Federal Government intends, inter alia, to promote greater receptivity to technological innovations and

encourage interested citizens to help shape innovation policy processes.

127. In order to help Germany progress in the field of innovation, the Federal Government adopted the new High-Tech Strategy in September 2014 (cf. Table II, Nos. 14, 15 and 16). This strategy brings together a host of measures and flags up economic and social opportunities deriving from innovation. In total, approx. €11 billion was made available in 2014 alone under the umbrella of this comprehensive approach. The High-tech Strategy identifies six priority fields for the future in which forward-looking, applied research can foster the development of innovative products and services:

- ▶ Digital economy and society
- ▶ Sustainable economic activity and energy
- ▶ Innovative world of work
- ▶ Healthy living
- ▶ Smartmobility
- ▶ Civil security

128. Further to this, the Federation and the Länder will continue to support the innovative mid-market and university and non-university research through specifically tailored support programmes. The Federal Government will also provide targeted support for key enabling technologies like microelectronics and battery research (cf. Table II, No. 14).

129. In addition, to further strengthen Germany's position as a business location the Federal Government will be even more committed to entrepreneurs and will lend support in particular to small and medium-sized enterprises in the area of digitalisation and innovation (cf. Table II, Nos. 17, 18, 19, 20, 21, 22 and 23). Entrepreneurs stand for creativity and entrepreneurial freedom, and generate progress, investment and growth. In the growth phase in particular, however, many capital-intensive young companies lack access to finance, not least because Germany's venture capital market is comparatively underdeveloped. For this reason, the Federal Government will further improve the policy environment for venture capital in Germany and will ensure that the young market segment for crowd funding can continue to develop.

Digital Agenda

130. Digitisation offers new scope for innovation and new business models in the commercial sector and presents new challenges for businesses. Therefore the Federal Government has adopted a comprehensive Digital Agenda 2014-2017 which it will develop further and implement in a continuous process jointly with the business community, the scientific community, the parties to collective bargaining and civil society (cf. Table II, No. 24). Among other things, the Digital Agenda provides a framework within which German industry can master the structural change to become an “Industry 4.0” which makes full use of the possibilities of digitisation and networking.

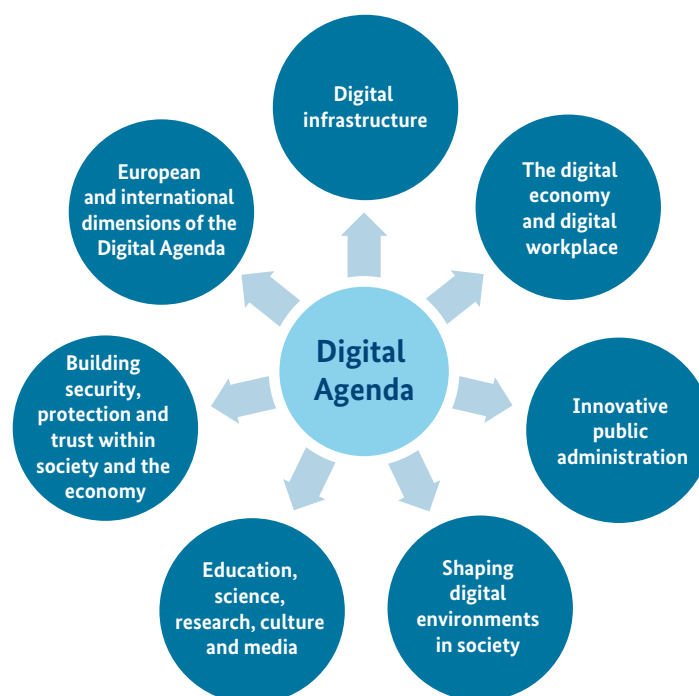
131. Access to and participation in the digital world for all citizens is to be improved through the expansion of broadband coverage. Not least, this creates the basis for the use of smart services. At the same time, an opportunity is emerging for companies to develop the smart and customised production and logistics termed “Industry 4.0” and to significantly enhance productivity. The strategy on “smart digital networks” aims to tap the cross-sectoral potential of digitisation also in the fields of education, culture, energy,

health, transport and administration and to make digital solutions better known and accepted. The digital media skills of all generations are to be strengthened. The opportunities presented by digitisation are also to be tapped for education, science and research. The security and protection of IT systems and services are also to be improved in order to strengthen the confidence of society and commerce. So that use can be made of data available in Germany for existing and new products and services with digital content, the Federal Government has introduced appropriate amendments to the Act on the Further Use of Data into the parliamentary procedure.

Promoting research

132. The Federation and the *Länder* have expanded the scope for cooperation permitted to them by the Basic Law in the field of education and science (cf. Item 143 and Table II, No. 26). In addition to funding project-related and non-university research, the amendment to the Basic Law in effect since 1 January 2015 means that the Federation can now also provide direct funding to institutions of higher education over the long term.

Figure 5: Fields of action of the Digital Agenda



133. The Federation is making an additional €3 billion available for research and in doing so continues to fund the Pact for Research and Innovation (the German Research Foundation/DFG and four large non-university research centres) and the Excellence Initiative. The additional 3% in the Pact for Research and Innovation will be funded solely by the Federation in 2016 through to 2020 (duration of the Third Pact for Research and Innovation) (cf. Item 58ff.).

C. Reducing greenhouse gas emissions, promoting renewable energy and energy efficiency

134. Climate protection is a top priority for the Federal Government. The Federal Government aims to reduce greenhouse gas emissions by at least 40% between 1990 and 2020 in Germany. This is a crucial interim stage towards the long-term goal of cutting emissions by between 80 and 95% by 2050. In the 2020 Climate Action Plan, the Federal Government has adopted further measures to attain the 2020 target. All the sectors will have to contribute to further reductions. Not least, a proposal to cut an additional 22 million tonnes of CO₂ up to 2020 is being drawn up, giving special consideration to the electricity sector and European trading in certificates. Furthermore, a Climate Mitigation Plan 2050 will be drawn up in 2016 setting out the next reductions and backed by measures in a broad dialogue process.

135. The Federal Government also continues to work towards an ambitious climate and energy policy. It is particularly glad to see that in October 2014 the European Council adopted not only an ambitious climate target, but also separate targets for the continued expansion of renewables and improvements in energy efficiency up to 2030. All of these targets are minimum figures which offer scope for higher targets to be set.

136. The Federal Government views the European emissions trading system as a central instrument for climate mitigation. It sees an urgent need for a rapid, structural reform of emissions trading so that carbon prices, which are currently at a very low level, can again provide adequate incentives for investments in low-emission production technologies. However, the Federal Government believes that the potential in the field of renewable energy and energy efficiency cannot be leveraged solely via a reformed emissions trading system. For this to happen, there continues to be a need – along the lines of an effi-

cient overall perspective – for supplementary national instruments like those of the Renewable Energy Sources Act, the Combined Heat and Power Act (CHP) and enhanced energy efficiency measures.

137. Making more efficient use of energy is another central factor determining the success of the energy transition (cf. Table II, Nos. 27, 28, 29, 30, 31 and 32). On 3 December 2014, the Federal Government adopted the National Action Plan on Energy Efficiency (NAPE), which sets out the Federal Government's efficiency strategy for this legislative term. The strategy aims to raise awareness of the economic viability of efficiency measures on a cross-sectoral basis and to put the conditions in place for full use to be made of the potential for efficiency improvements. Key elements of the National Action Plan on Energy Efficiency include the principles of the Energy Efficiency Strategy for Buildings, the promotion of energy efficiency as a profitable business model, and the fostering of individual responsibility for greater energy efficiency, e.g. via greater transparency and better advice. The corresponding package of measures in the National Action Plan on Energy Efficiency provide both for measures which will impact in the short and medium term, and for long-term processes leading further ahead. For example, new, competitive invitations to bid will aim to ensure that support goes to those energy efficiency projects which offer the greatest economic cost-benefit ratio (euros per conserved kilowatt-hour). The volume of funding for the CO₂ Building Modernisation Programme (KfW funding programme for energy-efficient construction and renovation) will be increased and additional support measures in the building sector are to make a substantial contribution to reducing energy consumption. Also, there are plans to build up energy efficiency networks together with industry and commerce. Existing funding programmes and advisory and information services for energy consumers are to be improved and expanded, and the market for energy services is to be strengthened and developed further. An act obliging large companies to carry out periodical energy audits in line with the requirements of the Energy Efficiency Directive is to enter into force in 2015.

138. The Energy Efficiency Strategy for Buildings, which the Federal Government is drawing up this year, is an important part of the efforts to attain a virtually climate-neutral building stock in Germany by 2050. It can show owners, users, investors and service providers the medium-term to long-term advantages of energy efficiency measures. These advantages particularly come to the fore when the energy efficiency measures are implemented in conjunction with

scheduled maintenance work. Furthermore, the “2020 Climate Mitigation” action programme and the National Action Plan on Energy Efficiency provide for funding for so-called “efficiency house plus” measures. The research initiative entitled “ZukunftBau” is to fund the further development of innovative buildings. The Market Incentive Programme to promote measures to use renewables in the heating market is being made permanent.

139. The German business community is an important partner for the Federal Government as it rolls out the energy transition and implements the climate targets. It accounts for a significant share of the national climate footprint. The Federal Government therefore supports companies as they implement energy efficiency and climate mitigation measures, e.g. via the Energy Transition and Climate Mitigation SME Initiative.

140. In addition, the Europe 2020 strategy also contains action areas that have not appeared in the top objectives up to now, such as the resource efficiency flagship initiative. In order to improve resource efficiency, the German Resource Efficiency Programme (ProgRes) is being fully implemented and developed further up to 2016. Here, fields of action include orienting public procurement more to resource-efficient products and services, giving better advice to businesses and households, and promoting research, development and innovative pilot projects for conserving resources.

D. Improving educational achievement

141. The Federal Government is boosting Germany’s competitiveness by investing more in education and taking action to safeguard the supply of skilled labour. The main pillars of these strategies in Germany are the increased integration of women, older people and immigrants, good early childhood education, high-quality general education in schools, and good vocational training (cf. Items 58ff. and 86ff. and cf. Table II, Nos. 33, 34, 35, 36 and 37).

142. Progress is being made towards the educational goals of the Europe 2020 strategy. At 9.9% the share of early school-leavers and people leaving vocational training in 2013 was below the 10% target and at 44.5% the propor-

tion of 30–34 year-olds with a tertiary or equivalent education was once again well above the target of 42% (cf. Box1).

The share of spending on education could be increased to 6.5% of the gross domestic product¹⁹ (€178.4 billion) through to 2012 (cf. Item 58ff.). This is also in line with the 10% goal for education and research agreed by the Federation and the *Länder* as part of the Skills Development Initiative for Germany (cf. NRP 2014, Item 77). Much success can also be reported regarding progress to the other goals agreed in the Initiative:²⁰ Now over 50% of an academic year enrol as first-year students in higher education, translating to 10% more than the target set out. In 2014 the rate of continuing education stood at 51%. The Federal Government has thereby achieved its goal of increasing the rate of participation in continuing education and training to 50% by 2015.

143. With a reform of the Federal Educational Assistance Act, the Federal Government will raise the income thresholds and the levels of assistance at the start of the 2016/17 academic year, or from the 2016/17 winter semester as applicable. This makes an important contribution towards improving the situation of students at school and in higher education (cf. Table II, No. 38). Furthermore from 2015 onwards, the Federation will be responsible for the full and permanent funding of the allowances under the Federal Educational Assistance Act, thereby reducing the burden on the *Länder* (cf. Item 58ff.). Under the Higher Education Pact, the Federation, together with the *Länder*, is financing study programs for 760,000 additional first-year students by 2020 (cf. Table II, No. 39). For this, the Federation is making an additional €9.880 billion available, while the *Länder* are providing an additional €9.403 billion. Further to this, the Federation is adding a total of €550 million to the special childcare fund for the development of additional childcare facilities and is increasing its share towards the financing of operating costs by €100 million each year in 2017 and 2018 in order to strengthen language skills and language development (cf. Item 92ff.).

¹⁹ Based on the percentage shares according to the national account audit.

²⁰ cf. 2014 Report on the Implementation of the Skills Development Initiative for Germany, P. 3f.

E. Promoting social inclusion particularly by reducing poverty

144. Long-term unemployment presents a substantial risk of individuals experiencing poverty and social exclusion. For this reason, 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 (unemployed for more than one year according to the ILO definition) by 20% by 2020 (measured against the annual average in 2008). 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 workless household, this reduces the number of people at risk of poverty by 640,000. Germany already clearly exceeds this goal. Given the extraordinarily positive employment trends in Germany, long-term unemployment declined significantly in recent years with numbers down to roughly 865,000 persons in Q3 2014. Benchmarked against the figures for Q3 2008, this equates to a drop of around 44%, or 674,000 people (data on the basis of the Eurostat labour force survey).

145. The Federal Government continues to pursue the goal of placing more low-skilled and long-term unemployed individuals in work that guarantees a livelihood, to qualify these individuals so that their skills fit market needs, coach them and, where necessary assist them – even once they have been successfully integrated into the labour market – and create the necessary framework to make this happen (cf. Item 88f.). To this end, the plan for “Opening Opportunities – Safeguarding Social Participation” contains key points for a variety of measures, programmes and approaches aimed at improving the opportunities of the long-term unemployed and facilitating social participation.

146. Funding from the European Social Fund (ESF) makes a key contribution in this respect. The Regulations on Structural Funds for the 2014–2020 programming period specify that at national level at least 20% of ESF funding must be invested in the priority areas of promoting social integration and combating poverty (cf. Item 88 and Table I, No. 33).

147. A lower-threshold approach is enabled by the Fund for European Aid to the Most Deprived (FEAD), which is being rolled out in Germany in 2015 (cf. Table II, No. 40). The FEAD acts as a kind of bridge as it promotes the social inclusion of persons not reached by the advisory and support services of the regular system of assistance. This includes EU migrants and their children, as well as homeless persons and people at risk of being homeless. While the aim is to bring the adult EU migrants, homeless persons and people at risk of being homeless into the regular system of assistance – e.g. targeted advice – the migrants’ children are to be offered better access to early childhood education and social inclusion, such as child day care facilities.

148. Germany’s qualitative goals in the reduction of poverty and social marginalisation 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 Federation and the *Länder* have developed various strategies and programmes in this respect (cf. Table II, No. 41) 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 realise 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, and to avoid poverty in old age.

149. More detailed information on these and other measures implemented by the Federal Government to promote social inclusion and combat poverty is provided in the 2015 Strategic Social Report.

IV. The Euro Plus Pact

150. The Euro Plus Pact adopted in March 2011 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. The choice of specific targets and measures within these core areas is each country's own responsibility.

A. Implementation of the German Action Programme 2014

151. On 8 April 2014, the Federal Government approved the German Action Programme 2014. The programme encompasses six obligations that address all strategic goals defined by the Euro Plus Pact. All planned measures are in line with the 2015 federal budget and the financial plan for 2014 to 2018. The Action Programme 2014 was implemented as follows:

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.

152. It was possible to balance the federal budget without new borrowing as early as 2014. The last time this was the case was in 1969. In this way, the Federation has taken another major step towards consolidated and sustainable public finances. This will be resolutely continued with the 2015 federal budget. The Federal Government has delivered on its Action Programme commitment ahead of schedule (cf. Item 55ff.).

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 % by 2025 and to 55–60 % 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 man-

ner without the international competitiveness of electricity-intensive industry being imperilled.

153. The obligation has been met. The reform of the Renewable Energy Sources Act (EEG) entered into force on 1 August 2014 (cf. Section 80 and Table I, No. 42).

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.

154. The Federal Government adopted a Digital Agenda 2014–2017 on 20 August 2014 and therefore delivered on its commitment (cf. Item 130f.).

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 in total in this period of legislation and also make €505 million 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.

155. The additional €5 billion set aside for transport investment will be distributed in increasing amounts over the individual years in this legislative term. The additional funding of €505 million was provided in 2014. Around €1 billion will be mobilised in 2015 for additional investment in the transport infrastructure (cf. Item 58).

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.

156. The Federal Government has delivered on its commitment and adopted the new “Innovation for Germany” High-tech Strategy on 3 September 2014 (cf. Item 127).

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.

157. The funding guidelines for the joint ESF/Federal Government programme for the integration of long-term beneficiaries under Book II of the Social Code into the general labour market were released on 1 December 2014. The participating job centres were selected in Q1 2015, and the measures will commence in the second quarter (cf. Items 88 and 146).

B. German Action Programme 2015

158. On 25 March 2015, the Federal Government adopted the Action Programme 2015 under the Euro Plus Pact (cf. Box 2).

Box 2: The German Action Programme 2015 for the Euro Plus Pact

1. Germany will continue its pro-growth policy of fiscal consolidation. The national debt ratio is to be brought below 70% of the gross domestic product as early as 2016, and therefore one year ahead of the original schedule.
2. In the federal budget, the Federal Government will increase its spending on public investment, also with a view to improving the framework for private investment. As part of a €5 billion investment package for this legislative term, it will invest an additional €1 billion in total in 2015 for the upkeep and development of an efficient transport infrastructure. Of this amount, €300 million will be appropriated to rail, €600 million to roads and €100 million to waterways. Compared against the fiscal plan from July 2014, the Federal Government will provide additional funding totalling €10 billion in the federal budget from 2016 to 2018, specifically for investment in public infrastructure and energy efficiency. Further to this, it will set up a municipal investment programme with a volume of €3.5 billion. The new increase in investment spending will be implemented without any new borrowing.
3. As part of the National Action Plan for Energy Efficiency, this year the Federal Government will introduce, inter alia, the instrument of competitive bidding for energy efficiency measures. This will provide the best way of leveraging the efficiency potential of businesses, energy service providers, public utilities and other stakeholders. In competing for public funding, funding is to be awarded to the projects that deliver energy savings most efficiently. Competitive bidding will be open to all stakeholders, sectors and technologies.
4. The Federal Government will make full use of the federal share of frequency allocation in the 700 MHz frequency band, which is set to take place in Q2 2015, for a separate funding programme in order to specifically support broadband development in rural areas which have been underserved up until now.
5. The Federal Government will place a fresh emphasis on cutting bureaucracy, particularly for SMEs. It will introduce the principle of “one in, one out” by 1 July 2015 at the very latest, such that for every new regulatory burden that is created for the economy, the same amount will be dismantled elsewhere. The aim is to limit the increase in bureaucratic burdens on a lasting basis without hampering initiatives that are desired by policy-makers.
6. In the course of 2015, the Federal Government intends to introduce the Retail Investors Protection Act to close gaps in regulation in the unregulated capital market, also known as the “grey capital market”. The aim is to further increase the transparency of financial products and capital investments so that in future investors will receive full and up-to-date information about their investment and can better assess the integrity and prospects of investments. Alongside this, supervisory mechanisms are to be extended.

All these measures are in line with the 2015 federal budget and the Cabinet decisions of 18 March 2015 concerning the key figures for the 2016 federal budget and the financial plan for 2015 to 2019.

V. Drafting the NRP 2015: process and stakeholders

159. The NRP 2015 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*. Coordinated by Brandenburg as 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 and submitted statements. The contributions of the *Länder* have been incorporated into the document.

160. 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 Trade Unions, the Confederation of German Employers' Associations, the Association of German Chambers of Industry and Commerce, the German Confederation of Skilled Crafts, the Federation of German

Local Authority Associations and the Federal Association of Non-Statutory Welfare. In addition, the central associations, the members of the Joint Committee for German Industry and Commerce and the German Federation of Trade Unions (DGB), received the opportunity to discuss the NRP with the Federal Government.

161. The NRP 2015 was adopted by the Federal Cabinet on 1 April 2015 in line with the 2015 federal budget and the Cabinet decisions of 18 March 2015 concerning the key figures for the 2016 federal budget and the financial plan for 2015 to 2019. Directly after the Cabinet decision, the NRP was formally submitted to the German *Bundestag* and the *Bundesrat*.

162. The Federal Government will submit the NRP 2015 and the Stability Programme 2015 to the European Commission by the end of April.

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

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
A. Public finances			
1. Law on the establishment of the federal budget for the 2015 fiscal year (2015 Budget Act)	After the 2014 federal budget could be balanced without any new borrowing, the 2015 Budget Act also does not make any provision for net borrowing and is therefore significantly below the new borrowing level permitted by the debt rule. At the same time, the Federal Government has continued to clearly prioritise on the expenditure side and increase investment in education, research and infrastructure. All the measures listed below are implemented within the framework of the financial plan approaches that are applicable for the individual departments.		In force since January 1, 2015
2. Act to Adapt the German Fiscal Code to the Union Customs Code and to Amend Additional Tax Regulations (<i>Gesetz zur Anpassung der Abgabenordnung an den Zollkodex der Union und zur Änderung weiterer steuerlicher Vorschriften</i>)	In addition to adapting the German Fiscal Code to the Union Customs Code, a range of editorial changes and amendments have been made to individual tax provisions to adapt them to EU law and ECJ case law and measures have been implemented to safeguard tax revenue.		Announced on December 30, 2014
3. Act to Amend the German Fiscal Code and the Introductory Law to the Fiscal Code (<i>Gesetz zur Änderung der Abgabenordnung und des Einführungsgesetzes zur Abgabenordnung</i>)	The Act to Amend the German Fiscal Code and the Introductory Law to the Fiscal Code will retain self-indictment to avoid penalties and the possibility to desist from prosecution in certain cases under stricter conditions.		In force since January 1, 2015
4. Act to Adapt National Taxation Law to Croatia's Accession and to Amend other Tax Regulations (<i>Gesetz zur Anpassung des nationalen Steuerrechts an den Beitritt Kroatiens und zur Änderung weiterer steuerlicher Vorschriften</i>)	In addition to the editorial amendments to tax law which were necessary on account of Croatia's accession to the EU, this Act also includes additional material amendments to tax law, including reverse charge of VAT for construction services and facility cleaning, the creation of mini one-stop-shops in the area of VAT for services provided electronically and the extension of the right of taxation in exit cases (Section 50i of the Income Tax Act).		Announced on July 30, 2014
5. Act on the Implementation of the Recorded Declaration Relating to the Act to Adapt the German Fiscal Code to the Union Customs Code and to Amend Additional Tax Regulations (<i>Gesetz zur Umsetzung der Protokollerklärung zum Gesetz zur Anpassung der Abgabenordnung an den Zollkodex der Union und zur Änderung weiterer steuerlicher Vorschriften</i>)	The aim of the Act is to implement the declaration on record by the Federal Government pertaining to the discussion of the Act to Adapt the German Fiscal Code to the Union Customs Code and to Amend Additional Tax Regulations in the German Bundesrat on 19 December 2014. In addition, other regulatory needs in tax law are also met.		Interdepartmental coordination and consultation of the <i>Länder</i> and associations was initiated on February 20, 2015. The legislative process is to be completed in 2015
6. Modernisation of the taxation procedure	The main action areas in modernising the taxation procedure are: improving the service orientation of the fiscal administration system; greater use of information technology to support processes, particularly the seamless, single-medium communication with the tax authority; increasing the portfolio of pre-populated tax returns; and increased computerized case processing for mass tax procedures and structural adaptations to the procedure.		The necessary legislative work is to get underway at the start of 2015. The organisational and IT-related implementation of the planned measures will take place gradually

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
7. Act to Further Develop the Financial Structure and Quality of the Statutory Health Insurance System (<i>Gesetz zur Weiterentwicklung der Finanzstruktur und der Qualität in der gesetzlichen Krankenversicherung, GKV-FQWG</i>)	<p>The Act lowered the general rate of contribution to statutory health insurance from 15.5% to 14.6% on January 1, 2015. Half the rate, i.e. 7.3%, is borne by the employees and the other half by the employer. The previous member-specific special contribution of 0.9 percentage points no longer applies. Instead, health insurance funds can levy additional contributions that are pegged to income. This increases the autonomy of the health insurance funds with regard to contributions. At the same time, the continued development of the risk structure compensation scheme that is based on morbidity risk improves the effectiveness of allocations which the health insurance funds receive from the Health Fund.</p> <p>All members of a health insurance fund have a special termination right, allowing them to change their health insurance fund if additional contributions are levied or increased. This encourages the health insurance funds to keep their additional contributions to a minimum by managing their fund efficiently while offering good health service cover.</p> <p>The Act also creates the framework for the establishment of an independent scientific institute for quality assurance and transparency in the health sector by the Federal Joint Committee (G-BA).</p> <p>Other regulations:</p> <ul style="list-style-type: none"> - Financial relief for midwives with regard to increasing premiums for their professional liability insurance - Increased support for independent patient advice - Two-year extension of the introductory phase of the flat-rate compensation system for psychiatric and psychosomatic hospitals and specialist departments so that in 2015 and 2016 psychiatric and psychosomatic facilities will also be free to decide whether to use the new remuneration system or still opt for the old one. <p>The aim of the Act is to put the financing of the statutory health insurance system on a sound footing over the long term, strengthen competition in the statutory health insurance system and create the framework to strengthen quality as a deciding criterion for the provision of service in the health care system.</p>		Essentially in force since January 1 2015. Some regulations, such as those concerning the appraisal group or the quality institute, have been in force since July 252014 or August 12014 respectively
8. Draft Act to Strengthen Care Provision in the Statutory Health Insurance System (<i>Entwurf eines Gesetzes zur Stärkung der Versorgung in der gesetzlichen Krankenversicherung (GKV-VSG)</i>)	The structures for the provision of medical care in the field of out-patient health care are to be improved for individuals insured under the statutory health insurance system by significantly reducing the time patients need to wait for an appointment. In future they should be able to contact a central appointment service centre at the regional doctors' association if being referred to a specialist. Patients should generally not need to wait more than four weeks for an appointment. If this is not possible, the appointment service centre will offer the patient an appointment for out-patient treatment in a hospital – except in cases that are not medically justified.		Cabinet decision: December 172014 Legislative procedure should be completed by mid-2015

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
9. Key parameters of a hospital reform	The Federal Government has set up a Federal/ <i>Länder</i> task force which has been developing the foundations for a hospital reform since spring 2014 and presented key parameters of a hospital reform at the start of December 2014. The primary goals here include strengthening quality as a criterion when planning hospitals and remunerating services, the establishment of a nursing home promotion programme, and the creation of a structural fund. The key parameters are to be implemented in laws and regulations in 2015. With regard to out-patient care, the structures for the provision of medical care are to be further improved for those insured under the statutory health insurance system.		Legislative procedure should be completed in 2015
10. Prevention Act (<i>Präventionsgesetz</i>)	<p>With the participation of all social security institutions, the Prevention Act seeks to strengthen prevention and health promotion in areas of life such as childcare facilities, schools and nursing homes as well as in-company health promotion schemes. It seeks to create the framework to ensure that more and better-quality services that promote health are provided for all ages and in all domains of life. One element of the Act is the introduction of a National Prevention Strategy and an National Prevention Conference. This commits the social security institutions to targeted collaboration both among the individual institutions themselves and with the Federation, the <i>Länder</i> and the municipalities. From 2016 on, the health insurance funds are to invest roughly €490 million in total in health promotion measures, with at least roughly €280 million to go towards health promotion in business enterprises and other environments such as crèches and schools. The prevention remit of the social long-term care insurance system will be extended to include the obligation to provide primary prevention services in in-patient nursing homes.</p> <p>In-company health promotion, particularly in small and medium-sized enterprises, is to be strengthened further by an obligation on health insurance funds to provide advice and support and by the tighter meshing of in-company health promotion with occupational safety.</p> <p>Health check-ups for children and adults are to be developed further with a focus on prevention and in future also encompass the recording of health burdens and risk factors, the checking of a patient's vaccination status and the provision of prevention-related advice.</p>		Cabinet decision: December 17, 2014 Legislative procedure should be completed by mid-2015
11. First Act to Strengthen Long-Term Care (<i>Erstes Pflegestärkungsgesetz</i>)	<p>The First Act to Strengthen Long-Term Care considerably improves services for individuals in need of care and their families. To this end, the financial scope will be increased by €2.4 billion in total. A long-term care provident fund is also set up. The contribution to long-term care insurance is increased by 0.3 contribution rate points. Of this, 0.2 contribution rate points will go towards financing the improvements in services and 0.1 contribution rate points towards the creation of the long-term care provident fund.</p> <p>The aim is to provide better and more individual support for people in need of care and their families, prepare for the introduction of the new definition of "need of long-term care" while at the same time guaranteeing the long-term financing of the social long-term care insurance system in light of demographic developments.</p>		In force since January 1, 2015

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
12. Caring Professions Act (<i>Pflegeberufegesetz</i>)	The caring professions need to be reformed in order to reflect the changing requirements placed on the caring professions as a result of demographic developments and the further development of the care structures. Nursing training must be modern, attractive and geared to the future. To achieve these goals, the previously separate vocational training programmes for “elder care”, “nursing and health care”, and “nursing and paediatric care” are to be merged into a new, general nursing training programme.		Legislative procedure in 2015
13. Training and Skills Development Programme for Elder Care	Given the considerable nationwide shortage of skilled labour in this field, the Training and Skills Development Programme for Elder Care is a community initiative of the Federation, the <i>Länder</i> and associations to meet the challenges in the areas of training and employment and in the professional field. The aim is to promote initial, further and continuing training in the field of elder care and make jobs and employment in this sector more appealing. To make the success of the programme visible, an interim report will be presented after the half-way implementation stage. At the end of the programme, a final report will be drawn up and presented at a closing event.	Improve education levels	Agreement signed on December 13, 2012; implementation by end of 2015; interim report published at start of 2015; final report presented in 2016
14. Act on the Improvement of Benefits in the Statutory Pension Insurance System (<i>Gesetz über Leistungsverbesserungen in der gesetzlichen Rentenversicherung</i>)	<p>The pension package comprises:</p> <ul style="list-style-type: none"> – Full pension from the age of 63 for people who have paid into the pension insurance system for at least 45 years – The “mother pension” (child-raising periods extended from one to two years per child for children born before 1992) – Improved conditions under the pension for reduced earning capacity (extension of the non-contributory supplementary period from age 60 to 62 and a case-by-case analysis to determine the most favourable pension scenario so as to ensure that a lower income in the last four years before the occurrence of the reduction in earning capacity does not negatively impact the amount of pension paid) – The introduction of a demographic component when setting the annual expenditure of pension insurance providers on integration services with retroactive effect to January 1 2014. <p>The Act on the Improvement of Benefits in the Statutory Pension Insurance System recognises individuals who have paid into the statutory pension insurance system for a particularly long time by allowing them to enter retirement at an earlier age and still receive a full pension. This age limit will be gradually increased to 65. In addition, an additional remuneration point gives greater recognition to their child-raising work of parents whose children were born before 1992. The modification of certain calculation factors improves the level of pensions for reduced earning capacity. The introduction of a demographic component ensures that temporary additional funding needs resulting from demographic developments are factored in when setting annual expenditure on integration services. Additional funding of €100 million is made available to the pension insurance system for these services in 2014. This amount will increase to up to €233 million by 2017 and will be gradually reduced in the years after that.</p>		In force since July 1, 2014 (rehabilitation budget retroactively to January 12014)

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
B. Labour market and labour force participation			
15. Draft bill to increase the basic allowance, the tax-free child allowance, child benefit and supplementary child allowance (<i>Entwurf eines Gesetzes zur Anhebung des Grundfreibetrags, des Kinderfreibetrags, des Kindergeldes und des Kinderzuschlags</i>)	The Cabinet bill presented by the Federal Ministry of Finance contains the following points: <ul style="list-style-type: none"> – Increase the basic allowance (currently €8,354) by €118 to €8,472 Euro (2015) and by a further €180 to €8,652 (2016) – Increase the tax-free child allowance (currently €4,368) by €144 to €4,512 (2015) and by a further €96 to €4,608 (2016) – Increase the child benefit (currently €184/month) by €4 to €188/194/219/month (2015) and by a further €2 to €190/196/221/month (2016) – Increase the supplementary child allowance (currently €140) by €20 to €160/month (from July 2016) 	Reduce poverty	Cabinet on March 25, 2015
16. Act to Strengthen Autonomy in Free Collective Bargaining (<i>Tarifautonomie-stärkungsgesetz</i>)	In particular, the Act to Strengthen Autonomy in Free Collective Bargaining contains the reform of the extension of wage agreements to non-contracting parties, the extension of the Posted Workers Act (<i>Arbeitnehmer-Entsendegesetz</i>) to all industries and the introduction of a blanket statutory minimum wage (effective from 1 January 2015).		In force since August 16, 2014
17. ESF/federal programme “ <i>unternehmensWert: Mensch</i> ”	The “ <i>unternehmensWert: Mensch</i> ” programme will be relaunched from spring 2015. The aim is to provide businesses with nationwide access to advisory and support services in the programme’s four action areas (HR management, equality of opportunity & diversity, health, skills&knowledge). In collaboration with the competent <i>Land</i> ministries, “ <i>unternehmensWert: Mensch</i> ” therefore complements programmes and initiatives at Land level. Approximately 60 regional advice centres nationwide will offer free initial consultation. If a need for action is identified during this initial consultation, the business can avail of a more detailed process consultation directly on-site at the business. “ <i>unternehmensWert: Mensch</i> ” is part of the New Quality of Work Initiative.	Foster employment	Relaunched nationwide in spring 2015
18. “ <i>Chance Beruf</i> ” initiative	The Federal Government began a new “ <i>Chance Beruf</i> ” initiative in 2014. It aims to: <ul style="list-style-type: none"> – Bring together existing and new measures with regard to the three educational goals: qualify, connect and advance – Structure support and reform measures to enable a better transition between the educational areas of school, vocational training and third level – Support the modernisation of the system of initial and further training – Bolster the supply of skilled labour by specifically attracting certain target groups. <p>Work on creating and developing central individual measures to implement the new framework initiative got underway in 2014, including the further development of the “Education links to obtain a training qualification” initiative, the initiative to “Enlist university drop-outs in vocational training” and the expansion of the KAUSA initiative for the vocational education of young people from a migrant background.</p>	Foster employment, Improve education levels	Implementation of central individual measures in 2014, including the development and trialling of a process to validate non-formally acquired skills that are relevant to a profession

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
19. "JUGEND STÄRKEN im Quartier" Youth empowerment pilot programme	<p>The new ESF youth empowerment pilot programme "JUGEND STÄRKEN im Quartier" commences on January 1 2015. Municipalities are supported in trialling new services that have been lacking in order to promote the educational, vocational and social integration of socially disadvantaged young people and young people facing particular individual barriers. The pilot programme seeks to strengthen local youth social work in particular. The assistance services are integrated in city and district development or are geared to support development in rural areas.</p> <p>In addition, as part of the project selected municipalities that are particularly affected by an influx of newly-arrived young migrants from Eastern and Central Europe will receive a federal subsidy to reduce national co-financing.</p> <p>The scope of the ESF programme is extended to include the "YOUTH EMPOWERMENT: 1000 Opportunities project (JUGEND STÄRKEN: 1000 Chancen). As part of this new project, local business networks and industry stakeholders have been offering employment opportunities for young people since January 1, 2014. The project systematically links the social commitment of young entrepreneurs to disadvantaged young people with social and educational work.</p>	Foster employment, Improve education levels, Reduce poverty	<p>"JUGEND STÄRKEN im Quartier": 185 municipalities are taking part</p> <p>Funding period for "YOUTH EMPOWERMENT: 1000 Opportunities": January 2014 to the end of 2015</p>
20. ESF/federal programme "Co-funding of career start coaching"	Career start coaching is aimed at lower-attaining pupils who are likely to have problems earning a school-leaving qualification and are therefore at risk of not getting their working life off to a successful start. To minimise this risk, career start coaches are to provide intensive support to lower-attaining pupils in transitioning from school to work. The plan is to support roughly 115,000 young people at over 2,900 schools in the academic years between 2014/2015 and 2018/2019.	Foster employment, Improve education levels, Reduce poverty	The measure is set to begin in mid-March 2015
21. 2015–2018 Alliance for Initial and Further Training	<p>The Federation, the business community, trade unions, the Federal Employment Agency and the Länder have agreed to strengthen the dual system of vocational training and promote the equality of vocational and academic education. Specific measures include the provision of 20,000 additional training places in 2015, the introduction of assisted training for up to 10,000 places in the 2015/16 training year and the development and expansion of support measures that run alongside training.</p> <p>The aim of all these measures is to ensure that more young people successfully handle and complete vocational training. Target groups include high-ability young people (e.g. university drop-outs), lower-attaining pupils, people with migration-related problems, young people with disabilities and young people with family commitments.</p>	Foster employment, Improve education levels, Reduce poverty	<p>The Alliance for Initial and Further Training was signed on December 12, 2014; measures implemented in 2015 ff.; runs through to the end of 2018</p> <p>"Assisted training" and the development and expansion of support measures that run alongside training (Fifth Act to Amend Book IV of the Social Code): Bundesrat on March 27, 2015 Expected to enter into force on May 1, 2015</p>
22. Right Candidate for the Job	This programme helps small and medium-sized businesses in finding the right candidate for training places and in integrating foreign skilled workers (known as "perfect-fit placement" up to now). With co-funding from the ESF the Federal Government supports around 180 consultants in the chambers and other business community organisations who advise and support small and medium-sized businesses in finding the perfect candidate for a training place. Furthermore, they also advise businesses in how to create a culture of welcome for foreign trainees – particularly those from EU member states and thereby support the programme to "promote the vocational mobility of young Europeans interested in training" (MobiPro-EU) - and for foreign skilled professionals.	Foster employment, Improve education levels, Reduce poverty	New policy published on January 30, 2015. Will run through to the end of 2020

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
23. JOBSTARTER plus	With the JOBSTARTER training structure programme, measures are taken to strengthen in-company vocational training and fill the skills gap. The projects in the first call for proposals for the JOBSTARTER plus programme will focus on enhancing the training skills of small and medium-sized businesses (SMEs) and increasing their willingness to offer training places. The projects specifically aim to support businesses in training young people with fewer opportunities and to trial initiatives promoting the mobility of trainees within Germany. Furthermore, additional service centres for the better integration of migrants will be opened at the start of 2015 and networks will be created for SMEs to motivate university drop-outs enter the dual system of vocational training.	Foster employment, Improve education levels, Reduce poverty	The roughly 50 projects in the first round of funding for JOBSTARTER plus (co-financed with ESF funding) will start in January/February 2015. A second call for proposals is set to take place in mid-2015
24. ESF/federal programme: BIWAQ (Education, Economy and Work in the Neighbourhood)	The BIWAQ programme supports projects in disadvantaged neighbourhoods (=development areas in the "Socially Integrated City" urban development assistance programme) that improve the employment and training opportunities of the neighbourhood residents, particularly long-term unemployed men and women and migrants (aged 27+) and that help strengthen the local economy. The projects aim to strengthen the neighbourhoods overall and make residents identify more with their community (e.g. planting a neighbourhood garden on wasteland). BIWAQ therefore also makes a contribution to integrated, social urban development.	Foster employment, Improve education levels, Reduce poverty	74 municipalities were selected for the 2015–2018 funding period in the declaration-of-interest procedure. The application procedure is currently underway and projects are due to start in spring
25. Increasing the educational achievement of disadvantaged persons	Many measures have been put in place in the <i>Länder</i> to raise the educational achievement of disadvantaged persons, including: <p>1. Berlin: Task Force for Refugee Children The aim is to get refugee children into schools as quickly as possible, or into child day care facilities if the children are under school-going age. Here, integration into the regular public school system without long-term schooling in the homes has top priority. Furthermore, the focus is on optimising the support processes, such as registering for education and participation services, school meals, complementary support and school transportation.</p> <p>2. Hesse: New ESF funding programme to reduce early school-leaving which is to take effect in the area of general and vocational education. In addition, within the framework of a study structure programme the state of Hesse will make roughly €2.6 million available annually to third-level institutions in Hesse for the further structural development of the Hesse higher education system. This also includes measures to support students from a migrant background.</p> <p>3. Mecklenburg Western Pomerania: Reduce the share of pupils in the general education school system who do not pass 9th grade (<i>Berufsunreife</i>): With the start of the 2014/15 academic year, a voluntary 10th grade with a focus on learning was introduced at 27 school locations. After 9th grade the pupils will be given the opportunity to earn their secondary level I qualification (<i>Berufsunreife</i>). The target group includes pupils with special needs or learning difficulties who are likely to have the ability to pass secondary level I with additional specific support.</p>	Foster employment, Improve education levels, Reduce poverty	1. Commenced mid-October 2014 2. From 2014 onwards 3. Start of the 2014/15 academic year

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
	<p>4. Rhineland-Palatinate: Measures to <u>improve language skills</u>: Rhineland-Palatinate is making needs-oriented language courses available across the state to support German language acquisition among refugees and to improve their language skills. A welfare association offers modular language and orientation courses for participants who have either no or little knowledge of German. The aim is help participants with basic knowledge to find their feet in everyday life in the community and German society. The courses primarily target individuals with a residence permit on humanitarian grounds, asylum seekers and foreigners whose deportation has been temporarily suspended and are not entitled to take part in an integration course.</p> <p>5. Saxony: “Educational opportunities” support programme: This programme specifically supports the additional appointment of staff in around 100 child day care facilities with a high percentage of socially disadvantaged children.</p> <p>6. Saxony-Anhalt: Establishment of comprehensive schools (<i>Gemeinschaftsschulen</i>): Development of the existing school system so that pupils can learn together for a longer time; by learning together for a longer period this will improve the future reliability of decisions made later on the future educational path to take. ESF measures: “Projects to prevent failure at school and to reduce the number of early school-leavers” and “Productive learning in schools and business”: Provision of a needs-oriented network of schools with special classes on “productive learning in schools and business” that teach material related to the secondary modern school-leaving qualification in grades 8 and 9.</p>		<p>4. Made permanent in 2014, development planned in 2015</p> <p>5. The programme runs in 2014 and 2015</p> <p>6. Programme commences (EFS) in 2015</p>
26. ESF-funded Programme to Promote Job-related Language Skills for People from a Migrant Background	Improvement of job-related German language skills for people from a migrant background. By combining classic language tuition with elements of continuous vocational training, the aim is to improve these individuals’ opportunities to be integrated into the primary labour market on a lasting basis. In addition to individual support for the individual course participants, a contribution is also to be made to attracting and securing skilled labour.	Foster employment, Improve education levels, Reduce poverty	Starts at the beginning of 2015; will run through to 2017
27. Pilot project: “Everyone has potential – early labour market integration of asylum seekers”	The pilot project has been trialled at six locations (Augsburg, Bremen, Dresden, Freiburg, Hamburg and Cologne) since January 2014 and has been extended to December 31, 2015 and its scope increased to include three additional locations (including Berlin and Ludwigshafen). The aim is to make greater use than previously of the potential offered by asylum seekers for the labour market, particularly of asylum seekers with good prospects of remaining in Germany. Here, refugees should be actively included in measures for integration into the labour market at an early stage, even before the end of their asylum application process.	Foster employment, Improve education levels, Reduce poverty	January 2014 to December 2015
28. ESF programme “Work Strong – Mothers from a Migration Background Get on Board”	The ESF “Work Strong” (<i>Stark im Beruf</i>) programme has the goal of supporting mothers from a migrant background in entering a job that secures a livelihood. In February 2015, 83 project centres nationwide will commence work on securing better accessibility to existing services and supporting the target group with specific offerings, such as those focussing on the reconciliation of work and family life. Relevant stakeholders – including job centres, childcare facilities, migrant self-help organisations and businesses – will be closely integrated in the implementation of the projects.	Foster employment, Improve education levels, Reduce poverty	Funding commences in February 2015, will run through to 2018 (1st round of funding).

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
29. Programme to Enhance the Quality of Teacher Training	Quality teaching staff are key to bringing about further improvements in the field of education. Therefore at the Joint Science Conference in 2013, the Federation and the <i>Länder</i> decided to create a joint programme to further enhance the quality of teacher training. With a new generation of teaching staff, the programme aims to provide impetus to improve the quality - both in terms of content and structure - of the entire teaching training process through to the initial work phase and continuing education and training. At the same time, the comparability of teacher training study credits and teaching qualifications is to be guaranteed and equal access to, or equal employment opportunities in, practical training positions and teaching positions guaranteed, thereby ensuring the better mobility of student teachers and teaching staff on a reliable, lasting basis. The Federal Government will lend up to €500 million in financial support to the programme.	Improve education levels	Funding guidelines published on July 24, 2014
30. Activation and reintegration measures in the labour market	<p>1. Baden-Württemberg: With a comprehensive package of measures, the Baden-Württemberg “state programme for good and secure work” contributes to the integration of the unemployed. It is aimed particularly at young people who do not have a vocational qualification, the long-term unemployed, single parents, older persons and migrants. The programme comprises five modules: passive-active exchange, assisted training/part-time training, lasting integration of long-term unemployed into the labour market, advice centres for the unemployed and work and health. Over 760 people have already received support through the “passive-active exchange” module.</p> <p>2. Rhineland-Palatinate: “Women & Work” advice centres, or “New Opportunities” advice centres from 2015 onwards: provide information, advice and support services focussing on the area of employment for the “hidden reserve” target group.</p> <p>3. Saxony: The “Individual Career Entry Support Programme” prepares the long-term unemployed to take up a job subject to social security payments in the primary labour market, and continues to support them once they have started working.</p> <p>4. Saxony-Anhalt: “CVET DIRECT” programme: Programme implemented with a particular focus on disadvantaged groups of workers in the labour market to improve employment prospects through continuing vocational education and training (CVET).</p> <p>5. Thuringia: Thuringia State Labour Market Programme (LAP): Active labour market policy contributes to securing the supply of skilled workers and social equity. With individual support in 24 regional integration projects, an average of 4000 long-term unemployed, older job-seekers and people experiencing placement difficulties are supported and trained each year and an average of 45% are integrated into work or training.</p>	Foster employment	<p>1. The passive-active exchange module has been extended to the end of 2016</p> <p>2. Ongoing since 1992, ESF-sponsored with new priority areas since January 1, 2015</p> <p>3. Relaunched since 2015</p> <p>4. Implemented at start of 2014</p> <p>5. Relaunch and further development in 2014–2020 OP</p>
31. Facilitating access to earlychildhood education services – elimination of parental contributions for daily 5-hour care	<p>By doing away with parental contributions for basic 5-hour services, Hamburg is offering free education services, including a free lunch, in a child day care facility or with a childminder, to all children from birth until they enter school.</p> <p>This gives parents the opportunity to allow their children take part in early childhood education services, irrespective of the parents’ financial means. Free basic care provides key impetus for fairer opportunities in life and education, more integration and social participation.</p>	Foster employment, Improve education levels	The funding guidelines were published on November 6, 2014 in the Federal Gazette. Programme to start in Q3 2015

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
32. ESF Integration Guidelines of the Federation	<p>The ESF Integration Guidelines of the Federation provide grants to projects that are implemented for the following target groups in cooperative alliances with the active participation of business enterprises or public administration facilities as well as job centres and employment agencies:</p> <p>Teenagers and young adults aged 18–35 with particular difficulties entering work or training for several individual or structural reasons, including long-term unemployment, poor school/vocational education or migrant background, and who are not or are no longer successfully served by the integration services of the job centres (Book II of the Social Code) or the employment agencies (Book III of the Social Code), as well as persons who do not yet hold a long-term residence permit but who have at least secondary access to the labour market (asylum seekers and refugees).</p> <p>The aim is to implement national labour market measures and transnational mobility measures that lead to the gradual and lasting integration of the target groups mentioned into employment or training or to (re-) enter school education with the aim of obtaining a school-leaving qualification.</p>	Foster employment, Improve education levels	The funding guidelines were published on November 6, 2014 in the Federal Gazette. Programme to start in Q3 2015.
33. ESF/federal programme for the integration of long-term unemployed benefit claimants under Book II of the Social Code into the general labour market	<p>The aim of the federal programme is to create prospects for the vocational integration into the general labour market for around 30,000 long-term unemployed claimants of benefits under Book II of the Social Code who are at the margins of the labour market. The activities are centred on specifically approaching and advising employers, employee coaching once employment has commenced, and degressive wage subsidies to compensate for the workers' poorer performance. Roughly €885 million in ESF and federal funding will be invested through to 2020.</p>	Foster employment, Reduce poverty	The funding guidelines were published on December 1, 2014 in the Federal Gazette. Selection of participating job centres: Q1 2015; Measure commences: Q2 2015
34. 9th Act to Amend the Second Book of the Social Code (9. Gesetz zur Änderung des Zweiten Buches Sozialgesetzbuch)	<p>The 9th Act to Amend the Second Book of the Social Code – simplification of legislation – seeks to increase transparency for citizens entitled to benefits, optimise administrative processes and relieve the burden on administration and social courts in Book II of the Social Code.</p>	Foster employment, Reduce poverty	Entry into force: anticipated in 2015
35. <i>Elterngeld Plus</i> parental allowance	<p>The <i>Elterngeld Plus</i> parental allowance provides support to help mothers and fathers share family and career responsibilities, and is particularly advantageous for parents working part-time. With <i>Elterngeld Plus</i>, parents can extend the amount of time they claim parental allowance and can receive parental allowance for twice as long (up to a maximum of half the parental allowance amount which they would be entitled to if they did not work). <i>Elterngeld Plus</i> parental allowance is complemented by a partnership bonus (four additional months of <i>Elterngeld Plus</i> per parent) if both the mother and the father simultaneously work part-time for 25–30 hours per week for four consecutive months. Single parents can also avail of the new regulations. Parental leave is also made more flexible: parents can take leave of 24 months when the child is aged between two and seven; parental leave can be split into three blocks. In addition, the concept of “presumption of approval” is also introduced: if the employer does not respond within a certain amount of time to an application for part-time work by a parent entitled to parental leave, approval is deemed to be granted. The reform supports the better reconciliation of family and work commitments for parents and helps mothers return to work earlier. It also helps combat skilled labour shortage.</p>	Foster employment	In force since January 1, 2015. <i>Elterngeld Plus</i> parental allowance introduced for children born after July 1, 2015

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
36. Further development of the “Return to Work” (<i>Perspektive Wiedereinstieg</i>) 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. The programme therefore helps unlock the employment potential of women.	Foster employment	ESF Programme “Return to Work – Unlock Potential” (<i>Perspektive Wiedereinstieg – Potenziale erschließen</i>) commences in Q1 2015; will run through to 2021
37. Programme to Reconcile Career and Family Commitments	The aim of the Programme to Reconcile Career and Family Commitments is to work together with the social partners, employers’ associations and associations of trade and industry, the local authority level and other stakeholders at the local and regional level to create a family-friendly living and working environment. The focus here is on a family-friendly HR policy in business enterprises and a supportive family-friendly local infrastructure. The programme brings the “Success Factor: Family” company programme closer together with the business network and the “Local Alliances for the Family” initiative and develops them further. In particular, the “Success Factor: Family” business competition will be held in 2015/2016.	Foster employment	ESF programme commences on January 1, 2015
38. Measures for the quantitative and qualitative expansion of day care for children	<p>Since August 1 2013 every child aged one and over has had the right to early childhood education in a child day care facility or in child day care.</p> <p>Through the 2008-2013 and 2013-2014 investment programmes, the Federation is already providing financial support to the <i>Länder</i> for the expansion of day care places for children under three and for operating costs. For example, with the special fund to finance child care and with the federal share in operating costs, the Federation has made a total of €5.4 billion available through to 2014. From 2015 onwards, the Federal Government will contribute €845 million each year to the costs of ongoing operation on a permanent basis. With the entry into force of the “Act for Further Relief for <i>Länder</i> and Municipalities as of 2015, for the Quantitative and Qualitative Expansion of Daycare for Children and for the Amendment of the Equalisation of Burdens Act” the Federation is adding €550 million to the special fund to finance child care and will again provide relief of €100 million to the <i>Länder</i> each year in 2017 and 2018 through value added tax (“childcare financing 2015–2018” investment programme). With this relief, the Federation increases its contribution to the financing of operating costs to €945 million in 2017 and 2018. These funds are to go towards language development, inter alia.</p> <p>The “childcare financing 2015–2018” investment programme places a priority on all-day care. The programmes also promotes investments in resources and equipment that serve the goal of all-day care, health care, particularly the setting up of kitchens and eating areas that provide healthy meals geared towards the applicable standards of the German Society for Nutrition, as well as inclusion measures (e.g. the construction of ramps). These measures seek to create a range of services in Germany that are aligned with needs and, in particular, high-quality child day care services.</p> <p>The Federation supports the further development of the quality through a variety of programmes. Particularly, the programme for child day care facilities with a specific focus was extended by one year through to the end of 2015, for instance, to continue to promote everyday language learning in around 4,000 child day care facilities. Another language learning and development initiative is planned for 2016.</p>	Foster employment	<p>Legal entitlement since August 1, 2013</p> <p>Investment programmes for childcare financing 2008–2013 and 2015–2018</p> <p>The Act for Further Relief for <i>Länder</i> and Municipalities as of 2015, for the Quantitative and Qualitative Expansion of Daycare for Children and for the Amendment of the Equalisation of Burdens Act entered into force on December 31, 2014</p>

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
39. Reconciling long-term care and working life	The possibilities for workers to be released from work either fully or in part under the Act on Long-Term Care Leave and their partial release from work under the Family Caregiver Leave Act for the care of a close relative requiring care in a home environment have been aligned with one another and developed further. Since January 1, 2015, workers have had a legal right to family care-giver leave. In addition, workers who take leave from work under the Act on Long-Term Care Leave or the Family Caregiver Leave Act are entitled to financial support in the form of an interest-free loan from the Federal Office of Family Affairs and Civil Society Functionsto cushion the reduction in income during the time they are released from work. With effect from January 1, 2015, workers requiring time to organise an urgent care situation and temporarily unable to work for care reasons (care of a close relative) for a period of up to ten workdays can apply for a care support allowance as an income replacement benefit. In addition, care for an underage close relative who is in need of care and the provision of support to a close relative in the last phase of his/her life are also considered.	Foster employment	In force since January 1, 2015
40. Reform of the initial and further training of educators	The Federal Government Initiative for Further Training of Early Childhood Professionals (<i>WiFF</i>) in collaboration with the Robert-Bosch Stiftung and the German Youth Institute is overseeing the complex process of professionalization in this field. It provides a platform for specialists, policy-makers and individuals with practical experience to enable dialogue on current topics concerning initial and further training in the area of early childhood education, and to deliver a professional opinion.	Foster employment, Improve education levels	Third phase of the <i>WiFF</i> 2015–2018.
41. Expansion of all-day services with the aim of extending education and support opportunities	The <i>Länder</i> are resolutely pushing ahead with the creation and expansion of all-day services. For example: <p>1. Baden-Württemberg: The amendment to the Education Act for the expansion of all-day primary schools entered into force in the 2014/15 academic year. 157 additional all-day schools have been approved under the Land programme for the 2014/15 academic year. With the private all-day schools and the comprehensive schools that will be added this academic year, there will be over 1,800 all-day schools in Baden-Württemberg in this academic year.</p> <p>2. Lower Saxony: Inclusive Education in Child Day Care Facilities With funding of €1.5 million, the state of Lower Saxony is implementing the “Inclusive Education in Child Day Care Facilities” initiative in the 2014–2015 period. The initiative supports further training measures for social education workers who provide inclusive care of children in day centres. To improve the quality of child day care facilities the state of Lower Saxony has planned an amendment to the Act on Day Care Facilities for Children such that financial aid will be granted from January 1 2015 for a third regularly employed carer or professional in crèche groups.</p> <p>3. Saxony-Anhalt: Expansion of all-day services with the aim of extending education and support opportunities with the participation of non-school co-operation partners.</p>	Foster employment, Improve education levels	1. The new all-day school concept for primary schools commenced in the 2014/15 academic year. Up to 70% of primary schools to be developed into all-day schools by 2020 2. See description 3. Measure in force

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
	<p>4. Rhineland-Palatinate: Since August 1 2010, Kindergarten has been free for children aged two and over. This applies to all-day places, and has given rise to a considerable dynamism in the expansion of all-day places. While there were 25,513 all-day Kindergarten places in Rhineland-Palatinate in February 2005, with 77,697 places and a 66.5 % share this figure has more than doubled according to the approval database of the youth welfare office for the state.</p> <p>5. Schleswig-Holstein: Improvement in the quality of education in child day care facilities by supporting family centres with €1.3 million (€2.5 million from 2015). These centres specifically assist socially disadvantaged children by involving the parents to ensure the child succeeds at learning throughout the education system. Complementing this, specialised educational advice in child day care facilities will be supported with €0.7 million (€1.5 million from 2015 onwards). This makes a key contribution to quality assurance.</p>		<p>4. See description</p> <p>5. Decrees in force since 2014</p>
C. Energy			
42. Act for the fundamental reform of the Renewable Energy Sources Act and to Amend other Provisions of the Energy Act (<i>Gesetz zur grundlegenden Reform des Erneuerbare-Energien-Gesetzes und zur Änderung weiterer Bestimmungen des Energiewirtschaftsrechts</i>)	The fundamental reform of the Renewable Energy Sources Act (EEG) ensures the schedulable and reliable expansion of renewables, the better integration of renewable energy into the electricity system, more cost efficiency and the fairer distribution of costs, and breaks the cost dynamics between the EEG differential costs and the EEG surcharge. Key instruments that were introduced to deliver on these goals include the definition of a long-term expansion corridor and annual expansion targets for the technologies. The “flexible cap”, in particular, will ensure compliance with the expansion targets. To ensure better integration in the market, new facilities must market their electricity directly themselves. Furthermore, support will be focussed on the lower-cost technologies, namely onshore wind and photovoltaics, bonuses are withdrawn and excess funding reduced. The special equalisation scheme has been radically reorganised in light of European requirements. Furthermore, self supply is included in the EEG surcharge. Finally, the plan is to switch support to an auction-based system in the future. The 2014 Renewable Resources Act creates an important basis for this with the power of executive order for the auctioning of ground-mounted photovoltaic installations (cf. Table I, No. 44).	Increase energy from renewables	In force since August 1, 2014
43. Amendment to the Equalisation Scheme Ordinance	The Equalisation Scheme Ordinance will be adapted and updated. The transparency rules for the EEG surcharge will be improved further and concentrated both with regard to content and time. This helps reduce bureaucracy and simplify legislation and encourages better acceptance for the costs of expanding renewable energy. The provisions in the 2014 Renewable Energy Sources Act allowing transmission system operators to levy the EEG surcharge on self-suppliers is transferred to the grid system operator that owns the grid to which the self-supply installation is connected, i. e. generally the distribution grid operator. This makes it easier to levy the EEG surcharge and, with the possibility of offsetting, also facilitates the management of support under the Renewable Energy Sources Act.	Increase energy from renewables	Cabinet decision on February 11, 2015

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
44. Ordinance for the Pilot Auctioning of Financial Support for Ground-mounted PV Installations (<i>Verordnung für die Pilotausschreibung der finanziellen Förderung für Photovoltaik-Freiflächenanlagen</i>)	The Ordinance creates the legal basis for pilot auctions for ground-mounted photovoltaic installations such that financial support for such installations can be auctioned as early as this year in several rounds. The aim here is to gain experience with the determination, through competition, of the level of support for electricity from renewables. On the basis of this, the Renewable Energy Sources Act is to be amended in 2016 to introduce auctions for other renewable technologies. With this change to the system, the aim is to deliver on the goals of renewable expansion in a more cost-effective manner.	Increase energy from renewables	In force since February 7, 2015
45. Act to Amend Provisions of Energy Grid Construction Law (<i>Gesetz zur Änderung von Bestimmungen des Rechts des Energieleitungsbaus</i>)	The Act further strengthens acceptance for the expansion of electricity and gas transmission grids in Germany. For one, the current annual cycle for grid development planning in the Energy Industry Act for the electricity (onshore and offshore) and gas sectors will be changed to a two-year planning period. In addition, the Act will moderately extend the possibilities for the partial laying of underground cabling in technically and economically efficient sections of extra-high voltage lines. The pilot nature of the underground cabling of the transmission grids will be retained.	Increase energy from renewables	Cabinet decision: in spring 2015
46. Ordinance to Amend the System Stability Ordinance (<i>Verordnung zur Änderung der Systemstabilitätsverordnung (SysStabV)</i>)	The Ordinance aims to resolve the “49.5 Hertz problem” and seeks to guarantee system stability in conjunction with the frequency protection settings of wind power plants, solid biomass installations, combined heat and power plants (CHP plants), gas installations remunerated under the Renewable Energy Sources Act and facilities to generate electricity from liquid biofuels and small-scale hydropower plants. It is necessary to retrofit the frequency protection settings of around 21,000 affected plants in such a way that simultaneous disconnection is avoided. If the plants affected disconnect simultaneously, this can lead to an abrupt loss of capacity which can jeopardise system stability across Europe. The operators will bear the costs of retrofitting the plants themselves up to a maximum own contribution of €7.50 per kilowatt.	Increase energy from renewables	Cabinet decision on December 17, 2014
47. Amendment to the Incentive Regulation Ordinance (<i>Anreizregulierungsverordnung</i>)	The amendment seeks to make the incentive regulation more investment-friendly in certain areas (time delay, investment in smart technologies and grids), particularly for distribution grid operators. Efficiency must remain the central compass of the incentive regulation.	Increase energy from renewables	Draft in spring 2015
48. Review and adjustment of the system of network charges	The system of network charges is to be reorganised, particularly with a view to ensuring the fair distribution of the burden to finance the grid infrastructure and enable greater flexibility. In addition, the system of network charges is to be examined with regard to its compatibility with the energy transition and adjusted to the necessary degree in this respect.	Increase energy from renewables	Draft in spring 2015
D. Competition			
49. Retail Platform for Dialogue	Structural change in the retail sector is characterised, in particular, by the ongoing process of digitisation, new technological developments, increasing online trade, demographic change and changes in consumer behaviour. The Federal Government will open a platform for dialogue in order to discuss new solutions for the retail sector with the business community, associations, municipalities, trade unions and the academic community.		Kick-off expected in April 2015; will run for 30 months

Action name	Description of action and anticipated impact	Contribution to the goals of the Europe 2020 strategy	Status and schedule
50. Act to Strengthen Competition in the Rail Sector (<i>Gesetz zur Stärkung des Wettbewerbs im Eisenbahnbereich (particularly: Rail Regulation Act (Eisenbahnregulierungsgesetz)</i>)	<p>The purpose of the Act is to implement Directive 2012/34/EU. Competition in the rail sector is supported further by the following measures:</p> <ul style="list-style-type: none"> - Introduction of an incentive regulation and approval of individual fees - Securing market access for railway undertakings - Strengthening the role of the Federal Network Agency as a regulatory body. <p>The system and wording of the Directive are to be implemented directly without modification. A single European railway area will be promoted and the competitiveness of the rail sector increased.</p>		Cabinet decision: spring 2015 Deadline for implementation: June 16, 2015

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

Action name	Description of action and anticipated impact	Status and schedule
A. Fostering employment – National Job Plan		
1. Contracts for work and services	The key definition criteria between the orderly and abusive deployment of external staff, as derived from case-law, will be regulated by law. Even if a temporary hire permit has been granted, the would-be contractor and his client should not be in a better position than those who lease labour without a permit. The inspection work performed by the controlling and supervisory bodies of the financial control section of the Federal Customs Administration is to be optimised. The right of the works council to be kept informed by the management is to be guaranteed and specified in detail. Statutory work safety protection is to be guaranteed for individuals employed under a work and services contract. This will have the effect of preventing illegal contractual arrangements in the context of contracts for work and services to the detriment of workers.	Cabinet: expected in summer 2015
2. Centre of Excellence for Securing Skilled Labour (KOFA)	The primary goal of the Centre of Excellence for Securing Skilled Labour (KOFA) is to act as a central point of contact, via an Internet platform, for the securing of skilled labour for small and medium-sized enterprises (SMEs). The KOFA gives SMEs guidance and recommends areas for action, provides them with practical examples and information graphics on all areas of HR work and specifically shows SMEs how they can tailor good HR work to their company as a contribution to wellbeing in the working environment. It helps SMEs offset their structural disadvantages compared with large businesses. Since the start of November 2014, businesses have been able to compare their HR work with that of other companies using the free, interactive “HR Policy Head-to-Head” business comparison tool, in order to make improvements to their human resources strategy. The benchmarking system enables the businesses to perform an individual analysis of the strengths and weaknesses of their own HR policies.	Continuation with new sponsors since June 2014 through to the end of 2016; Website relaunched in November 2014
3. ESF/federal pilot scheme programme “Changing Careers – Men and Women in Child Day-Care Centres”	The ESF/federal pilot scheme entitled “Changing Careers – Men and Women in Child Day-Care Centres” taps into the skilled labour potential of unemployed persons and people changing careers to cover staffing needs in the field of (early childhood) education. The scheme creates or optimises paid, adult-appropriate training formats for child educator training. A career change to become an educator was previously practically closed off as training was unpaid and support structures were often unsuitable. The scheme now opens up this profession for life-long learning and active change processes in career paths. Given the continued high demand for skilled professionals, the entire labour force potential can be leveraged in this way.	The ESF/federal pilot scheme “Changing Careers – Men and Women in Child Day-Care Centres” will start in June 2015. Funding period through to the summer of 2020
4. ESF partner programme for the social economy “ <i>rückenwind – Für die Beschäftigten und Unternehmen in der Sozialwirtschaft</i> ”	This programme aims to maintain and support the employability of workers in the social economy in conjunction with integrated and sustainable personnel and organisational development in the organisations and associations. Those already employed in non-profit organisations, services and associations constitute the target group. Support is provided to integrated projects with a view to personnel development to improve adaptability and employability, and to organisational development to align the businesses more with demographic developments.	Measure commences in spring 2015

Action name	Description of action and anticipated impact	Status and schedule
5. ESF policy – securing skilled labour: continuing education and promotion of equality	The aim of the policy is to secure the supply of skilled labour. The social partners and business stakeholders are supported in this respect. Systematic CET measures are to be incorporated into businesses, organisations and industries and equality of opportunities is to be promoted in business enterprises. The efforts of the social partners will be supported to this end. Collective agreements on training or agreements among the social partners regarding skills development and/or equal opportunities are a prerequisite for support.	Measure commences in spring 2015
6. Measures to secure the skilled labour base	<p>1. Bavaria: As part of the Skilled Workers Strategy in the State of Bavaria, a number of individual measures are being pursued that are directed at different target groups or address a range of different topics. Inter alia, a holistic approach is taken to combat long-term unemployment (skills development and stabilisation in the context of the individual environment), disadvantaged young people are brought closer to the training and labour market, and the effects of demographic change are being counteracted with “coaches for the future” who are active in specific regions.</p> <p>2. Brandenburg: Skilled Labour Strategy “Educate, Retain and Enlist for Brandenburg”. Various ministries, trade unions, employers' associations, chambers, the league of central/voluntary welfare organisations, teachers' associations, parent representatives and third-level institutions have been working together under the “Alliance for a Skilled Labour Base” since 2006. Key results include a comprehensive plan of measures which presents the various activities of the partners to the Alliance, as well as the continued development of the Skilled Labour Strategy under demographic and structural conditions. With the motto “Educate – Retain – Enlist”, since 2012 the Skilled Labour Strategy has pooled the breadth of activities to secure the supply of skilled workers and addresses many areas. To support businesses and regions, the “Labour and Skilled Workers in Brandenburg” project will be continued at the Brandenburg Economic Development Board from January 1, 2015 (consisting of the three individual projects: “Regional Offices for a Skilled Labour Base”; “Further Training Database” and “Service Centre for Working Environments and Parental Leave”). This is associated with the following goals: identify the need for skilled labour in businesses and the regions, open up opportunities for training and advancement, greater promotion of family-friendly HR policy, tap into skilled manpower potential and create better job opportunities to strengthen the retention of skilled staff.</p> <p>3. Hesse: Overall strategy to secure the supply of skilled labour: strategy of the <i>Land</i> government with the involvement of trade unions, employers, chambers of commerce and public employment services. Its focus is on three strategic action areas: 1. initial and further training, 2. potential-based labour market policy and 3. internationalisation as a location factor. Hesse is taking action to be able to fill the current and future skilled labour gap. This is why a department for skilled labour supply in Hesse has been set up at the Hesse Ministry for Social Affairs and Integration to implement and coordinate the overall strategy of the <i>Land</i> government to secure the supply of skilled labour.</p>	<p>1. Implementation in 2015</p> <p>2. Continuous further development of the Skilled Labour Strategy in 2015 (next Alliance meeting)</p> <p>3. Continuous implementation until 2019</p>

Action name	Description of action and anticipated impact	Status and schedule
	<p>4. Lower Saxony: “Skilled Labour Initiative of Lower Saxony”: The <i>Land</i> government of Lower Saxony, in tandem with the employers’ associations, trade unions, the chambers, the Lower Saxony-Bremen regional directorate of the Federal Employment Agency, municipal authority umbrella associations and other social groups, has adopted an agreement to secure the supply of skilled labour. The agreement is complemented by a framework for action with clear objectives in 13 action areas on the basis of which the partners will jointly put measures in place to secure the skilled labour base. The priority areas of the agreement are (i) strengthening the dual system of vocational training, (ii) promoting of the science, technology, engineering and mathematics (STEM) fields and (iii) reconciling family and work commitments. Furthermore, the Skilled Labour Initiative is also to tap even more into the skilled manpower potential of women, the unemployed, older people and migrants in the future.</p>	<p>4. Cabinet decision and agreement among partners on July 8 2014; will run through to 2018</p>
	<p>5. Rhineland-Palatinate: Through a range of individual measures, the <i>Land</i> strategy to secure the supply of skilled labour in the state of Rhineland-Palatinate pursues the goal of improving the vocational prospects of (disadvantaged) young people and placing them in training and work. Furthermore, an important goal is to reduce the number of unemployed persons, in particular by stepping up efforts to encourage the initial training of young adults, by examining the implementation across the state of a pilot project to provide support to unemployed persons who have recently taken up training or employment, and by continuing the Skills Development Offensive for unskilled 25–35 year-olds.</p>	<p>5. Implementation in 2015</p>
	<p>6. Saarland: “Saar Future Alliance for Skilled Labour”: In dialogue with the economic and social partners and with the stakeholders in labour market policy in the state of Saarland, the Saarland Land government will continue to expand its current activities to secure the skilled labour base in the “Saar Future Alliance for Skilled Labour”. In particular, in the newly created “Saar Future Alliance for Skilled Labour” the strategy paper on skilled labour supply in Saarland has been updated, specified in greater detail and modules added. The package of measures for securing the supply of skilled workers covers a comprehensive range of actions, with the individual action areas addressing both individual situations in life and certain target groups. The implementation of the concept of “good work” and the targeted support of SMEs constitute the strategic priorities of the “Saar Future Alliance for Skilled Labour”. The overriding goal of the Landgovernment 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, qualify skilled workers and attract new ones.</p>	<p>6. Implementation of the first programme of action “Vocational Training and Transition from School to Working Life” and preparations for the thematic areas of “Immigration” and “Reconciliation of Work and Family Commitments”</p>
	<p>7. Saxony: Development of, and decision on, a “Skilled Labour Strategy 2020” as a guideline framework for skilled labour policy in Saxony, support from skilled labour fora for dialog with all the primary stakeholders. With the “Home for Skilled Workers” initiative, the Saxony state government wishes to promote Saxony as an attractive place to live, work and learn and attract qualified professionals (back) to the state.</p>	<p>7. First implementation report (01/2014) Update: 2015</p>

Action name	Description of action and anticipated impact	Status and schedule
	<p>8. Saxony-Anhalt: As part of the work of the Skilled Labour Pact for Saxony-Anhalt, in 2014, inter alia, binding quality standards were adopted for the recruitment of foreign skilled professionals and trainees, including assistance for businesses; an indicator system for securing the skilled labour base was agreed along with policy objectives and regular progress reports; and specific action was approved to strengthen the training market in the state within the framework of a political declaration to the training market. In addition to implementing the pending decisions, a number of measures are planned for 2015 including the implementation of the “Focus on Skilled Workers” project that provides state-wide support and advisory services to businesses, skilled professionals and disseminators and should therefore contribute to securing the skilled labour base. In addition, a support service is to be implemented with the aim of delivering local support to regional stakeholders in utilising scope to fill the skills gap. The appropriate framework conditions for this are also to be created.</p> <p>9. Schleswig-Holstein: “Future in the North” skilled labour initiative: the joint initiative of the <i>Land</i> government of Schleswig-Holstein, municipal Land associations, chambers, trade unions, the Federal Employment Agency, business associations and the state Rectors’ Conference was adopted on October 22, 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 action areas are: identification and analysis of skilled labour needs, creation of opportunities for education and promotion, unlocking of 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 initiative 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.</p>	<p>8. Ongoing implementation</p> <p>9. Initiative adopted on October 22, 2013, first implementation report and update: December 3, 2014</p>
7.	<p>Act for the Equal Participation of Men and Women in Executive Positions in the Private Sector and in Public Service (<i>Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst</i>)</p> <p>To come closer to the goal of equal participation of women and men in executive positions, the Federal Government has decided to introduce legal regulations that will increase the percentage of women in management positions and speed up this process, and make this development irreversible for businesses in Germany. These regulations include:</p> <ul style="list-style-type: none"> – From 2016 onwards, gender representation of at least 30 % on the supervisory boards of publicly listed companies and businesses with obligations for full employee co-determination – Starting in 2015, publicly listed or co-determined companies will be obliged by law to set targets for increasing the share of women on supervisory boards, executive boards and in the highest management levels and set dates by which these targets will be reached – Amendment to the legal regulations for the federal public service (Federal Act on Gender Equality and Appointment to Federal Bodies Act) 	<p>Cabinet decision: December 11, 2014; 2nd/3rd reading in the German <i>Bundestag</i>: March 6 2015</p> <p>Entry into force of the Act: 1st semester of 2015</p>

Action name	Description of action and anticipated impact	Status and schedule
8.	Promotion of equal pay	Legislative process: 2015
	<p>To help promote the principle of “equal pay for equal and equivalent work”, the Federal Government wishes to create more transparency about pay structures in businesses with over 500 workers. In joint initiatives with partners to collective agreements, job assessment and patterns of structural pay inequality are to be examined. The aim, inter alia, is to further enhance the image of work in the fields of care, support and early childhood education.</p> <p>Parity in the working environment and equal pay help secure the skilled labour base and contribute to the economy’s innovative potential, stability and resilience. Transparency over pay structures gives businesses a direct tool for the organisation of HR measures (retention of skilled labour, demographic change, family-friendly structures), for staff motivation and legal certainty.</p>	
9.	Competence centre for equal pay	Project commenced on January 1, 2015 ESF-funded
10.	Qualified Professionals Initiative & relaunch of the “Make it in Germany” portal	Qualified Professionals Initiative launched in June 2012, relaunched in November 2014
	<p>The Qualified Professionals Initiative brings together the existing measures aimed at securing the skilled labour base and carries out public relations activities with the aim of mobilising and educating workers and businesses.</p> <p>“Make it in Germany” is a multilingual “welcome to Germany” portal for international skilled professionals and part of the Qualified Professionals Initiative. Here, skilled workers interested in moving to Germany can get information about living and working in Germany and access links to relevant data and reports. In addition, the portal also provides information to businesses on how to recruit skilled workers from abroad.</p> <p>Within the framework of pilot projects, ever since early 2013 “Make it in Germany” has been providing a particular service to skilled professionals interested in migrating from India, Indonesia and Vietnam: skilled professionals – particularly from the science, technology, engineering and mathematics (STEM) fields – receive personal onsite support in making the move to Germany. The services provided by “Makeit in Germany” consultants range from informative events and individual advice to tips to prepare the individual for relocating to Germany. A trainee programme was added to the portfolio of services in 2014. Within this framework a total of 30 engineering and IT graduates from the three pilot countries (10 per country) completed a subsidised period of practical work at a German SME for at least three months from September/October 2014 following a language and intercultural preparatory phase lasting at least four months. This gives both businesses and candidates the opportunity to get to know one another.</p> <p>The pilot projects finished at the end of 2014, and a final report and an evaluation will be provided in 2015 once measures that have already been initiated and actions that are still needed have been implemented.</p>	<p>The “Welcome to Germany” portal was started in June 2012 and relaunched at the end of 2014</p> <p>Started in 2013, trainee programme since May 2014</p>
11.	“Work and Live in Germany” hotline	Available since December 1, 2014
	<p>The “Work and Live in Germany” hotline was launched on December 1, 2014 as the central point of contact for people who have relocated, or are interested in relocating, to Germany and provides comprehensive support over the telephone in German and English on the topics of immigration, integration, job-seeking and the recognition of foreign professional qualifications.</p>	

Action name	Description of action and anticipated impact	Status and schedule
12. First report on the 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>The Federal Government adopted the first report on the Professional Qualifications Recognition Act in April 2014: Within a short period of time, the Professional Qualifications Recognition Act has proven to be an effective tool in securing the supply of skilled labour. The possibilities for integrating skilled workers with professional credentials acquired abroad into the economy have been improved and the integration of migrants living in Germany into the German labour market promoted. Since the Professional Qualifications Recognition Act entered into force in April 2012, a total of roughly 26,500 applications for qualification recognition had been submitted by the end of 2013. In 2013 around 16,700 applications had been processed, and a decision already made for 13,300 (80 %) of these cases. The vast majority (75 %) were granted full recognition and only a handful were completely rejected.</p> <p>An international awareness-raising campaign was started in July 2014 for the recognition portal and for ways to get foreign professional credentials recognised in Germany. The portal is now available in seven languages (German, English, Italian, Romanian, Spanish, Polish and Turkish).</p>	Report published in April 2014, ongoing monitoring of recognition activities
13. Nationality Law amendment	Children of foreign parents who were born and raised in Germany are not required to choose a citizenship.	The Second Act amending the Nationality Law entered into force on December 20, 2014
B. Improving conditions for innovation, research and development		
14. The new High-tech Strategy – Innovations for Germany	<p>The High-tech Strategy (HTS) is the overarching framework strategy of the common research and innovation policy of the Federal Government. The Federal Government coordinates its research and innovation initiatives with the HTS and formulates new priority areas. The Federal Government adopted the new High-tech Strategy – Innovations for Deutschland in September 2014:</p> <ul style="list-style-type: none"> – It addresses new topics, such as innovative working environments, big data, cyber security, green economy or healthy living. The HTS is based on a broader definition of innovation comprising not only technological innovations but also social innovations. – As part of the HTS, new innovation promotion instruments will be developed, such as instruments for the internationalisation of cutting-edge clusters, forward-looking projects and comparable networks. – Alongside science and business, society is also comprehensively included as a third central stakeholder in the new HTS. <p>The new HTS seeks to trigger innovations in markets of the future and to promote innovations that improve quality of life and create new scope. The potential of key enabling technologies like micro-electronics and battery research is also to be exploited here.</p>	Cabinet decision on the new High-tech Strategy on September 3, 2014.
15. Regional Innovation Strategy	The Federation's High-tech Strategy is complemented by the Regional Innovation Strategies (RIS) of the <i>Länder</i> . The RIS are location-specific research and innovation agendas that build on the strengths and performance and innovative potential of the specific regions. They are backed by Land funds and funding from the European Structural and Investment Fund, particularly the European Regional Development Fund (ERDF). The support of innovation and research & development by the ERDF in the 2014–2020 funding period is high on the agenda in the regional operational programmes of the <i>Länder</i> .	Programme commences in 2015

	Action name	Description of action and anticipated impact	Status and schedule
16.	Innovations for Future Production, Services and Work	The “Innovations for Future Production, Services and Work” programme addresses challenges deriving from the increasing digitisation and interconnectedness of society and from the technical and social innovations in the field of production and services. The programme focuses on solutions that can be leveraged to maintain and grow value-add and jobs in Germany, organise work in an economically sound, socially sustainable manner, and continue to develop production and service-related processes in an efficient, environmentally compatible fashion. For the first time ever research activities for work, production and services were inter-linked from the outset in this respect in order to increase the level efficiency.	Published on September 8, 2014
17.	EXIST – University-based start-ups	EXIST seeks to establish a stronger entrepreneurial environment at third-level institutions and contribute to the development of more and more innovative start-ups from the results of research. The two basic modules of the programme, EXIST research transfer and EXIST business start-up grant, promote the establishment of technology-intensive start-ups at universities and scientific centres. The funding possibilities of the two programme modules will be increased considerably. The competition module “EXIST Culture of Entrepreneurship – The University of Entrepreneurs” will be continued.	New, improved funding rules for EXIST research transfer and business start-up grant in November 2014
18.	“Gründercoaching Deutschland” policy to coach and assist entrepreneurs in Germany	Restructuring of the advisory programme for entrepreneurs with a focus on the initial business start-up phase and more solid details of the coaching content to safeguard business start-ups and jobs over the long term	Expected to be relaunched in June 2015
19.	Business succession exchange www.nexxt-change.org	Further development of the online business succession exchange www.nexxt-change.org in collaboration with regional partners nationwide to facilitate business succession between the former and new owners and to safeguard jobs and knowledge in small- and medium-sized enterprises	Expected to be relaunched in June 2015
20.	“FRAUEN Gründen” initiative to strengthen women entrepreneurs and business-women in Germany	As part of a joint initiative “Frauen gründen – Gründerinnen und Unternehmerinnen in Deutschland stärken” to strengthen women entrepreneurs and business women in Germany, successful businesswomen will be more visible in public, a range of advisory services specifically geared towards the needs of women will be developed and expanded, access to financial resources facilitated and reliable conditions created to reconcile family commitments and self employment.	Initiative presented on August 13, 2014; measures implemented from the end of 2014 through to the end of 2016
21.	“Women Mean Business” initiative	Creation of a nationwide network of role-model business women in collaboration with the National Agency for Women Start-ups Activities and Services (bga) to strengthen female self-employment. The businesswomen selected for the network will report publicly about their move to start up their own business and explain what it is like to be a businesswoman, and in doing so encourage other women and girls to become self-employed, and also increase the visibility of businesswomen on the whole.	Women Mean Business launched on October 29, 2014; expected to run for 2 years
22.	GA – German Accelerator Programme	The German Accelerator supports German high-tech start-ups (particularly in the fields of ICT and clean-tech) to spend a period of 3–6 months abroad in order to validate their business model and, where necessary, adapt it to local needs to get ready to enter the market. There are currently three German Accelerator sites in the US: San Francisco, Palo Alto and – since October 24, 2014 – New York. Through a comprehensive portfolio of mentoring and coaching services, the start-ups gain access in Germany and then in America to the very strong venture capital scene in the United States and to new business partners.	New York City launched as a new site in October 2014 Plans to include life science in the Boston/Massachusetts region

Action name	Description of action and anticipated impact	Status and schedule
23. INVEST – venture capital grant	<p>With the “INVEST – venture capital grant” programme, 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.</p> <p>Thanks to the tax exemption on the grant (Section 3, Number 71 of the Income Tax Act), the measure has been made even more attractive for investors, with retroactive effect to 2013.</p>	Announced on December 30, 2014
24. Digital Agenda 2014–2017	<p>The Digital Agenda 2014–2017 is the framework of the Federal Government’s digital policy in which the activities for this field are planned, developed further and implemented. At the same time, it invites all groups concerned to play an active role in the agenda process.</p> <p>Three central goals are pursued:</p> <ul style="list-style-type: none"> – Germany’s potential for innovation is to be developed further. – Access and participation for all citizens is to be improved via the expansion of high-speed networks. The digital media skills of all generations are to be strengthened. – The security and protection of IT systems and services are to be improved in order to strengthen the confidence of society and commerce. <p>The Federal Government bundles the measures under the Digital Agenda into seven action areas:</p> <ol style="list-style-type: none"> (1) Digital infrastructure (2) Digital economy and digital work (3) Innovative state (4) Shape digital living in society (5) Education, science, research, culture and the media (6) Security, protection and confidence for society and the economy (7) European and international dimension of the Digital Agenda 	Cabinet decision on the Digital Agenda 2014–2017 on August 20, 2014
25. “Future City” 2015 Science Year	<p>The “Science Years” are a central initiative in the field of scientific communication. This year looks at the “Future City” and, using specific examples, demonstrates the contribution research can make. Experts reveal useful findings and show us new ways to shape towns and cities – together with the public. The aim is a climate-neutral, social city that makes efficient use of resources and offers its population a high quality of life.</p>	<p>The 2015 Science Year commenced on February 19, 2015</p> <p>Several hundred events, talks, exhibitions and competitions nationwide throughout the year</p>
26. Third Pact for Research and Innovation	<p>By continuing the Pact for Research and Innovation for the period from 2016 through to 2020, the Federation and the <i>Länder</i> intend to give the scientific organisations financial planning certainty. Subject to the provision of funding by the legislative bodies, they seek to provide an annual increase in funding of 3 % to the individual scientific organisations: the German Research Foundation (DFG), the Fraunhofer-Gesellschaft (FhG), the Helmholtz Association (HGF), the Max-Planck Society (MPG) and the Leibniz Association (WGL). Without prejudice to the Federation/<i>Länder</i> funding keys permanently set down in the implementing agreements, the increase will be funded solely by the Federation in this period. In return, the scientific organisations will pledge support for research policy goals and explain how they will deliver on these goals.</p>	<p>Decision of the heads of government of the Federation and the <i>Länder</i> on December 11, 2014</p> <p>Term: 2016–2020</p>

Action name	Description of action and anticipated impact	Status and schedule
C. Reducing greenhouse gas emissions, increasing renewable energy and energy efficiency		
27. Amendment to the Combined Heat and Power Act (<i>Kraft-Wärme-Kopplungs-Gesetz, (KWKG)</i>)	<p>Tapping the heat that is generated during electricity production conserves raw materials and saves CO₂ emissions.</p> <p>The Combined Heat and Power Act (CHPA) was evaluated in autumn 2014. To this end, a scientific study into the costs, benefits and potential of CHP in Germany was conducted. The study also contains information on the role of CHP in the future heating and electricity market and an assessment of funding under the CHPA. In light of the results of this evaluation, the framework conditions for CHP, particularly in the CHPA, will now be examined and adapted. The amendment to the CHPA will be coordinated with the pending decisions concerning the electricity market and, in line with the procedure for the amendment to the Renewable Energy Sources Act in 2014, will be announced and approved under the rules for the granting of state aid.</p>	Decisions on the future funding of CHP in parallel with decisions concerning the electricity market, then swift amendment to CHPA independently of the legislative measures concerning the electricity market.
28. National Energy Efficiency Action Plan	<p>The National Energy Efficiency Action Plan (NAPE) brings together the goals, responsibilities and measures to increase energy efficiency. The measures it contains also seek to contribute to meeting the energy saving obligations from the EU Energy Efficiency Directive, which is binding for the member states. The key points of the energy efficiency strategy for buildings are part of the NAPE.</p> <p>The package of measures under NAPE makes provisions both for immediate measures that will take effect on the short- and medium-term as well as for long-term, farther reaching work processes. Central measures of the NAPE are:</p> <ul style="list-style-type: none"> – The introduction of new, competitive bidding for energy efficiency – An increase in the volume of funding for building modernisation to improve energy efficiency and to utilise renewable energy in the building sector – The creation of energy efficiency networks together with industry and commerce – The development and optimisation of existing funding programmes and of advisory and information services for energy consumers, also with a view to quality assurance – Measures to strengthen and further develop the market for energy services. 	Cabinet decision: December 3, 2014
29. 2020 Climate Action Plan	<p>The measures in the Action Plan ensure that Germany achieves the goal of reducing greenhouse gas emissions by 40% by 2020 compared to 1990 levels. The primary action areas are:</p> <ul style="list-style-type: none"> – Emissions trading, European and international climate policy – Climate protection in electricity production, inter alia by further developing the conventional power plant fleet and expanding renewable energy – Energy savings by further developing the funding programmes for refrigeration and air-conditioning equipment in business enterprises as well as mini-CHPs including fuel cells – Support low-income households in saving energy – National Energy Efficiency Action Plan (NAPE) – Strategy for “Climate-friendly building and living” – Climate protection measures in the transport sector – Reduction in non-energy-related emissions in industry, waste management and agriculture – Federal Government sets an example – Research and development – Advice, education and independent enterprise for better climate protection 	Cabinet decision: December 3, 2014

Action name	Description of action and anticipated impact	Status and schedule
30. Implementation of the EU Energy Efficiency Directive	<p>To implement certain requirements of the Directive, the Federal Government presented a bill for an “Act for the Partial Implementation of the Energy Efficiency Directive and to Postpone the Revocation of Section 47g, Paragraph 2 of the Act against Restraints of Competition”. According to this, large companies must perform regular energy audits, the first of which by December this year.</p> <p>The requirement of the Directive to perform a cost/benefit analysis when setting up and significantly modernising certain installations and when constructing new district heating/cooling networks and to take this analysis into consideration when deciding on the admissibility of the project is implemented by an ordinance supported on the basis of the Federal Immission Control Act and the Environmental Impact Assessment Act.</p> <p>The measures announced in the NAPE make a contribution to implementing the saving obligation deriving from Article 7 of the Directive.</p>	Act will enter into force this year. Cabinet decision concerning ordinance: November 5, 2014
31. Energy Efficiency Strategy for Buildings	The Energy Efficiency Strategy for Buildings demonstrates how a virtually climate-neutral building stock can be achieved in Germany by 2050. In addition to the measures outlined in the NAPE, additional instruments are developed to reduce the primary energy consumption of buildings by 80 % by 2050. Taking a holistic approach, the strategy focuses both on the modernisation of existing building and on new builds, individual buildings and local solutions. It considers both residential and non-residential buildings, and both owner-occupied and rented buildings.	Cabinet decision by the end of 2015
32. “Efficiency house plus” (EP) initiative in conjunction with the “Zukunft Bau” research initiative	Innovations in the building sector are supported with the “Efficiency house plus” and “Zukunft Bau” initiatives. In collaboration with the building industry and the building science field, the building sector is primed to meet new requirements (energy efficiency, sustainability, climate-neutral buildings). In the “Efficiency house plus standard” pilot project, a newly developed building generation comprising buildings that produce energy are scientifically examined in field trials and their market rollout promoted. A broad-based publicity campaign supports the “Zukunft Bau” initiative and the pilot projects. It promotes the transfer of information and introduces these innovations in dialogue between the business community, policy-makers and the public. Following the first phase of residential building support, the scope of the EP initiative will be increased from 2015 to include pilot projects in the educational buildings sector. It is to be extended to existing buildings and energy-efficient neighbourhoods to achieve a climate-neutral building stock in 2050.	New funding regulations presented in January 2015
D. Improving the level of education		
33. Educational quality support, ensuring high-quality care	With the “Educational Quality Support in Child Day Care Facilities” pilot project, the goal is to create an external support system in Bavaria which is available to child day care facilities as a service offering and supports them in safeguarding and further developing the quality of their educational processes. The longer-term aim of the pilot project is to establish a sustainable and effective system of quality assurance and development in child day care facilities in Bavaria. The pilot project centres on the provision of systematic advice and support to child day care facilities with regard to the quality of interaction at the facility.	Start: January 1 2015 The project is projected to run for a period of up to four years

Action name	Description of action and anticipated impact	Status and schedule
34.	Measures to improve speech and language skills	Since October 2014
35.	Measures to improve school education and reading skills	1. Opened on November 3 2014
	1. Berlin: The Berlin Literacy Centre (GBZ) supports adults with poor writing and oral skills. People with difficulties reading and writing receive advice and are placed in suitable courses. In addition to advising the individuals concerned and the professional field, the programme focus also includes measures to raise public awareness of the issue, develop the skills of instructors and disseminators and forge links between experts in the field.	2. Implementation since the start of the 2014/2015 academic year
	2. Mecklenburg Western Pomerania: With the Programme to Ensure Good Schools in Mecklenburg Western Pomerania in the Future, €50 million in additional funding will be made available to the school sector per academic year to secure the supply of trainee teachers, for the programme to address the cancellation of classes, for better facilities for half-day primary schools and all-day schools, and to increase competitiveness and inclusion.	3. The additional positions will be filled on a gradual basis from 2014
	3. Lower Saxony is making a number of efforts to safeguard the quality of education in educational institutions. To enhance the quality of schools, the government of the state of Lower Saxony has decided to develop and strengthen advisory and support services and has created an additional 28 permanent positions for school development advice. In this way, schools can tap into a comprehensive system of advice and support to improve school and tuition development. A total of 50 school inspection positions are provided on a permanent basis in the 2014-2017 period. This expansion of services ensures that all schools will be inspected regularly on a 4-year basis with regard to the level of quality achieved.	
36.	Career guidance and orientation measures	1. Basic plans were developed by September 2014 and will be trialled in the 2014/15 academic year. General introduction in all school types
	Many career guidance and career orientation measures are in place in the Länder, such as: 1. Baden-Württemberg: Introduction of career guidance and orientation as a guiding doctrine and economics/career and study orientation as a compulsory subject in all post-primary schools of general education In the new plans for education, economics with a focus on career and study orientation will be introduced as a new subject in all post-primary schools of general education from grade 7/8, and "career guidance" will be universally established and binding as a guiding doctrine in all grades. The aim is to assign far greater importance to basic economics education and training and study orientation at general-education schools. The new subject – economics/career and study orientation – will be introduced at all technical secondary schools (<i>Werkrealschule</i>), intermediate secondary schools (<i>Realschule</i>) and comprehensive schools (<i>Gemeinschaftsschule</i>) between 7th and 10th grade, and between 8th and 10th grade in academic secondary schools (<i>Gymnasium</i>).	

Action name	Description of action and anticipated impact	Status and schedule
	<p>2. Berlin: <u>State strategy for career guidance and orientation</u> in schools.</p> <p>3. Berlin: The aim of the agency for youth employment and vocational training model is to offer all young people a go-to point for any questions concerning the transition from school to work. The agency for youth employment and vocational training must bring together the advisory processes of job centres, employment agencies, youth counselling and school guidance in a customer-friendly manner across the region and regulate them through co-operative agreements. The standards for its work are to be defined by autumn. The first regional go-to points of the agency for youth employment and vocational training are to be set up in 2015. Teenagers and young adults under 25 will be able to receive advice and support at these points.</p> <p>4. Hamburg: A binding framework strategy to implement career and study orientation for grades 8-10 has applied since August 1, 2014 for all 60 district schools. The further development of the career and study orientation strategy in senior high school years and academic secondary schools (Gymnasium) is planned for the coming legislative term and will build on the experience gathered at the lower secondary level of district schools.</p>	<p>2. and 3. autumn 2014, implementation in 2015</p> <p>4. Since August 12014</p>
37. Measures to increase the rate of third-level graduates or individuals with an equivalent qualification	<p>A multitude of measures are in place in the Länder to increase the rate of third-level graduates or individuals with an equivalent qualification, including:</p> <p>1. Bavaria: Higher-Education Alliance for Innovation 2018 The state of Bavaria has concluded multi-year alliances for innovation with institutions of higher education in which the goals of higher-education policy and the input from the state and universities to achieve these goals are agreed. With the continuation of the Higher-Education Alliance for Innovation for the 2014-2018 period, the institutions of higher education also continue to be given a reliable financial framework and the necessary ability to plan with certainty.</p> <p>2. North Rhine Westphalia: <u>"Study Success" programme</u> The programme includes the following measures, inter alia, that focus on the sensitive phases of transition and the study programme:</p> <ol style="list-style-type: none"> Between school and studying: Before studying Starting studying and good teaching Study programme Studying and careers <p>3. Schleswig-Holstein: Three-year financial support across the state for the <u>"Arbeiterkind.de"</u> initiative, which is geared towards individuals who are the first to study in their family; the University of Kiel seeks to establish the coordination centre in Schleswig-Holstein for Arbeiterkind.de as a long-term centre and filled a vacancy to this end by August 15 2014.</p>	<p>1: Current framework agreement for 2014–2018</p> <p>2. Gradual implementation of measures since 2014</p> <p>3. Coordination centre since 2014</p>

Action name	Description of action and anticipated impact	Status and schedule
38. Amendment to the Federal Educational Assistance Act (<i>BAföG</i>)	<p>With the 25th Act to Amend the Federal Educational Assistance Act, the Federation will be responsible for the full funding of the allowances under the Federal Educational Assistance Act from 2015 onwards. In this way, the <i>Länder</i> receive annual relief of roughly €1.17 on a permanent basis, giving them more scope to finance education, particularly in the field of third-level education. This forms part of the 25th Act to Amend the Federal Educational Assistance Act as does a substantive amendment to the Federal Educational Assistance Act at the start of the 2016/2017 academic year or the 2016/2017 winter semester, which comprises the following main regulations:</p> <ul style="list-style-type: none"> – <i>BAföG</i> entitlements and income allowances will generally be raised by 7%. The housing supplement for students not living at home will even be increased to €250, an above-average increase. Therefore the maximum level of assistance under the <i>BAföG</i> system for students not living at home will be increased by over 9.7% from the current rate of €670 to the future level of €735 per month. – The limit on additional earnings for <i>BAföG</i> recipients will be increased in such a way that <i>BAföG</i> recipients will, in future, be able to continuously hold down a mini-job paying up to €450 without having to offset this amount against their <i>BAföG</i> allowances. – The allowance for own assets of people in training is increased to €7500 and the childcare supplement is increased to a standard rate of €130 per child. – The amendment closes unintentional gaps in support, particularly gaps in the two-stage study structure in the transition between Bachelor's and Master's programmes. – The <i>BAföG</i> system is made more international by increasing support entitlement both for training programmes abroad and for non-German trainees. – The <i>Länder</i> are obliged to enable certain electronic applications by August 1 2016; the aim is to have nationwide online forms as a web application. 	<ul style="list-style-type: none"> – Bundesrat 2nd round: December 19, 2014 – Entry into force of regulation concerning the full financial responsibility of the Federation for the <i>BAföG</i>: January 1, 2015. – Entry into force of regulation concerning <i>BAföG</i> reform: August 1, 2016
39. Higher Education Pact 2020	<p>The aim of the Higher Education Pact is to safeguard the opportunities of the young generation to enter a study programme and secure the next generation of young scientific talent which the country needs.</p> <p>With the first pillar of the Higher Education Pact, the Federation and the <i>Länder</i> will make study programs available for 760,000 additional first-year students by 2020 compared to 2005 levels. For this, the Federation is making up to €9.880 billion additionally available, while the <i>Länder</i> are making up to €9.403 billion additionally available within the framework of a fixed-sum model. In future, the higher-education institutions are to channel 10% of the funds into quality-assured measures to help students successfully complete their studies. Another important goal is to open up third-level education to more individuals with vocational qualifications. The Higher Education Pact gives the third-level institutions planning security for the entire third funding phase.</p> <p>With the second pillar of the Higher Education Pact, overhead funding for the German Research Foundation (DFG) is to be continued through to 2020 and, from 2016 onwards, then increased by a total of 22% for new projects approved by the German Research Foundation. The funding will cover the indirect, additional and variable project expenses associated with support for projects. By granting the overhead funding for projects supported by the German Research Foundation, university-based research is strengthened on a lasting basis and the ability of third-level institutions to take strategic action is increased.</p>	Decision by the heads of government of the Federation and the <i>Länder</i> on December 11, 2014

Action name	Description of action and anticipated impact	Status and schedule
E. Promoting social inclusion, particularly by reducing poverty		
40. FEAD – Fund for European Aid to the Most Deprived	FEAD promotes the social integration of people who are not reached by the advisory and support services of the regular system of assistance. This includes EU migrants and their children, as well as homeless persons and people at risk of being homeless. The fund acts as a kind of bridge between these individuals and the existing systems of assistance. While the aim is to bring the adult EU migrants, homeless persons and people at risk of being homeless into the regular system of assistance – e.g. targeted advice - the migrants' children are to be offered better access to early childhood education and social inclusion, such as child day care facilities.	FEAD funding guidelines are expected to enter into force in Q2 2015, intended start of funding: September/October 2015
41. Social inclusion, fighting poverty and discrimination	1. Hamburg: To pursue this thematic goal of the joint strategic framework, around €10 million are committed through the operational programmes of the European Social Fund in the reporting period (3/14–3/15) for 15 projects which seek to reach 2,800 individuals (NEETS, refugees, prisoners, people with disabilities). The status of 1,350 is expected to be improved.	1. Same values for 2015 and 2016
	2. North Rhine Westphalia (NRW): <i>Land</i> initiative: “NRW sticks together – for life without poverty and marginalisation” To reduce poverty and social marginalisation, or ideally even prevent it from occurring in the first place, NRW is pursuing a preventive plan of action. Its central goals are to improve the standard of living of people in disadvantaged neighbourhoods and to improve the situation of groups particularly at risk of poverty. The Federal Government is collaborating with the municipalities, associations and organisations, stakeholders and the public.	2. Budget funding of €4 million from 2015
	3. Thuringia: Increase the skills and ability of local stakeholders in the prevention of poverty on the basis of a regional or local poverty prevention strategy as part of integrated social planning. The aim is to reduce long-term unemployment and child and family poverty. As providers of public youth welfare service, social assistance and health services, the districts and towns constituting a district in their own right will receive funding and support in the development of sustainable, multidisciplinary planning processes for a needs-appropriate social infrastructure. The Institute for Municipal Planning and Development (IKPE) has been set up to oversee the entire process. This institute is the first in Germany that seeks to bring together the academic community, practical experience and the advice of all the relevant decision-makers in municipal planning and development.	3. Entry into force of the poverty prevention policy and start of ESF funding: December 2014; Intended funding period: 2014–2021

