

**Germany**  
**National Reform Programme 2011**

Berlin, 6 April 2011

## Table of Contents

<b>1. Introduction</b>	<b>1</b>
<b>2. The general economic environment</b>	<b>3</b>
<b>3. Translating the five Europe 2020 headline targets into national targets</b>	<b>5</b>
<b>a) Increasing labour market participation</b>	<b>5</b>
<b>b) Improving the conditions for R&amp;D and innovation</b>	<b>6</b>
<b>c) Emissions reductions, renewable energy and energy efficiency</b>	<b>6</b>
<b>d) Improving educational attainment</b>	<b>7</b>
<b>e) Promoting social inclusion, in particular by reducing poverty</b>	<b>7</b>
<b>4. German Action Programme 2011 for the Euro Plus Pact</b>	<b>9</b>
<b>5. Key measures to stimulate growth and employment in Germany</b>	<b>12</b>
<b>a) Combining fiscal consolidation with ensuring a reallocation of public expenditure towards growth-enhancing items</b>	<b>12</b>
<b>b) Ensuring a well functioning and stable financial sector</b>	<b>15</b>
<b>c) Strengthening domestic sources of demand</b>	<b>18</b>
<b>d) Ensuring full utilisation of the economy's labour potential</b>	<b>22</b>
<b>e) Improving the contribution of the education system to human capital formation</b>	<b>26</b>
<b>6. Use of EU funds</b>	<b>31</b>
<b>a) European structural funds</b>	<b>31</b>
<b>b) Rural development (second pillar of the Common Agricultural Policy (CAP))</b>	<b>32</b>
<b>Annex: Table of actions</b>	<b>33</b>

## 1. Introduction

On 17 June 2010, the European Council adopted its 'Europe 2020' strategy for promoting employment and smart, sustainable and inclusive growth. The strategy is designed to set European policy on a new course: away from crisis management and towards the implementation of medium and long-term structural reforms. Its objectives are to increase competitiveness, productivity, growth potential, social cohesion and convergence within Europe.

Furthermore, the euro area heads of state and government adopted the Euro Plus Pact in March 2011. Other EU members states that are not members of the euro zone joined the Pact at the meeting of the European Council on 24/25 March 2011.

The primary political objective of the pact is to promote competitiveness and thereby economic convergence particularly within the Monetary Union. Actions taken in the context of the pact should integrate into and build on the existing framework of the Europe 2020 strategy and the integrated guidelines of the EU. German government policy is consistent with the Europe 2020 strategy. It aims at using the current strong economic upswing in Germany to increase the long-term potential for growth. At the same time, like its European partners, Germany is facing the challenges of demographic change, the stabilisation of the financial system and the demands of climate protection and the efficient use of resources.

The policy of the Federal Government is founded on the basic principles of the social market economy: it is geared towards competition and open markets. Its objectives are to continue removing barriers to growth and employment, to create new opportunities for investment and innovation, and to promote the mobility of capital and labour through a system of taxes and social contributions that is conducive to performance. In addition, the sustainable and pro-growth consolidation of public finances is crucial for building trust among consumers and investors. To this end, the government must continue to rigorously roll back crisis-induced state interventions.

The National Reform Programmes (NRP) are an important instrument in the implementation of the Europe 2020 strategy. In these, the Member States spell out how they translate the targets and policy priorities established at European level into their own national policies. Within the framework of the European Semester, in April each year governments will submit their NRPs together with their Stability and Convergence Programmes that are to be prepared in line with the Stability and Growth Pact.

At the same time, the Federal Government is also fully committed to the goals of the Euro Plus Pact. A range of measures aimed at achieving these goals also constitute a central element of this National Reform Programme.

The structure of the German NRP 2011 closely follows that of the preliminary NRP ("Draft NRP"), which was created in the transitional phase to the European Semester and submitted in November 2010. The NRP 2011 contains the following elements:

- a medium-term scenario for the country's economy
- the translation of the five 'headline targets' agreed upon at the EU level into national targets
- the German Action Programme 2011 for the Euro Plus Pact
- a general overview of key political measures of the Federal Government and the *Länder* to strengthen growth and employment in view of the Europe 2020 objectives and the priorities of the Annual Growth Report of the European Commission and the Euro Plus Pact
- a brief account of the use of EU structural funds

The present document has been created by the Federal Government, while taking the input of numerous government departments and the *Länder* into consideration. This process involved much collaboration between the government departments and the *Länder* to agree and coordinate the document content. In some cases, conferences of specialised ministers of the *Länder* delivered detailed comments on the NRP. These have been incorporated into the report and are published in full in addition to the report. Many social organisations, trade unions, churches and other social groups also delivered opinions on the basis of the Draft NRP. The NRP was approved by the Federal Cabinet on 6 April, 2011 after which it was submitted directly to the Bundestag and Bundesrat.

## 2. The general economic environment

With a growth rate of 3.6 percent in 2010, the German economy achieved its strongest GDP growth since reunification. The powerful upswing following the severe economic slump in the winter half-year 2008/2009 was triggered, in particular, by the rapid recovery of the global economy. German companies were able to tie into their earlier export success and get back on track quickly. Since then, the initial economic stimulus from exports has now spread to the domestic economy, which is increasingly becoming the driving force behind Germany's economic expansion and will account for over three quarters of overall economic activity this year. In this way, the recovery is more and more broad-based.

In its annual projection of January 2011, the Federal Government expects the upswing to continue, with gross domestic product forecast to grow this year at a real rate of 2.3 percent. Growth is expected to continue in 2012 at a rate of 1.8 percent. This means that the German economy is growing at a substantially faster pace than the eurozone average. Total employment reached record levels in 2010; at 40.5 million persons, this is also the highest level since reunification. Almost all of the newly created jobs are positions requiring social insurance contributions, and most of them involve full-time employment.

The Federal Government anticipates further improvement of the situation on the labour market, albeit at a more moderate tempo. In 2011, the number of employed persons is projected to increase by roughly 320,000 on average compared to 2010, to a total of 40.8 million persons. Unemployment is likely to drop below the three million mark. Against this backdrop, household disposable income is expected to increase by 3.4 percent.

Despite rising energy prices, the consumer price level is only expected to increase by around 1.8 percent, ensuring that consumer spending will increasingly fill out its role as a stable force for growth in 2011. Compared to the average annual growth in consumer spending of roughly 0.4 percent over the past decade, the increase in consumer spending in 2011 will be well above average at +1.6 percent. The general climate for investment will continue to remain favourable even if the global economy loses some momentum. For this reason, investments will be key drivers for growth this year.

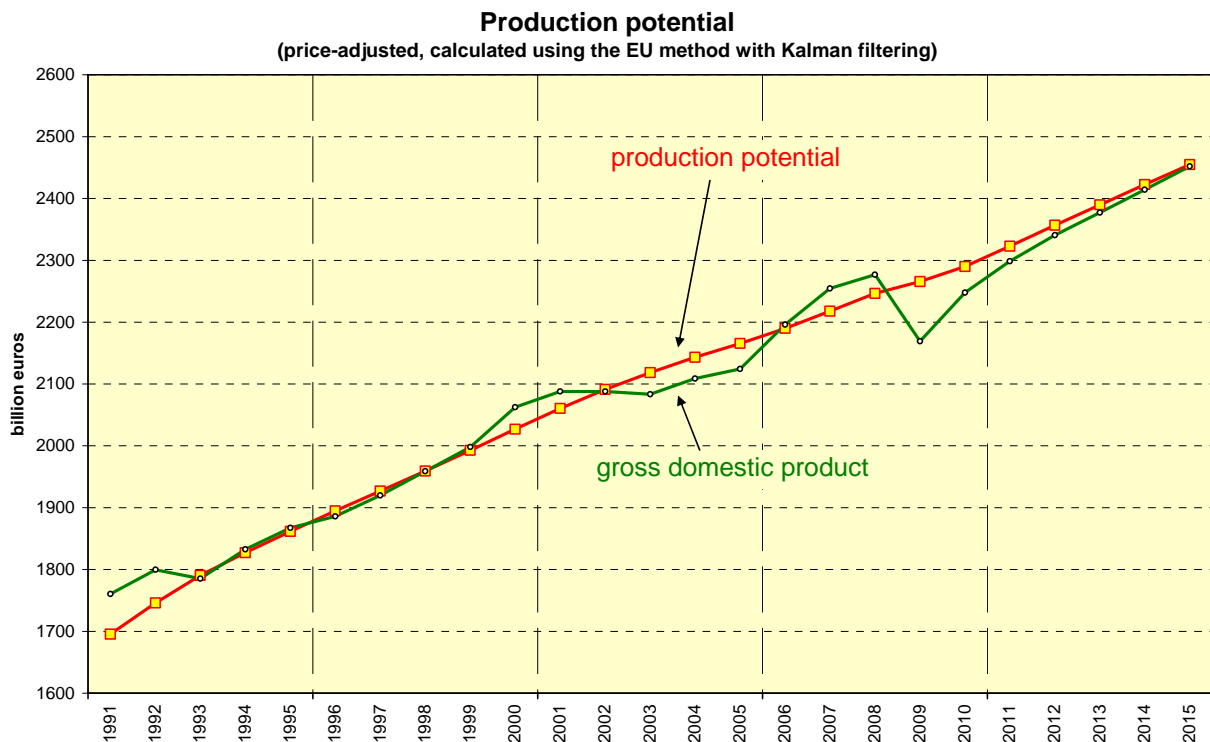
For the medium term (2013-2015), production potential is forecast to grow at a rate of roughly 1.5 percent per annum. In its current medium-term forecast, the Federal Government therefore expects real GDP to grow at an average rate of 1.5 percent each year between 2013 and 2015. Employment could rise in the medium term to a peak of 41 million, and unemployment could fall below three million over the long term.

**Table 1: Key figures from the Federal Government's annual projection**

<b>GDP expenditure approach (price-adjusted) [1]</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	Year-on-year changes in percent			
<b>Gross domestic product</b>	-4.7	3.6	2.3	1.8
Consumption expenditures of private households [2]	-0.2	0.5	1.6	1.5
Consumption expenditures of the government	2.9	2.2	1.0	1.0
Gross fixed capital formation	-10.1	5.5	4.3	3.7
of which: machinery and equipment	-22.6	9.4	8.0	7.0
construction	-1.5	2.8	1.7	1.4
Domestic demand	-1.9	2.6	2.0	1.8
Exports	-14.3	14.2	6.5	6.5
Imports	-9.4	13.0	6.4	6.9
<b>Price trends</b>				
Consumption expenditures of private households [2]	0.1	1.8	1.7	1.5
Gross domestic product	1.4	0.6	1.0	1.0
<b>Employment (domestic)</b>	0.0	0.5	0.8	0.4
for information only: Consumer Price Index	0.4	1.1	1.8	1.5
	Absolute values in millions			
Employment (domestic)	40.3	40.5	40.8	41.0
Unemployment (Federal Labour Office)	3.4	3.2	2.9	2.7

[1] Up to 2010, preliminary figures from the Federal Statistical Office as of 12 January 2011.

[2] Including all non-profit organisations.



### 3. Translating the five Europe 2020 headline targets into national targets

#### Preliminary remarks

To enhance the visibility of the Europe 2020 strategy, the European Council has formulated five headline targets that are measured with quantitative indicators. They cover the following themes:

- promoting employment
- improving the conditions for innovation, research, and development
- achieving the (previously set) targets for climate protection and energy
- improving educational attainment
- promoting social inclusion, in particular by reducing poverty

The Federal Government sees these five targets as important priorities for German policy and supports the qualitative objectives. At the same time, it underscores the fact that individual indicators provide only limited information. In the German government's view, indicators can only provide a starting point for the discussion of particular policies. Evaluating an entire policy field based on a single indicator entails the danger of drawing false conclusions. In the areas of education and poverty reduction, the European Council has expressly upheld the sovereignty of the Member States in setting and implementing targets. In this way, the heads of state and government have also made it clear that no burden sharing will be required among the Member States and that the population segments in the EU should not be taken as the basis for formulating national objectives.

#### a) Increasing labour market participation

*The EU headline target, on the basis of which Member States will set their national targets, is of aiming to bring by 2020 to 75 percent the employment rate for women and men aged 20-64 including through the greater participation of youth, older workers and low skilled workers and the better integration of legal migrants.<sup>1</sup>*

Securing and increasing labour market participation in Germany are central tenets of Federal Government policy. A further increase in the employment rate is urgently needed in light of demographic challenges facing the country, and in order to ensure responsible and sustainable public finances and adequate levels of social inclusion. With regard to the employment rate, Germany has formulated the following quantitative targets:

The employment rate among women and men aged 20-64 should increase to 77 percent by 2020 (level in 2009: 74.8 percent). Efforts will also be made to achieve an employment rate of 60 percent among older workers [aged 55-64]. The employment rate of women should reach 73 percent.

---

<sup>1</sup> Quotes from EU documents are in grey-shaded areas.

## b) Improving the conditions for R&D and innovation

*The European Union headline target, on the basis of which Member States will set their national targets, is to improve the conditions for research and development, in particular with the aim of bringing combined public and private investment levels in this sector to 3 percent of GDP by 2020.*

The strength of the German economy depends crucially on its innovative capacity. In order for Germany to maintain its strong competitive position, the German government has decided on the following national targets to support research and development:

According to the EU-wide target, investment levels for research and development are to be increased to 3 percent of GDP, two thirds of which will come from the private sector and one-third from the public sector. The Federal and *Länder* heads of government have agreed on a more ambitious national target of 10 percent of GDP for education and research by 2015, in which 3 percent of GDP will go to research and development.

Germany is well on the way to achieving its 3 percent target. The percentage of GDP invested in research and development has risen steadily in recent years, with an estimated 2.8 percent invested in 2009, compared to 2.68 percent in 2008 and 2.53 percent in 2007.

## c) Emissions reductions, renewable energy and energy efficiency

*The European Union headline target, on the basis of which Member States will set their national targets, is to reduce by 2020 greenhouse gas emissions by 20 percent compared to 1990 levels; to increase the share of renewable energy sources in our final energy consumption to 20 percent; and moving towards a 20 percent increase in energy efficiency.*

Germany affirms its national target of reducing **greenhouse gas emissions** by 40 percent by 2020 compared to 1990 levels. Beyond this, the Federal Government's energy concept envisions reducing greenhouse gas emissions by 80-95 percent by 2050 compared to 1990 levels in line with the objectives formulated by advanced economies. By 2009, greenhouse gas emissions had already been reduced by 26.4 percent compared to 1990 levels (CO<sub>2</sub> only: 24.3 percent reduction).

Germany has set the binding national target for the expansion of **renewable energy** at 18 percent of total energy consumption by 2020. The share of renewable energy sources in final energy consumption is to increase to 60 percent by 2050. In the electricity sector, the Federal Government even aims for a renewables share of 80 percent in line with the development path outlined in the Energy Concept 2050. In 2009, renewable energy already accounted for 10.3 percent of final energy consumption.

With regard to an increase in **energy efficiency**, Germany supports the EU target. In the long-term strategy described in the German Energy Concept, the Federal



Government has set the national target of achieving a 20 percent reduction in primary energy consumption by 2020 and a 50 percent reduction by 2050, compared to levels in 2008. This requires an annual increase in overall energy productivity of 2.1 percent in relation to final energy consumption. Furthermore, the Federal Government aims to achieve a 10 percent reduction in power consumption by 2020 and a 25 percent reduction by 2050 compared to 2008 levels. The rate of energy retrofits for existing buildings is to be doubled from one to two percent. Final energy consumption in the transport sector is to be reduced by roughly 10 percent by 2020, and by roughly 40 percent by 2050 compared to 2005 levels.

#### d) Improving educational attainment

*The EU headline target, on the basis of which Member States will set their national targets, is to reduce the drop-out rate to 10 percent, whilst increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40 percent.*

The movement towards a knowledge- and service-based society, as well as demographic change, necessitate concerted efforts to expand the educational system on all levels in line with specific areas of responsibility.

The Federal and *Länder* governments aim to reduce the percentage of drop-outs from secondary level II who are not in education or training and have not taken part in any informal educational programmes in the last four weeks to less than 10 percent of all individuals aged 18-24 (level in 2009: 11.1 percent). It is planned to increase the share of the population aged 30-34 having completed tertiary or equivalent education (ISCED 4, 5A/B and 6) to 42 percent (level in 2009: 40.7 percent).

#### e) Promoting social inclusion, in particular by reducing poverty

*The EU headline target is promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion.*

The European Council has identified three indicators for defining sections of the population affected by poverty or exclusion: 1) percentage at risk of poverty, 2) material deprivation and 3) percentage of the population living in jobless households. The choice of an appropriate indicator is left to the discretion of the member states. The three indicators agreed by the European Council **are not equally suitable for all member states as a basis for setting their national targets**. Generally speaking, the jobless households indicator is best suited for setting a national quantitative target for member states with a high per capita income. Within the framework of the Europe 2020 strategy, therefore, many member states can generally only map some of their activities to combat poverty to a national target. For this reason, additional **qualitative targets and measures to tackle poverty** must also be taken into consideration when assessing

national targets and objectives. For Germany, this includes the improvement of educational opportunities and opportunities for social inclusion of vulnerable children and young people. Furthermore, the Federal Government will place a greater priority on the prevention of poverty in old age and step up efforts to integrate migrants into society and the labour market.

In defining its quantitative target, the Federal Government takes the concept of individuals living in jobless households, and applies it to the specific German situation: since long-term unemployment is one of the key reasons for poverty and social exclusion, Germany intends to reduce the number of long-term unemployed people (unemployed for longer than one year) by 20 percent by 2020 (relative to the annual average for 2008). According to Eurostat, the 2008 annual average number of long-term unemployed was 1.63 million.

A 20 percent reduction would therefore mean a decrease of roughly 330,000 long-term unemployed. When applied to the indicator of jobless households - and with a conservative estimate of two individuals per jobless household - this would translate to 660,000 fewer individuals living in such households.

#### 4. German Action Programme 2011 for the Euro Plus Pact

Advocated by Germany and France, the Euro Plus Pact agreed by the European heads of state and government primarily aims to improve the competitiveness of the participating states. This is critical to achieving higher employment and faster and more sustainable growth, and thereby helping ensure that all member states can guarantee the sustainability of their public finances.

The Euro Plus Pact comes with the following four objectives:

1. Fostering competitiveness
2. Fostering employment
3. Improving the long-term stability of public finances
4. Reinforcing financial stability

States participating in the Euro Plus Pact have pledged to agree each year at the highest level on a set of concrete actions to achieve the objectives of the pact. These actions are to be implemented within 12 months. While the choice of policy actions is the responsibility of each individual country, actions should specifically address problems in the four target areas mentioned above. These commitments must be reflected in the National Reform Programmes and Stability Programmes which are submitted each year and are assessed by the Commission, the European Council and the Eurogroup in the context of the European semester.

On 23 March 2011, the Federal Government agreed the German Action Programme 2011 with 22 concrete policy actions. All actions are in line with the decision on fiscal benchmark figures for the 2012 federal budget and the 2015 financial plan taken in the Cabinet on 16 March 2011. These actions are as follows:

##### **Fostering competitiveness**

1. Germany's position as a leader in key technologies is to be secured and extended with the **Framework Programme for Innovation and Cross-cutting Measures** (working title).
2. In March 2011, the Federal Government passed a bill with the aim of greatly improving the incorporation of **skilled professionals with foreign qualifications** into the German economy and fostering the integration of migrants into the German labour market.
3. With its **Initiative for Excellence**, the Federal Government is promoting graduate schools, clusters of excellence and strategies for the future at universities. The aim is to enhance the international visibility of cutting-edge research and to foster young research talent.
4. From 2011 to 2015, the Federal Government will make between 4.7 and 4.9 billion euros available for the **Higher Education Pact**. The *Länder* will secure the overall financing.

5. The Federal Government will resolutely continue to expand and improve the **quality of child care**. The “Early Opportunities Initiative: Nurseries Focusing on Language and Integration” is another important step along this path.
6. The Federal Government will increase funding for the development and maintenance of new and existing federal **transport infrastructure** to around 10 billion euros in 2012.
7. With the amendment of the Telecommunications Act (*Telekommunikationsgesetz*), Germany intends to further improve the framework for the primarily market-driven **expansion of a high-performance broadband infrastructure**.
8. The Federal Government will present a “**Government Programme for Electric Mobility**” with a view to promoting extensive innovation in the field of electric drive trains. (The programme for electric mobility is expected to be published in June).
9. Germany will boost competition in the electricity and gas sectors: a **market transparency authority** will be established for wholesale trading of electricity and gas in order to quickly identify and penalize price-fixing activities which disadvantage energy consumers.
10. Also, the transposition of the EU’s Third Internal Energy Market Package covering electricity and gas into national legislation (amendments to the Energy Industry Act (*Energiewirtschaftsgesetz*, or EnWG)) aims to further boost **competition in the electricity and gas markets**. The framework for an accelerated expansion of the network will also be created.
11. Germany will develop a new **energy research programme**. With a shift in focus and improved funding from the Federal Special Fund in line with the economic plan under the Energy and Climate Fund, this will make a key contribution toward redesigning the energy system and ensuring greater use of renewable energy.
12. Further opening of protected sectors: **liberalisation of the long-distance bus transport system** (Cabinet decision expected in April 2011, entry into force in 2012).
13. Improved framework for companies, amendment of the **Act against Restraints on Competition** (*Gesetz gegen Wettbewerbsbeschränkungen*, or GWB); boosting competition, inter alia, through an unbundling instrument which is to be applied as a last resort (draft bill expected in 2011).

## Fostering employment

14. The “**Advancement through Education: Open Universities**” competition underscores the joint efforts of the Federal Government and the *Länder* of the Federal Republic of Germany to promote science and research.
15. With a **Basic Education Pact**, the Federal Government and *Länder* aim to jointly tackle literacy problems among adults with little or no reading and writing skills.
16. **Reform of labour market policy instruments** (reduction in the number of instruments, greater discretionary authority, better controlling; introduction of legislation in the first half of 2011, entry into force in 2012).
17. The goal of **family care leave** is to make it easier to combine work with care commitments by increasing the willingness of companies to allow their employees to take time off work to care for family members.
18. The **federal volunteer service** aims to ensure that in future as many people as possible continue to have a chance to choose a career path and/or return to the workplace through voluntary service, particularly in the area of social services.

## Improving the long-term stability of public finances

19. Early achievement of deficit procedure targets, i.e. **deficit brought below the 3 percent reference value as early as 2011** although 2013 was required.
20. **Exceeding the debt reduction targets mapped out by the debt rule** for the federal budget in 2011 und 2012.

## Reinforcing financial stability

21. More efficient regulation and supervision of the capital market with a view to strengthening **investor protection and the functioning of the capital market** (Act to Strengthen Investor Protection and the Functioning of the Capital Market (*Anlegerschutz- und Funktionsverbesserungsgesetz*), was accepted by the Bundesrat on 18 March and is due to be announced in the coming weeks).
22. Ensuring the **banking sector assumes some of the cost** when a troubled bank requires assistance (Restructuring Fund Ordinance (*Restrukturierungsfondsverordnung*) was adopted by the Cabinet on 2 March 2011; following approval by the Bundesrat, it should enter into force in the summer of 2011).

The measures of the Action Programme also make a key contribution to meeting the objectives of the EU 2020 Strategy and adhering to the other requirements of economic policy coordination in the EU. This is illustrated in the general overview in Section 5.

## 5. Key measures to stimulate growth and employment in Germany

The following section presents the key measures taken by the Federal Government and the *Länder* to strengthen growth and employment in Germany. These are both measures that will have an immediate effect, and actions aimed at strengthening growth potential over the medium and long term.

The measures of the 2011 Action Programme (hereinafter referred to as AP 2011) described in Chapter 4 for the Euro Plus Pact account for a large part of these measures. Other measures will also be put in place, however. At the same time, the actions address the majority of the ten priority areas which the European Commission identified in its **2011 Annual Growth Survey**<sup>2</sup>. As in the Draft NRP of 12 November 2010, the measures are structured along the five specific bottlenecks to growth and employment which were identified for Germany at the EU level and approved by the ECOFIN Council at the Council meeting of 8 June 2010.

### a) Combining fiscal consolidation with ensuring a reallocation of public expenditure towards growth-enhancing items

*[COM-AGS 2011: Priority (1): Implementing a rigorous fiscal consolidation].*

*Shifting government expenditure towards growth-enhancing items (e.g. on education, R&D and gross fixed capital formation), and improving the overall efficiency of public spending, would help reconcile the necessary fiscal consolidation with strengthening potential growth.<sup>3</sup>*

Now that the German economy has recovered from its worst downturn since the post-war period and the country is now experiencing a balanced, broad-based upswing, Germany has started rolling back the measures taken to stimulate the economy and stabilise financial markets during the financial crisis. An 'exit strategy' of this kind is crucial to creating the right regulatory incentives and to ensuring the sustained consolidation of public finances. Businesses' and consumers' trust in sound public finances is a fundamental prerequisite for strengthening investments and consumer spending in the long term. Sustainable public finances provide the basis for ensuring that the government can afford expenditures in key forward-looking areas. At the same time, a resolute policy of consolidation provides the leeway to be able to implement tax relief measures that are conducive to growth. The tax burden on low and middle-income earners, in particular, is to be reduced as quickly as possible. However, this depends on acquiring the necessary budgetary leeway – while complying with the requirements at EU level and under the debt rule – by maintaining strict spending discipline.

---

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Annual Growth Survey: advancing the EU's comprehensive response to the crisis; Brussels, 12 January 2011, COM 2011 (11) final; hereinafter referred to as: "COM-AGS 2011"

<sup>3</sup> Quoted from "Macro structural bottlenecks to growth in EU Member States", European Commission Occasional Papers 65, July 2010; English original.

Germany is committed to a sustainable fiscal policy as also clearly illustrated in the German Stability Programme 2011 Update. This is guaranteed by the **debt rules** that have been enshrined in the German constitution and are designed to limit borrowing at Federal and *Länder* levels. Coordinated with the requirements of the European Stability and Growth Pact, the debt rules ensure public budgets remain sustainable over the long term and play a key role in reducing the debt ratio over the medium term. Please refer to the Stability Programme for Measures 19 and 20 of the AP 2011.

At the Federal level, the government has adopted a **consolidation package** that encompasses a range of measures designed to ease the burden on public finances and save roughly 80 billion euros up to 2014. The measures of the consolidation package aim to enable fiscal consolidation without hampering the potential for growth or threatening the social balance. This will involve limiting government spending, reducing subsidies, enhancing incentives, and placing a continued priority on funding for education and research. The measures are considered in the 2011 federal budget, the key figures for the 2012 federal budget, and in the medium-term financial plan. Among other things, measures in the package aim to make the economy greener. For this reason, measures that are environmentally beneficial enjoy priority status, such as the reduction of energy tax breaks or the introduction of the **aviation tax** on 1 January 2011 (see Table No. 1). This includes air travel in the transportation tax system in order to strengthen the incentives for more environmentally friendly behaviour when it comes to travel. In addition, a new **tax on the use of nuclear fuel** has also been levied since the beginning of the year (see Table No. 2).

**Incentives to taking up employment are also improved** by readjusting social benefits. Job placement services and other labour market policy instruments are to be more efficient to expedite the process of placing unemployed persons in jobs requiring social insurance contributions (see Measure 16 of the AP 2011). Far-reaching saving and austerity measures in the federal administration system also contribute to the fiscal consolidation efforts.

With the **financial reform of the statutory health insurance system** (see Table No. 3), Germany has launched a series of measures to ensure the long-term financial sustainability of an efficient and effective health care system. Labour costs are largely decoupled from trends in health care expenditures. The compulsory income-contingent health insurance contribution rate is fixed by law. Future unavoidable increases in expenditure due to the demographic change and advances in medical science will be financed by members of the statutory health insurance system through premiums that are not income-related. The premiums are imposed individually by the health insurance funds. In this way, a clear price signal helps boost competition within the statutory health insurance system. A tax-financed, unbureaucratic system of social compensation has been created to prevent contributors from being overburdened by the premium. The reform entered into force on 1 January 2011.

The areas of **education and research** are key to ensuring that Germany is prepared to face the challenges of the future. For this reason, 12 billion euros have been apportioned to the areas of research and development (6 billion euros each) between 2010 and 2013, and the level of investment will be continued in 2014 and 2015. This also constitutes a contribution by the government to increase investment in R&D to 3 percent of the GDP. The *Länder* and the private sector also contribute to investment in this field.

The Federal Government is currently preparing a “**Framework Programme for Innovation and Cross-cutting Measures**” (working title). This aims to secure and expand Germany’s leading position in key technologies and creates the basis for new products, innovative services and processes to strengthen the economy and help find solutions to challenges facing society. Furthermore, cross-cutting measures to support innovation are also launched and new strategic approaches to foster innovation are introduced. The overall objective is to expedite innovative processes by establishing appropriate structures and frameworks that foster and promote innovation (see Measure 1 of the AP 2011).

The funds to support research are being used to a large extent in the framework of the **High-Tech Strategy** of the Federal Government. Already successfully underway, this programme aims at developing lead markets, intensifying cooperation between science and industry and continuing to improve the framework conditions for innovation. The High-Tech Strategy is structured around five broad areas requiring action – health/nutrition, energy/climate protection, security, mobility, and communication – and exemplary projects that can serve as models for the future.

One current hotbed of research activity is the field of **electric mobility**. The increased use of electrical vehicles in combination with CO<sub>2</sub>-neutral renewable energy sources will contribute significantly to meeting EU headline targets in the areas of climate protection and employment. In its National Electric Mobility Development Plan, the Federal Government has set itself the ambitious target of putting one million electric vehicles on Germany’s roads by 2020 (see Measure 8 of the AP 2011).

The Federal Government will incorporate a decision concerning the introduction of a tax subsidy for research and development into an overall budget and tax policy concept. This will be in line with the coalition agreement between the governing parties and take into account the appropriate consolidation path and trends in economic development.



**b) Ensuring a well functioning and stable financial sector**

*[COM-AGS 2011: Priority (3): Ensuring stability of the financial sector].*

*Further stabilisation of the banking sector and securing access to finance, including adequate bank capitalisation, remains a precondition for a sustainable recovery. Successful restructuring of the Landesbanken and strengthening the regulatory and supervisory framework would not only help ensure a well functioning and competitive financial sector but also contribute to a more efficient allocation of domestic savings.*

Efficient and transparent capital markets that operate with integrity are critical to ensuring that the financial services industry can fulfil its function to provide a service to the economy as a whole. The financial crisis has revealed numerous shortcomings in **transparency, control and incentive structures in the financial sector** that threaten to undermine market participants' confidence in well functioning markets and a fair, customer-centric portfolio of financial services. These shortcomings need to be rectified. The complexity of the tasks at hand calls for a comprehensive programme of reforms addressing financial products, financial institutions, rating agencies, and remuneration systems. A closer tie must be established between actions and accountability, where everyone active in the financial sector must be held responsible commensurate with their actions. Investors and taxpayers must be protected. The Federal Government has introduced a series of draft laws to meet these objectives.

The Act to **Strengthen Investor Protection** and the Functioning of the Capital Market (*Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes*) (see Measure 21 of the AP 2011 and Table No. 5) primarily increases investor protection. In future, product information brochures that contain concise and comprehensible information on financial products will be available to investors. With the **Act to Amend the Law for Investment Intermediaries and Capital Investments** (*Gesetz zur Novellierung des Finanzanlagenvermittler- und Vermögensanlagenrechts*) investor protection in the grey market (i.e. semi-regulated market) is improved (see Table No. 6).

With the adoption of the **Restructuring Act** (*Restrukturierungsgesetz*) (see Table No. 7), in future systemically important financial institutions can be restructured if their survival is threatened and this could have implications for the financial system. Furthermore, restructuring will not be financed by the German government but primarily by the banks themselves out of a special restructuring fund. This will be created through a bank levy, with annual contributions based on the bank's risk profile, size, and degree of integration into the financial market (see Measure 22 of the AP 2011).

The **Act on the Prudential Requirements for the Remuneration Systems of Institutions and Insurance Companies** (*Gesetz über die aufsichtsrechtlichen Anforderungen an die Vergütungssysteme von Instituten und Versicherungsunternehmen*) (see Table No. 8) requires banks and insurance companies to create appropriate, transparent remuneration systems that are geared towards sustainable development of the business.

Stronger and more effective financial market regulation can primarily be achieved through a procedure established and coordinated at European and international level. Progress on certain issues will be easier to achieve if one country takes the lead. Germany has assumed this pioneering role with its **ban on some forms of speculative trading** (see Table No. 9). This applies to naked short sales in company shares or eurozone sovereign debt instruments which are admitted to trading on a domestic stock exchange on a regulated market, as well as credit default swaps on obligations of EU member states that are not directly used for hedging purposes. This ban is a clear signal that the Federal Government will take effective action to prevent speculative excesses on the financial market.

Improving the size and quality of the **capital base** will also be crucial to the future stability of financial institutions. The Act to Implement the Amended Banking Directive and the Revised Capital Adequacy Directive (*Gesetz zur Umsetzung der geänderten Bankenrichtlinie und der geänderten Kapitaladäquanzrichtlinie*) (see Table No. 10) helps contain systemic risks and increase the stability of the financial sector. From now on, significantly stricter requirements for transparency and accountability in securitisation transactions will also apply.

With the implementing act on the **EU Regulation on Credit Rating Agencies** (see Table No. 11), the Federal Government has also created the necessary preconditions for supervising and registering credit rating agencies. This will render rating methodologies more transparent and remove a conflict of interest between consulting and rating services.

The possibility to request stability measures expired as scheduled on 31 December 2010. The Federal Agency for Financial Market Stabilisation (*Bundesanstalt für Finanzmarktstabilisierung*, or FMSA) will continue to manage the stabilisation measures still in place and will push ahead with the process of **phasing out rescue measures**. However, the special Financial Market Stabilisation Fund (SoFFin) can only be wound up fully once all stabilisation measures have been concluded, i.e. following the reprivatisation of holdings and the resolution of resolution agencies (*Abwicklungsanstalten*).

The Federal Government has made a key contribution to stabilising the German financial markets with the instruments of the SoFFin fund. In addition to extensive guarantees of liquidity for banks, which were given particularly at the start of the crisis, it was also necessary to purchase **holdings in banks of systemic importance**. Ultimately, the Federal Government purchased a stake in Commerzbank, Aareal Bank and WestLB in the form of shares and/or silent contributions to capital; in the case of HRE, complete nationalisation was necessary, with the government taking 100% control of the company.

Problems of competition are always associated with this level of intervention, however. The state is not necessarily the better banker. In this respect, it was clear from the outset that the government would withdraw from the rescue measures and quickly reprivatise these crisis-induced bank holdings as soon as the situation in the financial markets and the affected financial institutions allowed, while protecting the interests of taxpayers.

The issue of **restructuring the *Landesbanken*** (i.e. public sector banks backed by the German *Länder*) is the responsibility of the German *Länder*. The first steps towards consolidation have already been taken with the takeover of the *Landesbanken* in the states of Rhineland Palatinate and Saxony by the *Landesbank* of Baden-Württemberg. In addition, several *Landesbanken* have significantly scaled down their business. The consolidation measures taken by the individual *Landesbanken* specifically include the bundling of exposures and non-strategic business segments and their transfer to internal or external resolution units for the purpose of reducing such assets, strategic realignment with core business areas, balance sheet reductions, a stronger capital base, administration cost-cutting measures, layoffs, closing national and overseas offices and reduced shareholding.

This consolidation process is still underway. Additional consolidation measures are, however, hampered by the fact that EU state aid proceedings are still in progress in some *Landesbanken* and the restructuring measures specified by the European Commission are yet to be implemented. According to the Federal Government, further consolidation of the *Landesbank* sector and the development of sustainable business models are central prerequisites for a stable and competitive banking system in Germany. The Federal Government will continue to monitor and lend support to this process.

**c) Strengthening domestic sources of demand**

*[COM-AGS 2011: Priorities (2): Correcting macro economic imbalances; (8) Tapping the potential of the Single Market; (10) Creating cost-effective access to energy].*

*Stronger domestic demand would also help to broaden the basis for economic growth. Sustaining high employment and real income growth, in particular through more buoyant domestic investment, and lowering regulatory barriers for the service and craft sectors could help the economy.*

In 2010, domestic demand in Germany already accounted for roughly two thirds of overall economic growth. This trend will intensify this year, indicating that the foundation for the economic upswing is strong. The Federal Government's policy aims at strengthening both domestic sources of growth and international competitiveness. In order to enhance the foundations for growth, it is crucial to continue efforts to create a favourable environment for private investment, to avoid and reduce administrative burdens, to sustain positive employment and income trends, and to further improve competition, for example, in the network industries and the service sector. The measures described therefore also make a key contribution to achieving all five of the EU headline objectives.

To boost competition in all sectors, the Federal Government will revise the **Act against Restraints on Competition** (*Gesetz gegen Wettbewerbsbeschränkungen*, or **GWB**). This will further improve competitive conditions, particularly in the areas of merger control, monitoring to prevent abuses of market dominance, provisions on fines, and procedures governing violations of anti-trust rules. The **GWB** also introduces an instrument for unbundling companies as a last resort (see Measure 13 of the AP 2011).

Measures to continue to **reduce bureaucracy** are central to strengthening investment and encouraging entrepreneurship. By the end of 2011, the net cost of reporting obligations in the business sector are to be cut by 25 percent compared to the legal situation as of 30 September 2006 (see Table No. 12). Up to now, the government has implemented over 300 measures that reduce the bureaucratic burden by over 6.7 billion euros, which equates to over half the reduction target.

Currently, the Bureaucracy Reduction and Better Regulation programme is being extended to include a study of the total measurable compliance costs. This aims to assess the direct financial and time costs which individual citizens, the business community and administration incur in order to comply with federal standards, and to take this factor into account as early as the law-making stage (see Table No. 13). Furthermore, parliament is currently debating a **bill to simplify the tax system** (see Table No. 14) which aims to simplify taxation law, further modernise tax proceedings and ease the tax-related bureaucratic burden on individual citizens, the business sector and administration.

One major economic policy task is to further improve the framework conditions for **strengthening the service sector**. Important economic policy initiatives to further

liberalise the service sector have already been launched. In many areas of the service sector, strict licensing requirements have been reduced or eliminated and competitive structures have been established.

To ensure that competitive structures also benefit consumers, much importance is also attached to **consumer protection policy**. Consumers who have confidence in the consumer protection system and who receive reliable information help drive domestic demand through their decisions to purchase products and services. The consumer protection policy of the Federal Government creates the framework for consumer confidence by directing measures towards the protection of health, security and the economic interests of consumers, by preventing consumers from being deceived or misled, and by allowing a comprehensive comparison of the services and performance of competing providers.

In the process of **implementing the EU Services Directive**, over 350 laws and ordinances have been adapted at Federal and *Länder* levels alone to further enhance the environment for existing and new businesses by removing barriers that prevent service providers from operating. This is achieved by setting up points of single contact at the *Länder* level, by simplifying processes in other ways, and by creating the legal and organisational framework for European administrative cooperation. The implementation of the European Services Directive has removed obstacles in the area of cross-border services.

The Federal Government in tandem with the business community aims to strengthen entrepreneurship with the **Gründerland Deutschland** initiative to promote Germany as a hub for innovative business start-ups, and also facilitates access to risk capital for entrepreneurs. In this way, the Federal Government encourages people to start new businesses and to seize entrepreneurial opportunities, while also bearing the risk of the business project. The initiative focuses on developing a new culture of entrepreneurship, teaching entrepreneurship in schools and universities, and providing targeted support to innovative start-ups and successor businesses. Furthermore, the procedure for starting a business will be simplified and expedited. To this end, the government will further expand 'one-stop shops' (e.g. starter centres) and electronic processes (e.g. to register a new business), and examine further possible ways of simplifying the process. In addition, the *Länder* are also assisting **business start-ups** by providing individual advice and offering support programmes. With the ESF-funded "Gründercoaching Deutschland" programme to coach and assist entrepreneurs in Germany, the Federal Government is also lending particular support to ensuring the sustainability of business start-ups (see Table No. 40).

With regard to **climate and energy**, considerable efforts are being made to encourage energy-efficient and climate-friendly housing and urban planning with funding from various sources including the recently established Energy and Climate Fund.

Programmes that promote the more efficient use of natural resources also help prevent damage to the environment and preserve biodiversity.

The Federal Government has created important incentives for investment with its **Energy Concept** (see Table No. 15). This is the first attempt ever to chart Germany's path to a renewable age in a long-term overall strategy up to 2050 and contains Germany's contributions to achieving the energy and climate targets set forth in the Europe 2020 strategy. In addition, the Energy Concept contains numerous specific measures that spell out how the German energy goals can be reached. Under an immediate action programme, ten especially urgent measures will be implemented by the end of 2011. The measures contained in the immediate action programme include, in particular, grid expansion and increased competition.

As a key step toward the further enhancement of competition on electricity and gas markets, the Federal Government will submit a draft bill to establish a **market transparency authority** for wholesale trading of electricity and gas (see Measure 9 of the AP 2011). This transparency authority is to be responsible for the ongoing collection and analysis of relevant market data which will enable the quick detection of any price-fixing activities. The **Gas Network Access Ordinance** (*Gasnetzzugangsverordnung*) has improved conditions for across-the-board competition in the gas market. The **implementation of the Third Internal Energy Market Package** constitutes a further step toward more competition in the market, aiming, among other things, to further improve consumer protection rules and to promote grid expansion (see Measure 10 of the AP 2011).

Germany will unveil a new **energy research programme**. With a shift in focus and improved funding structures, this will make a key contribution toward redesigning the energy system and ensuring greater use of renewable energy. Increased funding will be available for energy research, particularly in the areas of renewable energy, energy efficiency, energy storage and grid technology (see Measure 11 of the AP 2011 and Table No. 16).

The special **Energy and Climate Fund** will play a key role in financing the Energy Concept. Starting in 2011, companies operating nuclear power plants will begin paying into this special fund. From 2013 onwards, additional proceeds from the auctioning of CO<sub>2</sub> emission certificates will also be channelled into the fund. The fund will be used to finance measures in the following areas: energy efficiency, renewable energy, energy storage and grid technologies, energy-efficient building renovation, national climate protection, and international climate and environmental protection. In 2011 and 2012, the fund is to receive revenues amounting to 300 million euros per year.

Empirical studies have shown that public **transport infrastructure investments** can make a key contribution to promoting economic growth and increasing employment. Among the federal investments intended to strengthen internal sources of growth and domestic demand, the maintenance, expansion and new construction of railway lines, federal highways and waterways are considered to be of particular importance. Thus, in

the period from 2011 to 2014, the government will continue to provide a high level of infrastructure investment amounting to roughly 10 billion euros per year (see Measure 6 of the AP 2011).

A strong information infrastructure is indispensable for promoting innovative services and further increasing productivity, particularly in knowledge-intensive production. With its **broadband strategy**, the Federal Government is improving conditions for speedy, essentially market-driven development (see Measure 7 of the AP 2011). This ensures that infrastructure keeps pace with technological advances and lends direct support to achieving the targets of the EU's Digital Agenda. According to estimates of the Federal Government and TÜV Rheinland, roughly 98.5 percent of households had access to broadband connection speeds of at least 1 Mbit/s at the end of 2010. Any remaining gaps will be closed quickly. The medium-term target is to make high-speed networks (with transmission rates of at least 50 MBit/s) available across the entire country (to at least 75 percent of all households by 2014, and nationwide by 2015 if possible, or by 2018 at the very latest).

Competition in the **rail sector** will also be enhanced. Regulatory provisions will be revised with the focus on boosting efficiency, improving access to the railway infrastructure and increasing the authority of the Federal Network Agency (*Bundesnetzagentur*). In addition, the Federal Government plans to expand the flexibility of the **long-distance bus transport system** (see Measure 12 of the AP 2011 and Table No. 17 and 18).

**d) Ensuring full utilisation of the economy's labour potential**

*[COM-AGS 2011: Priorities (4) Making work more attractive; (5) Reforming pension systems; (6) Getting the unemployed back to work; (7) Balancing security and flexibility]*

*Sustaining the recent trend of more dynamic employment growth and rising labour market participation would help counter the negative effects of demographic change on labour supply and strengthen domestic demand.*

The **age structure** of the German population is changing dramatically. The labour potential and the percentage of working persons compared to the overall population will decline. The change in the age structure will tend to counter any further increase in the employment rate. Without further reforms of the framework conditions, the decline in labour force potential will act as a brake on growth. For this reason, the labour policy of the Federal Government primarily aims to better tap the potential of the country's workforce and thereby increase the rate of employment. In future, an alliance for labour will support measures to secure the workforce base. To this end, a job monitor will also be developed to track and identify present and future demand for labour by skills, industry and region. Furthermore, the Federal Chancellor has set up the "Skilled Workers of the Future" task force in liaison with the social partners (see Table No. 19-21).

Above all, the focus must now be to mobilise people of working age who have not been available to the labour market up to now, or only to a limited extent. This is also in line with the objectives of social inclusion and helps combat poverty. The *Länder* support this policy with a wide range of individual incentives and programmes. The specific measures can be assigned to the following three categories:

***i. Greater inclusion of older workers in the labour market ("working until 67")***

As early as 2007, the Federal Government voted to **raise the standard retirement age** for statutory pension insurance to 67. Starting in 2012, the standard age for retirement will be gradually increased from the current age of 65 to 67 by 2029. For the labour market, this means a relative increase in the labour force of approximately 2.6 million people with maximum effect reached around 2030.

If the employment rate among people aged 55-64 is to be increased to 60 percent by 2020, one of our top priorities must be to promote **preventive health care** and appropriate working environments for older workers, in addition to measures to improve **education and skills development**. The **social partners** support these processes within the framework of collective agreements, the Joint German Occupational Safety and Health Strategy (GDA) and the New Quality of Work Initiative (INQA, see Table No. 22), for example.

Currently, two specific instruments of labour market policy are available for the integration of older workers into the labour market in the form of the **integration subsidy for older workers** (wage subsidy to employers) and **salary protection for**



**older employees.** With the salary protection scheme, the government compensates for a percentage of the difference in salary that arises if an older employee takes on a new job that pays less than his/her previous position. In addition, the contribution to statutory pension insurance is currently being increased as part of support measures. The Federal Government also plans to reform labour market policy instruments and increase the flexibility and efficiency of labour market policy. This will also help older people in the labour market to obtain employment more quickly and for a longer, more sustainable period.

***ii. Greater integration of women in the labour market***

In Germany, 5.6 million women of working age do not work. Many of these women have a medium to higher qualification and would be interested in taking up employment in the near future. This segment presents great potential to meet the need for skilled labour. Furthermore, individual patterns of how paid labour and unpaid family and care work is distributed between men and women have become much more diverse. New studies show that women are the main breadwinners in roughly 20 percent of all multi-person households in Germany. Therefore, the Federal Government and the *Länder* are pursuing a comprehensive approach to reducing gender-related discrimination throughout the entire life course. This aims to increase the **employment rate of women** to 73 percent by 2020 and ensure the **equal treatment** of men and women in the work environment. Specific focal areas here include establishing a **better framework to combine family and career commitments**, making it **easier to return to the workplace, increasing the share of women in management positions** and **ending inequality in pay**. The particular needs of business women and women entrepreneurs are also taken into consideration.

The network of **child care facilities** is being expanded to make it easier for parents to align family commitments with career obligations (see Measure 5 of the AP 2011). The Federal Government has agreed with the *Länder* and municipalities to create a needs-oriented child care infrastructure for children under the age of three by 2013. To this end, estimates suggest that municipalities must make child care spaces available for an average of 35 percent of all under-three-year-olds nationwide. The Federal Government will contribute 4 billion euros through 2013 to cover the costs this will involve. Subsequently, it will contribute a further 770 million euros every year towards running costs. From 2013, parents in Germany will have a legal right to a child care place from the first year of their children's life; if parents do not avail of this service, a child care allowance is also to be introduced.

For many years now, the *Länder* and municipalities have been making considerable financial efforts to provide a demand-based **network of day-care facilities for all age groups**. While increasing the number of such facilities, they also attach great importance to enhancing the quality of the services provided and support measures to advance skills development and further training in the field of day-care for children. The Federal Government contributes to these measures.

In addition to improving the child care infrastructure, numerous programmes are in place at the Federal and *Länder* level that aim to **increase the employment rate of women - particularly single mothers and women with children** (see Table No. 24-30) - and improve the quality of employment conditions according to the regulations mentioned at the start. Some of these programmes receive ESF funding.

In autumn 2010, the Federal Government in liaison with the Association of German Chambers of Industry and Commerce (DIHK) launched the “**Family-Oriented Work Times**” initiative in a further effort to enable parents to strike a better balance between family and career (see Table No. 31). The initiative helps companies become more attractive employers by introducing flexible work times for employees. This makes it easier for businesses to attract qualified applicants and retain skilled staff.

The Federal Government has passed a legal regulation governing **family care leave** in the Cabinet; the regulation is currently being examined in parliament. Family care leave will further improve conditions for employees who wish to take time off from work to look after family members in need of care and assistance (see Measure 17 of the AP 2011).

The Federal Government is working on a **step-by-step plan to promote women in management positions**. The plan aims to significantly increase the share of women in management positions in the private sector and in public service and is implementing the mandate of the coalition agreement for the 17<sup>th</sup> legislative term.

### ***iii. Greater inclusion of population segments at the margins of the labour market (“inclusive labour market”)***

The goal of the Federal Government to **cut long-term unemployment** by 20 percent by 2020 is central to the better utilisation of the economy’s labour potential and to the reduction of poverty and social exclusion. Following the principle of “inclusion through work”, the Federal Government created the framework for this on 1 January 2005 with the introduction of the basic social security benefits scheme for job-seekers. Since then, the range of opportunities for providing individualised, tailored support to job-seekers has been constantly expanded. With regard to the basic social security benefits scheme, new benchmarks, KPI comparison systems and a system of management by objectives were introduced for job centres on 1 January 2011 as part of organisational reform.

The instrument of **civic work** (*Bürgerarbeit*) has been in place since mid-2010 as a new instrument to promote the integration of employable needy individuals (see Table No. 32). Roughly 1.3 billion euros in funding are available for the programme from the federal budget and the European Social Fund. In this way, from 2011 roughly 34,000 civic work places can be supported for three years.

In addition, the government has also decided to introduce a **federal volunteer service**. Since this volunteer service will be open to all age groups, it offers a wide range of

opportunities for individuals to choose a career path and return to the workplace through voluntary service, particularly in the area of social services (see Measure 18 of the AP 2011 and Table No. 33).

The **integration of people with an immigrant background** into the labour market is supported by a large number of partly ESF-funded programmes aimed to develop language skills, help individuals gain vocational qualifications, reduce discrimination when accessing the labour market and integrate refugees and immigrants with residence rights (see Table No. 34-36). Fresh impetus is provided by a range of measures including the "Integration through Qualification" (IQ) network, which comprises 40 different initiatives (see Table No. 37).

A core feature of an inclusive labour market is its ability to create and sustain **employment opportunities for people with disabilities**. In addition to a wide range of existing regulations and support measures, this issue is also a priority of the National Action Plan of the Federal Government to implement the UN Convention on the Rights of Persons with Disabilities (see Table No. 38).

***iv. Immigration and acceptance of foreign credentials  
("towards an attractive and transparent labour market")***

The conditions allowing highly skilled third-country nationals to gain access to the German labour market will be extended this year with the implementation of the European Union's Blue Card Directive. In this connection, the Federal Government is exploring how the directive's scope can best be used to create attractive conditions for the *EU Blue Card* system. Furthermore, the government will examine the need to amend immigration law in light of the growing shortage of skilled labour, taking the experiences of other countries into account.

The process for identifying and **accepting vocational qualifications obtained abroad** (see Table No. 42) must also be improved in order to secure workforce potential. The Federal Government has adopted a bill that contains a legal entitlement to a fast and transparent credential evaluation procedure (see Measure 2 of the AP 2011).

## e) Improving the contribution of the education system to human capital formation

*Given the emerging shortages of high-skilled labour, further improvements of the quality and inclusiveness of the educational system remain central in supporting the employability of workers and maintaining the comparative advantage in technology-advanced products.*

Germany's future economic strength depends to a large extent on the availability of well-trained, highly skilled workers. In light of the declining labour force as a result of demographic changes, additional improvements and investments in the education system are essential to ensure that the German economy remains innovative and competitive in the future. According to the constitutional distribution of authority, responsibility for the education system primarily lies with the *Länder*. The municipalities and the *Länder* together account for roughly 90 percent of public spending on education, and roughly 70 percent of total educational expenditure. According to provisional results, public spending on education increased to 93.4 billion euros in 2008, and 98.9 billion euros in 2009, crossing the 100 billion euro mark in 2010 with 102.8 billion euros invested. In the 2007-2013 funding period, the ESF is contributing roughly 4.6 billion euros to support programmes aimed at improving the qualification and skills development of children, young people, workers and the unemployed.

As part of the **Skills Development Initiative for Germany**, which was jointly adopted by the Federal Government and *Länder* at the education summit in October 2008, numerous measures have been launched and enhanced in all areas of education, ranging from early childhood education to continuing training.

A suitable portfolio of educational programmes and services in all stages of life is central to the economic development of the country. The foundation for successful education is laid in early childhood. To increase **educational opportunities for all children right from the beginning**, the government is significantly stepping up measures to expand and develop the child care infrastructure in Germany. With a wide range of schemes and initiatives, the Federal Government, *Länder* and municipalities are underscoring the importance of early childhood education in day care centres and primary schools (see Table No. 44-49). The government supports early language programmes to enhance the language proficiency of children with an immigrant background to also ensure their equal participation in the working environment later in life (see Table No. 50). The skills development of teachers and educators constitutes another priority area (see Table No. 46).

The government must focus special attention on increasing the **educational opportunities of vulnerable children** and young people. To ensure that children and young people can take part in educational, social and cultural activities - irrespective of their parents' financial means - since 2011 the government has been providing education and social inclusion benefits to children, adolescents and young adults provided they, or their parents, claim long-term unemployment benefit or social welfare benefit, child supplement, or housing allowance (see Table No. 51). Furthermore, the

**Alliance for Education** (see Table No. 43) involves many stakeholders in civil society in the government's commitment to ensuring more social equality in education.

The **collaboration of schools, youth welfare services and labour market stakeholders** is of foremost importance. The *Länder* have launched a series of measures that help individuals obtain school and vocational qualifications and improve the inclusion of individually and/or socially disadvantaged young people, in particular, into education and training programmes and the labour market. While it is important to support measures aimed at specific target groups with the assistance of youth social workers, the *Länder* also recognise the need to better align the instruments and services to be provided by various educational establishments and stakeholders in order to ensure the successful transition of young people to training and a career.

In order to improve the **quality of school education**, the government demanded the creation of educational standards for certain stages of the schooling system (end of primary school, end of junior secondary school, *Abitur* (equivalent to A-Levels)). With its overall education monitoring strategy, it developed a comprehensive plan in 2006 to systematically gather information on the effectiveness of the education system. At the same time, these measures also aim to benefit the individual school to enhance teaching standards and educational quality. Participation in international school performance studies, tracking of education standards, state-wide exams and education system reports are among the measures of this overall strategy. The Institute for Quality Control in the Education System controls and coordinates these processes and was specially established for this purpose. It is also currently developing standards in key subjects for the *Abitur* school-leaving examination.

Continuing its efforts to **reduce the school drop-out rate**, the Conference of Ministers of Education and Cultural Affairs agreed a common support strategy in March 2010. The goal of this strategy is to increase support to under-achieving pupils to an extent that significantly reduces the percentage of pupils who do not attain a minimum level of skills development at the end of their education. To this end, the *Länder* have launched extensive support programmes – also with funding from the European Union. They aim at both prevention and intervention and actively encourage the specific collaboration of providers of school-based and out-of-school education with the various municipal stakeholders. The potential that sport offers for adolescents is also considered in the strategy to raise the standard of education.

The **transition from the school environment to a profession** is considered a central step in securing the next generation of skilled workers. Various measures of the Skills Development Initiative for Germany make a key contribution towards pupils' achieving a school-leaving qualification at general-education and vocational schools, towards helping pupils choose the right school curriculum for their future career, and towards improving the transition from the school environment to a working life. Furthermore, the education system has become more open and actively seeks stronger links with all stakeholders involved in career counselling and the choice of career path.

The employment offices and job centres support the transition from school to work through career advice, career orientation and placement in training positions. In this regard, roughly 3.2 billion euros were invested in 2010 in measures that prepare school-leavers for training and support them during training programmes. These measures are complemented by the new "**Bildungsketten bis zum Ausbildungsabschluss**" initiative to help pupils obtain a vocational qualification (see Table No. 53).

In the **National Training Pact**, the Federal Government - in liaison with the central associations of German business and the Conference of Ministers of Education and Cultural Affairs - is committed to securing a suitable portfolio of training places for young people. Since its inception in 2004, the pact has been extended twice by the partners to the pact, most recently in 2010 when it was extended until 2014 (see Table No. 52). Given that the transition from school to training is particularly challenging for repeat applicants, socially disadvantaged young people, young people with learning difficulties or disabilities, and young people with an immigrant background, the partners to the pact will place a specific priority on these groups. At the same time, greater numbers of high-achieving young people will also be encouraged to enter in-company training programmes.

The Federal Government has developed a new outreach support programme at more than one thousand locations nationwide for **young people** who are no longer served by the current range of educational services and educators in schools and in the transition to training (see Table No. 54). The Federal Government and *Länder* are also currently preparing a **Basic Education Pact Targeting Adult Literacy** (see Measure 15 of the AP 2011 and Table No. 68).

The Federal Government and the *Länder* are making a concerted effort to **expand tertiary education**. In the coming years, they are set to increase spending in the Higher Education Pact 2020, the Initiative for Excellence, and the Pact for Research and Innovation by some 21 billion euros, roughly 14 billion euros of which will be provided by the Federal Government. With a range of measures put in place by the *Länder* und the Federal Government, it has been possible to increase the freshman enrolment rate from 37.1 percent (2007) and 39.3 percent (2008) to 43.3 percent (2009) and 46.0 percent (2010). This far exceeds the 40 percent target agreed by the Federal Government and *Länder* in 2008. Special attention will also be paid to the promotion of careers in the fields of mathematics, informatics, natural sciences and technology (MINT), and to increasing the percentage of women in MINT disciplines (see Table No. 55).

The **number of individuals qualified to enter higher education** will increase significantly between now and 2020. Under the Higher Education Pact 2020, the Federal Government and *Länder* fully support investment in additional study opportunities and have extended the scope of the pact to include the *Quality of Teaching Pact* – a third pillar of the pact that aims to improve study conditions and the quality of teaching in higher education (see Measure 4 of the AP 2011 and Table No. 56 and 57).

The **Initiative for Excellence** launched by the Federal Government and the *Länder* enhances the international visibility of top-quality research at German universities and increases support for junior scientists (see Measure 3 of the AP 2011 and Table No. 58). With an annual increase in funding of 5 percent through 2015, the **Pact for Research and Innovation** gives non-university research centres and the German Research Foundation financial planning security as well as the necessary scope for strategic measures to support young research talent and to intensify the transfer of technology into commercial activity (see Table No. 59).

The system of university education and teaching has undergone fundamental reform as a result of the **Bologna Process**. With a wide range of measures, the *Länder* and institutes of higher education are making a key contribution towards successfully implementing the new study structures and further securing and increasing the quality of third-level education. For example, together with the Donor's Association for the Promotion of Science and Humanities in Germany (*Stifterverband*) the government has launched the "Excellence in Teaching" competition with a budget of 10 million euros. Furthermore, the Federal Government also supports student mobility (see Table No. 63).

The Government has also secured an attractive framework for state-supported training assistance to low-income students and trainees in initial and further training. Coupled with structural improvements in funding conditions, this has been achieved by **raising** income caps and the **amounts of federally funded loans** in the Federal Education Assistance Act (*Bundesausbildungsförderungsgesetz*), the Upgrading Training Assistance Act (*Aufstiegsfortbildungsförderungsgesetz*) and the vocational training grant starting in October 2010 (see Table No. 60). Furthermore, the Federal Government is also supporting particularly talented students through various **grant programmes**, including the *Deutschland-Stipendium* programme which was launched in 2011 (see Table No. 61 and 62).

Providing employees with **in-company continuing education** is primarily the responsibility of individual companies. The Federal Government and *Länder* support companies in this important task through measures and initiatives designed to improve the infrastructure and quality of continuing education (see Table No. 64-67). The special rules adopted for short-time employment schemes in response to the economic crisis also made it easier for companies to upskill staff during the crisis (see Table No. 69).

The Government has successfully expanded the '**Aufstiegsstipendium**' ('career advancement grant') programme for **qualified professionals**, which aims to promote flexibility between vocational training and academic education. Since its introduction in 2008, 2,500 people have been accepted into this programme.

In March 2011, the Federal Government and the government of the *Länder* launched the "**Advancement through Education: Open Universities**" competition. The

competition aims to increase the level of flexibility between vocational and academic education and thereby secure the supply of skilled labour (see Measure 14 of the AP 2011 and Table No. 67).

The amended **Upgrading Training Assistance Act** (*Aufstiegsfortbildungsgesetz*, or *Meister-BAföG*) of 2009, which is financed by the Federal and *Länder* governments, provides significantly improved conditions to ensure that those interested in career advancement are able to participate in upgrading training programmes, and thus makes a major contribution to improving the qualifications of urgently needed skilled labour. The Federal programme for **continuing education grants**, which was launched in December 2008, supports individual continuing vocational training and also funds useful courses and skills development programmes that do not lead to a specific professional qualification.



## 6. Use of EU funds

### a) European structural funds

In the current 2007-2013 funding period, the use of the **ERDF** (European Regional Development Fund) and **ESF** (European Social Fund) European structural funds in Germany is directed toward the promotion of growth and employment potential. To support this objective, a total of 26.4 billion euros (17 billion from the ERDF and 9.4 billion from the ESF) are available, which – with the exception of two Federal programmes (transport, ESF) - are invested through Operational Programmes of the *Länder*. These funds, which are co-financed by national public and private funds, make a key contribution to strengthening the impetus for investment and thereby domestic demand.

Funding is geared toward the **following priority areas**:

- Supporting innovation, research and development, and education (approx. 5 billion euros)
- Increasing the competitiveness of industry (approx. 3.62 billion euros)
- Developing and expanding the infrastructure for sustainable growth (approx. 5.5 billion euros)
- Supporting key interregional transport investment (approx. 1.5 billion euros)
- Enhancing the adaptability and competitiveness of businesses and workers (approx. 2.6 billion euros)
- Improving human capital (approx. 3.2 billion euros)
- Improving the integration of disadvantaged groups of individuals and increasing their opportunities on the labour market (approx. 3.4 billion euros).

In this way, the Operational Programmes in Germany already place a strong focus on increasing funding for knowledge, education, innovation and research; strengthening small and medium-sized enterprises; and pursuing a modern industry and employment policy, and make a significant contribution to the implementation of the Europe 2020 strategy. In this connection, the support of cross-border, transnational and interregional cooperation from the structural funds, particularly through the INTERREG programme, also proved to be effective. Furthermore, greater importance is attached to transnational and cross-border exchange and mobility projects under the ESF.

With regard to the future organisation of the EU structural funds, please refer to the joint comments by the Federal Government and the *Länder* on the Fifth Cohesion Report.

**b) Rural development (second pillar of the Common Agricultural Policy (CAP))**

Under the second pillar of the CAP, long-term prospects for the availability of funding are critical for **rural and structurally weak regions**. In light of demographic change, which poses a serious challenge to rural areas - also with regard to social and territorial cohesion - the Federal Government is committed to pursuing an active rural development policy with a long-term outlook through to 2020. Given their extensive reach, measures adopted to address rural development under the second pillar of the CAP are central to the implementation of the Europe 2020 strategy.

## Annex: Overview of actions referred to in Section 5

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
<b>a) Combining fiscal consolidation with ensuring a reallocation of public expenditure towards growth-enhancing items</b>						
1.	Aviation tax	The Aviation Tax Act ( <i>Luftverkehrssteuergesetz</i> ) includes air travel in the transportation tax system in order to strengthen the incentives for more environmentally friendly behaviour when it comes to travel. The tax is levied on passengers departing from German airports and involves three taxation categories depending on the distance to the final destination.	The revenue from the aviation tax is expected to contribute €1 billion annually to fiscal consolidation. The inclusion of air transport in the emissions trading system will be considered from 2012 onwards. In this regard, the aviation tax rates will be lowered to ensure that the overall burden on air travel resulting from the aviation tax and emissions trading will remain at €1 billion.	In force	01/01/2011	5.
2.	Nuclear fuel tax	Tax on nuclear fuel which is used for commercial electricity generation. The nuclear fuel tax is €145 per gramme of nuclear fuel and has a 6-year limit.	Revenue from the nuclear fuel tax will contribute to fiscal consolidation and reduce the budgetary burden resulting from the necessary rehabilitation of the Asse II experimental nuclear waste repository. Annual revenues are expected to total 2.3 billion euros on average and are made available to the general budget without being designated for a specific purpose.	In force	01/01/2011	6.

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
3.	Act on the Sustained and Socially Equitable Funding of the Statutory Health Insurance Scheme (Statutory Health Insurance Financing Act ( <i>GKV-Finanzierungsgesetz</i> ))	<p>Measures in the GKV to limit spending:</p> <ul style="list-style-type: none"> <li>• No increase in administration-related spending of health insurance funds in 2011 and 2012 compared to 2010</li> <li>• 30% reduction set in 2011 for services which hospitals additionally agree (additional services) compared to the previous year; contractual agreement from 2012 onwards.</li> <li>• The prices for acute in-patient hospital services and the hospital budgets of psychiatric and psychosomatic facilities may not increase by more than 0.9 percent in 2011. In 2012, the maximum increase is the increase in the basic wage rate (<i>Grundlohnrate</i>) which has been reduced by 0.5 percentage points.</li> <li>• Limit the increase in expenditure with regard to remuneration for the provision of services by panel doctors</li> <li>• Limit remuneration levels in family-doctor-based health care</li> <li>• The monetary conversion factors and total remuneration for SHI-accredited dental treatment (excluding dental prosthesis) may increase by a maximum of 0.9% in 2011. In 2012 the maximum increase is the increase in the basic wage rate which has been reduced by 0.5 percentage points.</li> </ul> <p>Measures to strengthen the financial basis of the GKV:</p> <ul style="list-style-type: none"> <li>• Temporary reduction in contribution rates by 0.6 percentage points has expired. The rate of contribution that is co-financed by employers and employees is set at 14.6 percent, plus an additional member-specific contribution of 0.9 percentage points.</li> <li>• Employer's contribution is fixed at 7.3 percent</li> <li>• Further development of additional member premiums that are not pegged to income and can be imposed individually by the health insurance funds.</li> </ul> <p>Introduction of a system of social compensation:</p> <ul style="list-style-type: none"> <li>• If the average, additional premium exceeds 2 percent of the member's assessable income, the insured member automatically receives tax-financed social compensation that applies universally to all health insurance funds. In 2011-2014, this can be financed from the cash reserves of the national Health Fund. From 2015, additional public funds are to be provided to finance the social compensation system. The amount will be specified by law in 2014.</li> <li>• Social compensation takes places directly with the employers or pension insurance funds by reducing the member's share of the contribution rate. No application process is required.</li> </ul>	<p>The actions to curb spending prevent an otherwise imminent billion-euro-deficit in the statutory health insurance system and help stabilise finances even in the short term.</p> <p>The measure largely decouples labour costs from health care costs by fixing the employer contribution and by ensuring that unavoidable increases in expenditure are financed by additional premiums that are not pegged to income. In this way, funding of the statutory health insurance system is less sensitive to cyclical fluctuations.</p> <p>By allowing health insurance funds to set their own individual additional premiums, health insurance funds have more sovereignty and independence when it comes to contribution rates. At the same time, a clear price signal promotes competition for efficient, high-quality health care services.</p> <p>Social compensation prevents contributors from being overburdened by the premium. A tax-financed system takes the actual economic performance of all individuals into account.</p>	In force	1/1/2011	63.

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
4.	Reform of labour market policy instruments	Reduction and realignment of the support instruments of labour market policy under Social Code II and III	More effective and efficient use of instruments	Legislation pending	2012	
<b>b) Ensuring a well functioning and stable financial sector</b>						
5.	Bill to Strengthen Investor Protection and the Functioning of the Capital Market ( <i>Gesetzentwurf zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes</i> )	<p>Amendments to the Securities Trading Act (<i>Wertpapierhandelsgesetz</i>) and the Investment Act (<i>Investmentgesetz</i>):</p> <ul style="list-style-type: none"> <li>• Defines additional requirements for financial services institutions and introduces compulsory product information brochures</li> <li>• Introduces a minimum holding period for open-end real estate investment trusts and a liquidation procedure for real estate investment trusts that have been suspended for an extended period</li> <li>• Improves transparency regulations for the holding of derivatives</li> </ul>	<ul style="list-style-type: none"> <li>• Better protection against incorrect investment advice</li> <li>• Better information for investors</li> <li>• Stabilisation of open-end real estate investment trusts and protection against hidden take-overs of companies (unnoticed stake-building by investors)</li> </ul>	Cabinet decision of 22/09/2010	Expected in Q1, 2011	13.
6.	Act to Amend the Law for Investment Intermediaries and Capital Investments ( <i>Gesetz zur Novellierung des Finanzanlagenvermittler und Vermögensanlagenrechts</i> )	<ul style="list-style-type: none"> <li>• Tighter sales prospectus requirements for grey market products</li> <li>• Introduces product information brochures</li> <li>• Stricter requirements for independent investment intermediaries through the introduction of a certificate of expert knowledge and professional liability insurance</li> </ul>	Better investor protection in the grey market			
7.	Restructuring Act ( <i>Restrukturierungsgesetz</i> )	<p>Creation of new instruments to restructure and reorganise banks and the introduction of a bank levy to fund the new measures:</p> <ul style="list-style-type: none"> <li>• Creation of suitable instruments to restructure, rehabilitate and reorganise banks</li> <li>• Creation of a restructuring fund (bank levy)</li> <li>• Extension of the period of limitation of D&amp;O liability under stock corporation law</li> <li>• Amendments to the Financial Markets Stabilisation Fund Act (<i>Finanzmarktstabilisierungsfondsgesetz</i>) and the Financial Market Stabilisation Acceleration Act (<i>Finanzmarktstabilisierungsbeschleunigungsgesetz</i>) (capital injection into resolution agencies (<i>Abwicklungsanstalt</i>), easier exit from support measures)</li> <li>• Accompanying regulations</li> </ul>	Approach that restructures a troubled bank of systemic importance in a way that protects public finances and does not put the stability of the financial system at risk	In force	Restructuring Fund Act ( <i>Restrukturierungsfondsgesetz</i> ) on 31/12/2010 and key elements of amendments to the Banking Act ( <i>Kreditwesengesetz</i> ) separately on 1/1/2011	14.

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
8.	Act Governing Supervisory Requirements for Remuneration Systems of Institutions and Insurance Companies ( <i>Gesetz über die aufsichtsrechtlichen Anforderungen an die Vergütungssysteme von Instituten und Versicherungsunternehmen</i> )	<p>Transposes into law the international compensation standards in the banking and insurance sector developed by the Financial Stability Board (FSB) on the basis of the G20 agreements:</p> <ul style="list-style-type: none"> <li>• Need for appropriate, transparent compensation systems that are in line with the goal of sustained business development</li> <li>• Details regulated in two ordinances of the Federal Ministry of Finance</li> <li>• Federal Financial Supervisory Authority (<i>BaFin</i>) given authority to prohibit an institution from paying variable remuneration elements in certain instances</li> </ul>	<p>Appropriate, transparent compensation systems that are in line with the goal of sustained business development of the institutions and insurance companies. This will result in greater financial market stability.</p>	In force	27/07/2010	17.
9.	Act on the Prevention of Abusive Securities and Derivative Transactions ( <i>Gesetz zur Vorbeugung gegen missbräuchliche Wertpapier- und Derivatgeschäfte</i> )	<p>Ban (in Germany) on naked short sales of German shares, eurozone sovereign debt instruments and credit default swaps on eurozone sovereign debt instruments that are not used for hedging purposes.</p>	<p>Limits the destabilising effect of speculative financial market transactions with certain securities.</p>	In force	27/07/2010	12.
10.	Act to Implement the Amended Banking Directive and the Revised Capital Adequacy Directive ( <i>Gesetz zur Umsetzung der geänderten Bankenrichtlinie und der geänderten Kapitaladäquanzrichtlinie</i> )	<p>Essentially implements the EU requirements of the amended Banking Directive and the revised Capital Adequacy Directive:</p> <ul style="list-style-type: none"> <li>• Regulation of securitisation transactions, including the requirement to retain 5% of securitisation exposures up to 2014 and 10% from 2015 onwards</li> <li>• Stronger cooperation between the competent banking supervisors in the joint surveillance of EU institutions operating cross-border</li> <li>• Harmonisation of conditions under which hybrid capital instruments can be recognised as original own funds for regulatory purposes</li> <li>• Tighter regulations for large exposures</li> </ul>	<p>Reduces systemic risks and increases the stability of the financial sector.</p>	In force	31/12/2010	15.

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
11.	Law to Implement the EU Regulation on Credit Rating Agencies	<p>Key focal areas of the law:</p> <ul style="list-style-type: none"> <li>• Registration and supervision of credit rating agencies in the EU</li> <li>• Oversight by national supervisory authorities (Germany: Federal Financial Supervisory Authority (<i>BaFin</i>)) in colleges of supervisors</li> <li>• Addresses conflicts of interest, e.g. no consulting services for rated businesses</li> <li>• Publication of models and methods on which ratings are based</li> <li>• Transparency of the credit rating process</li> <li>• Possibility to use credit rating of non-EU countries if certain criteria are met</li> </ul>	Fosters the integrity, transparency, responsibility, good business management and reliability of credit rating agencies and supports the quality of credit ratings given in the European Union	In force	19/06/2010	11.
<b>c) Strengthening domestic sources of demand</b>						
12.	Bureaucracy Reduction and Better Regulation programme	By the end of 2011, the net costs of reporting obligations in the business sector are to be reduced by 25% compared to 2006.	<p>Reduced bureaucracy provides impetus for growth without burdening the national budget. Specifically this involves:</p> <ul style="list-style-type: none"> <li>• Unlocking potential to simplify the system by systematically examining the efficiency and transparency of regulations</li> <li>• Easing the bureaucratic burden creates leeway for more innovation and economic activity</li> </ul>	December 2010: Decision on a binding implementation plan to achieve the 25% reduction target by the end of 2011		39.

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
13.	Extension of the ex ante procedure to assess the impact of regulation compliance	<p>In future, the compliance costs will disclose in advance the total time and effort which individuals, the business community and public administration require in order to comply with federal regulations. This also includes the costs associated with reporting obligations which have been determined up to now.</p> <p>For this purpose, in future the Federal Government will systematically assess all the measurable time and financial costs that will be incurred in order to comply with federal standards and present this information in their draft regulations.</p>	<ul style="list-style-type: none"> <li>• Strengthens impact assessment as an independent mechanism in the legislative process</li> <li>• As a result, support for better regulation which contributes to maintaining economic performance and implementing additional structural reforms</li> </ul>	<p>Act to Amend the Act on the Appointment of a National Regulatory Control Council (<i>Gesetz zur Änderung des Gesetzes zur Einsetzung eines Nationalen Normenkontrollrates</i>) of 16 March 2011.</p> <p>Amendments to the Joint Rules of Procedure of the Federal Ministries planned for 2011.</p>	<p>22 March, 2011</p> <p>In preparation</p>	40.
14.	2011 Tax Simplification Act ( <i>Steuervereinfachungsgesetz 2011</i> )	<p>Package of measures to create a less burdensome system of tax returns and auditing</p> <p>Key measures:</p> <ul style="list-style-type: none"> <li>• Employee standard allowance for business-related expenses increased to €1,000</li> <li>• Framework that simplifies deductibility of childcare expenses, and simplifies the process for receiving child benefit/tax-free child allowance for adult children</li> <li>• Possibility to submit an income tax declaration every two years</li> <li>• Easier electronic invoicing</li> <li>• Increased electronic communication with tax authorities</li> </ul>	<p>In conjunction with a range of accompanying measures at sub-legislative level, the bill aims to make the taxation system easier, more predictable and remove any unnecessary red tape.</p>	<p>In preparation. Expected to be completed in the second half of 2011</p>	<p>If possible from a technical and organisational perspective, the Act will enter into force for the 2011 tax assessment period (particularly electronic invoicing from 1 July 2011). Otherwise from 1 January 2012.</p>	43.



No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
15.	Energy Concept	<p>The Energy Concept formulates guidelines for securing an environmentally compatible, reliable and affordable energy supply, and maps the way toward the age of renewable energy. It contains:</p> <ul style="list-style-type: none"> <li>• Ambitious goals</li> <li>• A wide variety of specific measures</li> <li>• A solid financial basis with the Energy and Climate Fund</li> </ul> <p>In the first stage of implementation, the Federal Government has adopted a 10-point immediate action programme for the Energy Concept, containing ten particularly urgent measures, particularly measures concerning grid expansion.</p>	The aim is to make Germany one of the world's leaders in energy efficiency and best environmental practice while simultaneously maintaining competitive energy prices and a high level of prosperity.	<p>Implementation throughout 2011 and thereafter</p> <p>Immediate action programme implemented by 31/12/2011</p>	28/09/2010 (Cabinet decision)	85.
16.	Energy Research Programme	Funding for energy research will be increased from the special Energy and Climate Fund, particularly for research in the fields of renewable energy, energy efficiency, energy storage and grid technology.	Helps restructure the energy system towards renewable energy	Work in progress		
17.	Creation of a reliable framework for the public short-distance transport system	Amendment to the Passenger Transport Act ( <i>Personenbeförderungsgesetz</i> ) and the General Railway Act ( <i>Allgemeines Eisenbahngesetz</i> ) to align them with the European legal framework for the public financing of transport services	Creation of a reliable framework for the organisation and financing of the public short-distance transport system.	Bills in preparation	1/1/2012	
18.	Expansion of the flexibility of the long-distance bus transport system	Amendment to the regulation in the Passenger Transport Act.	Enhanced competition in long-distance travel	Project will be handled in conjunction with Action 17 in the table.	Second half of 2011 (scheduled)	
<b>d) Ensuring full utilisation of the economy's labour potential</b>						
19.	"Skilled Workers of the Future" task force	<p>Agreement of the Federal Government and the social partners to set up a joint "Skilled Workers of the Future" task force. The task force will be responsible for pooling the measures already taken to secure the supply of skilled labour and will identify additional areas that require action.</p> <p>At the same time, the Federal Government is also developing a harmonised skilled labour strategy, concentrating on the areas of education, skills development, activation, family and career, inclusion and immigration to secure skilled labour in the future.</p>	Successfully counteract the impending shortage of skilled workers	The results will be presented in the summer of 2011.		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
20.	Alliance for labour	Stakeholders related to commerce and the labour market will link regional initiatives and projects in the regions and thereby support the development and oversight of measures to secure the local workforce base. An innovation office has been set up to this end.	Successfully counteract the impending shortage of skilled workers	The alliance for labour was established in October 2010. The innovation office will commence work in March 2011.		
21.	Job monitor	With scientific support, the Federal Government is currently developing an instrument ("the job monitor") to gauge current and future demand for labour by industry, region and specific skills and qualifications.	The job monitor will create a solid information base which the government will use to identify targeted and demand-driven measures to secure the supply of skilled labour.	Initial results concerning the current demand for labour will be published in Q3 2011 in a "Report on Trends in Securing the Supply of Labour". In Q1 2013, another report tracking trends and developments will contain data on the future demand for labour.		
22.	New Quality of Work Initiative (INQA)	Partnership between the Federal Government, social insurance partners, <i>Länder</i> , foundations and businesses.	INQA unites the goal of promoting the health, professional skills and working capacity of employees with the objective of strengthening the competitiveness of businesses.			
23.	"Perspective 50plus" employment pacts for older workers in the regions	<p>Since October 2005, long-term unemployed men and women aged between 50 and 64 have been supported by the "Perspective 50plus – employment pacts for older workers in the regions" programme in their endeavours to return to the general labour market.</p> <p>The federal programme is based on a regional approach that allows authorities to address issues particular to their region when deciding on a strategy for inclusion and integration. Both the job centres (with core responsibility) and partners of the regional networks are involved in implementing the programme. The latter include businesses, chambers and associations, municipal establishments and educational institutions, policy-makers, trade unions, churches and social organisations.</p>	During the first phase of the programme (October 2005-December 2007), over 22,500 individuals were integrated into the primary labour market. In the second phase, (January 2008-December 2010) this figure increased to over 100,000. The government has set the goal of integrating 65,000 people in 2011.	Support of 78 regional pacts. In force since 2005, extended once more from January 2011 to December 2015		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
24.	Local alliances for families	<p>In local alliances, partners from the political arena, the business community and society come together to focus on measures and projects co-funded by the European Social Fund (ESF) to help parents combine career and family commitments. Such measures include the needs-oriented development and expansion of child care facilities.</p> <p>In 2011, the initiative is also focussing on measures to create better conditions for workers with children of school-going age to combine family and career.</p>	<p>The government anticipates innovative and exemplary projects and measures which, in liaison with stakeholders in the wider business environment and the labour market, create a better framework for parents with children of school-going age to combine career and family commitments.</p>	<p>642 local alliances established to date</p> <p>Expansion in 2011</p>		
25.	Early Opportunities Initiative: Nurseries Focusing on Language and Integration	<p>Roughly €400 million will be invested in up to 4,000 child day-care facilities – particularly in disadvantaged areas – to create “Nurseries Focusing on Language and Integration”. Drawing from public funds, each participating child care facility will be allocated a budget of €25,000 per year to go towards the employment of additional specialist staff. The staff-to-child ratio in these day-care facilities will be improved and additional day-to-day measures to develop speech and language skills can be integrated for children under the age of three.</p> <p>Funding period: March 2011 to December 2014</p>	<ul style="list-style-type: none"> <li>• Additional, specially qualified staff employed to develop speech and language skills and promote inclusion from the time the child enrolls in the day-care facility.</li> <li>• A national, reliable and needs-oriented structure to promote early childhood language development aims to create equal social and economic conditions by giving all children a fair start in life.</li> </ul>	<p>Support and funding for roughly 3,000 facilities from March 2011</p> <p>Support and funding of a further 1,000 facilities from early 2012</p>		17.
26.	“Good Work for Single Parents”	<p>The “Good Work for Single Parents” ESF programme promotes the development, implementation and widespread use of concepts for action and strategies geared towards the integration in the labour market of needy single parents as defined in Social Code II, and aims to strengthen local networks in implementing the programme policy.</p> <p>It must be possible to assign projects in this programme to at least one of the priority areas for action, namely: activation, integration into gainful employment, and social and job-related stability. Single parents selected to take part in the programme must be claiming benefits as defined under Social Code II at the start of the project. At the same time the projects must encourage the transfer of the concepts for action.</p>	<p>From the perspective of social and labour market policy, the goal is to increase the employment opportunities and potential earnings of single parents – with the path towards more part-time work with more hours, and more full-time work – and to provide targeted funding to increase mobilisation towards the primary labour market. This also implies that the income the single parents earn should safeguard their livelihood and create the material basis for improving the social situation of single-parent households in need of assistance. However “good work for single parents” also means that stakeholders that shape labour market policy must take concerted action to intensify and harmonize their efforts, while taking responsibility for their individual areas.</p>	<p>Support of 78 projects</p> <p>Programme will run until the end of 2012</p>	20/03/2009	
27.	“Networks for Effective Assistance for Single Parents”	<p>ESF-funded programme (financial budget: €25 million) to promote the development and expansion of local support structures for single parents at roughly 100 locations across Germany. An external service provider provides advice and coaching on the project design and setup. The progress of the individual projects is analysed and the results are evaluated scientifically at programme level.</p> <p>Funding period: April 2011 to June 2013</p>	<ul style="list-style-type: none"> <li>• Faster and longer-term integration of single parents into the labour market by improving linkages between local support structures for the target group that are based on labour market policy, family policy and measures that help single parents combine family and career.</li> <li>• Transfer of good practices to official institutions, particularly the administrative units involved (job centres, employment agencies, child and youth welfare institutions)</li> </ul>	<p>Projects commence: April 2011 to June 2011</p>	July 2010	

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
28.	Federal Initiative for the Equal Treatment of Women in Business and Industry	<p>Sustained improvement in the employment situation of women in business and industry by adopting specific measures, such as:</p> <ul style="list-style-type: none"> <li>• Innovative approaches to organising work time</li> <li>• Encouragement of young women to pursue careers in the fields of mathematics, informatics, natural sciences and technology (MINT), obtain industrial/technical training or training in a craft, as well as other innovative professions of the future</li> <li>• Strengthen the ambition and willingness of female workers to be promoted</li> <li>• Reduce and prevent loss of skills among female workers following parental leave and support for swift professional reintegration</li> <li>• Increase the percentage of older female workers and safeguard employment opportunities for women</li> </ul> <p>The programme is co-funded by the ESF.</p>	<ul style="list-style-type: none"> <li>• Women are able to secure their livelihood independently</li> <li>• Equal career opportunities and promotion prospects</li> <li>• Greater participation in in-company continuing education programmes</li> <li>• Reduction in the gender pay gap</li> <li>• Better work-life balance</li> </ul>	<p>Programme duration: from April 2009 to 31 December 2014</p>		
29.	"Vocational Reintegration as a Perspective" action programme	<p>Motivate and support women and their partners in the process of returning to work.</p> <p>The programme is co-funded by the ESF.</p>	<p>Development of instruments to support the process of vocational reintegration following a career break to raise a family</p> <p>Increase the female employment rate</p>	<p>Model programme runs until 29/2/2012; can be extended where warranted</p>		
30.	"Female Breadwinners" project ( <i>Familien-ernährerinnen</i> )	<p>Political analysis of the results of the project and approaches to address the changing gender ratio in the labour market in light of the female breadwinner model.</p>	<ul style="list-style-type: none"> <li>• Development of recommendations for action</li> <li>• Support of female breadwinners in new professional and family role</li> <li>• Raising public awareness of the topic of female breadwinners</li> </ul>	<p>The project commenced in 2010, and two workshops will be held in May and November 2011.</p>		
31.	"Family Success Factor" company programme ( <i>Erfolgsfaktor Familie</i> )	<p>Promotes a family-friendly working environment in tandem with associations of trade and industry and trade unions with a new priority on "family-oriented work times" in 2011.</p> <p>The programme is co-funded by the European Social Fund.</p>	<ul style="list-style-type: none"> <li>• Better balance between career and family for women and men</li> <li>• Greater success in harnessing the employment potential of women</li> <li>• German businesses become more attractive employers for skilled workers</li> </ul>	<p>The "Family-Oriented Work Times" initiative commenced in October 2010</p>	<p>Ongoing</p>	<p>50.</p>

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
32.	"Civic Work" model project ( <i>Bürgerarbeit</i> )	<p>The "Civic Work" model project, which is co-funded by the European Social Fund (ESF), will be implemented in two stages:</p> <ul style="list-style-type: none"> <li>• Activation stage: advice/identifying locations, placement activities, skills development/support; Duration: at least six months</li> <li>• Employment stage: employment in jobs of public interest and additional areas for programme participants who were not able to integrate into the general labour market during the activation stage; duration: max. 36 months</li> </ul>	Integration into the general labour market of unemployed needy persons who are capable of working	<p>Project commences: 15/07/2010</p> <p>Project ends: 31/12/2014</p>		49.
33.	Federal volunteer service	<ul style="list-style-type: none"> <li>• The new federal volunteer service will be offered to men and women of all ages (having completed full-time compulsory schooling).</li> <li>• The employment organisations and places of work already recognised by the Civilian Alternative Service Act (<i>Zivildienstgesetz</i>) are also recognised as places of work for the federal volunteer service. The Federal Office for Family and Civil Society Functions (<i>Bundesamt für Familie und zivilgesellschaftliche Aufgaben</i>) - as the Federal Office of Civilian Service (<i>Bundesamt für den Zivildienst</i>) will be called in the future - also recognises new volunteer service positions, including those in additional fields such as sport, inclusion, culture and education, as well as civil defence and disaster relief.</li> <li>• Given the number of volunteer positions and the strong willingness of civilian service draftees to extend their civilian service voluntarily, the government expects to have 35,000 volunteers in the federal volunteer service and another 35,000 volunteers doing a voluntary year of social service or ecological work.</li> </ul>	The federal volunteer service aims to minimise the negative impact of the suspension of civilian alternative service and to continue to give as many people as possible the opportunity to experience the positive effects of social involvement, and the possibility of reactivating civilian alternative service as a substitute service to military service where necessary.	Being examined in parliament		
34.	Programme to "Strengthen Career-Related Language Skills of People with an Immigrant Background" ( <i>Stärkung der berufsbezogenen Sprachkompetenz für Personen mit Migrationshintergrund</i> )	This ESF programme offers people with a migrant background the opportunity to develop their language skills coupled with elements of vocational skills development and qualification. Every year, up to 30,000 participants receive support for a maximum period of six months.	Integration of individuals with a migrant background into the labour market	<p>Programme commences: August 2008</p> <p>Programme ends: December 2013</p>		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
35.	XENOS - Integration and Diversity	<p>The "XENOS - Integration and Diversity" ESF federal programme supports measures to combat social exclusion and discrimination in companies, administration, schools and in the areas of training and skills development. The primary objective of XENOS is to impart skills and strengthen structures that break down xenophobic and discriminatory attitudes, and to provide sustainable support to migrants, in particular, in entering the labour market and in their inclusion into society.</p> <p>XENOS forms part of the National Integration Plan of the Federal Government and is funded by the Federal Ministry of Labour and Social Affairs and the European Social Fund.</p>	<ul style="list-style-type: none"> <li>• Break down xenophobic barriers in society and reduce intercultural conflict in businesses and public administration</li> <li>• Reduce discrimination in the labour market when seeking employment and training positions and increase the willingness of businesses and public administration offices to employ migrants</li> <li>• Integration of migrants into the labour market and society</li> <li>• Raise intercultural awareness among large sections of the population in cities, rural areas and European border regions</li> <li>• Strengthen local labour markets and the migrant economy and utilise the labour potential in Germany</li> </ul>	<p>In the 1<sup>st</sup> round of funding, a total of 252 projects are supported across Germany until the end of 2012 with a total funding budget of €130 million. A 2<sup>nd</sup> round of funding as part of the XENOS project commences in 2011.</p>		
36.	XENOS – Labour market support for immigrants with residence rights and refugees	<p>In conjunction with the joint federal/municipal agencies (<i>Arbeitsgemeinschaften</i>) and approved municipal organisations, this programme creates support networks at a local and regional level to assist as many people as possible towards long-term employment. The interconnected advisory agencies are to work together with the business community to increase the rate and duration of employment of the target group in the labour market through job-related training courses to obtain qualifications. At the same time, the aim is to prevent or reduce claims for social security benefits.</p>	<ul style="list-style-type: none"> <li>• Greater scope for action of the target groups to seize opportunities on the labour market</li> <li>• Increased willingness of businesses to employ individuals in the target group. Stabilises and safeguards the long-term employment relationships of foreigners with residence rights</li> <li>• Raises awareness among the relevant stakeholders in the labour market and public life</li> </ul>	<p>Phase II of the Federal Programme for Immigrants with Residence Rights and Refugees (<i>Bleiberecht II</i>): 1/11/2010-30/6/2014</p>		
37.	"Integration through Qualification" network (IQ)	<p>Introduced in 2005, the "Integration through Qualification – IQ" advisory and information network has been extended regionally since 2011 as part of a federal programme lasting until 2014. It aims to develop and expand the migration-related and intercultural skills of official institutions, such as agencies, bodies that provide basic social security benefits, authorities responsible for evaluation procedures, providers of language courses and education, as well as businesses.</p>	<p>Sustained improvement of the labour market situation of people with a migrant background</p>	<p>3<sup>rd</sup> phase of the project commences on 1/7/2011 with 10 regional networks</p> <p>Plans to extend project to 25 networks from 2013</p>		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
38.	National Action Plan to Implement the UN Convention on the Rights of Persons with Disabilities	<p>Measures of the Action Plan that are relevant to the labour market:</p> <p>“Assisted employment”: support of employment opportunities outside of workshops for people with disabilities (legal regulation)</p> <p>“Job4000”: integration of people with severe disabilities into the general labour market</p> <p>“RehaFutur”: securing the future vocational rehabilitation for adults with disabilities</p> <p>In-company reintegration management: legal regulation to support employees return to the workplace if they have been absent for an extended period due to sickness. The Federal Government is supporting a range a model projects to make in-company reintegration management more efficient in practice.</p> <p>“Inclusion Initiative”: career guidance and orientation for pupils with severe disabilities; in-company training of young people with severe disabilities; jobs for older people with disabilities who are unemployed or seeking employment, implementation of expertise on inclusion issues in chambers.</p>	<ul style="list-style-type: none"> <li>• Better transition from school to work for young people with disabilities</li> <li>• Better training prospects for young people with disabilities</li> <li>• Better employment opportunities for people with disabilities on the general labour market</li> <li>• Better opportunities for people with disabilities (particularly older individuals) to return to work</li> </ul>	<p>National Action Plan: adopted by Cabinet in early 2011;</p> <p>Individual measures have already been implemented.</p>		
39.	IdA - Integration through Exchange (2 <sup>nd</sup> call)	<p>Transnational ESF programme to promote the transnational exchange and mobility of people with disabilities. The programme focuses on a stay in an EU member state (internship training, job camp) for a period of one month to a maximum of six months. Within the framework of this programme, a total of 4,000 participants, approx. 800 of whom have a recognised severe disability, will be given the opportunity to improve their career prospects.</p> <p>Enables people with disabilities to gain work experience abroad within the EU and enhance their vocational skills in order to make it easier for them to enter the labour market.</p>	<p>The following effects are expected for the target group:</p> <ul style="list-style-type: none"> <li>• Increased employability</li> <li>• Enhanced professional skills</li> <li>• Individuals gain formal and informal skills and qualifications</li> <li>• Increased job-related key qualifications and professional skills</li> <li>• Vocational integration in training programmes or work</li> </ul>			

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
40.	“Gründercoaching Deutschland” programme to coach and assist entrepreneurs	In the part of the programme geared towards individuals making the transition from unemployment to entrepreneurship, coaching is provided on all business, financial and organisational issues to increase the competitiveness of business start-ups in trade and industry (trade, crafts, industry, tourism, hotels and restaurants, trade representatives and brokers, other services and the transport industry) and of members of the liberal professions.	Business start-up and entrepreneurship coaching is a key instrument to increasing the success rate and ensuring the long-term sustainability of business ventures of individuals currently unemployed. The aim is to give individuals transitioning from unemployment to entrepreneurship the opportunity to get timely business coaching and advice in order to get the business off to a successful start.	Programme starts: 1/10/2008 Programme ends: 31/12/2013		
41.	“German Microloan Fund” ( <i>Mikrokreditfonds Deutschland</i> )	The German Microloan Fund was set up as a guarantee fund at the end of 2009 with a value of €100 million, roughly €60 million of which comes from the European Social Fund. The “Investitions- und Förderbank Niedersachsen” (NBank) manages the fund on a trust basis for the government.	The German Microloan Fund aims to make microfinance available across all of Germany. To this end, microfinancing structures will be professionalised and new microfinance institutions will be encouraged to join. The fund guarantees the loans provided by the GLS Bank against default and supports successful microfinance institutions.	The German Microloan Fund started in 2010 and will run until 2015.		
42.	Act to Improve the Process of Identifying and Accepting Foreign Occupational Credentials ( <i>Gesetz zur Verbesserung im Verfahren der Feststellung und Anerkennung im Ausland erworbener Berufsqualifikationen</i> )	Regardless of their country of origin or nationality, everyone has the legal right to receive an official evaluation of their foreign vocational qualifications and credentials	Taps the employment potential of migrants, particularly through a uniform and transparent credential evaluation process. This also results in better integration of the target group into the labour market and society.	Bill adopted in the Cabinet on 23/3/2011.	2011	61.
<b>e) Improving the contribution of the education system to human capital formation</b>						
43.	Alliance for Education	The Alliance for Education will support the development of local educational partnerships, link existing initiatives and provide professional expertise. Under a common umbrella, associations, organisations and individuals work closely with schools and municipalities to develop measures to improve social equality in education.	The aim is to break the link between social background and personal future.	The memorandum of association with the first 13 partners was signed on 22/2/2011.	February 2011	
44.	Curriculum for early childhood education in day-care centres	At this stage, all <i>Länder</i> have developed binding curricula for child day-care facilities, providing a framework on which to base educational activities in playschool and day-care centres.	Improves education-related work in day-care centres for children			



No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
45.	Increase the number and quality of child care facilities available for infants	Efforts at the Federal, <i>Länder</i> and municipal level to increase the number of child care spaces available to serve 35% of children under the age of three, and qualification and skills development of roughly 80,000 additional day care teachers and child-minders.	<ul style="list-style-type: none"> <li>• Easier for parents to combine family and career</li> <li>• Increases the female labour force participation rate</li> </ul>	<p>(Conference of Ministers of Education and Cultural Affairs) until 2013</p> <p>Please refer to the annual evaluation report of the Federal Government for progress in implementing the measures.</p>		
46.	Skills development of teaching staff in day-care centres for children	<p>a) Initiative to promote continuing training of early childhood educators (WiFF): creation of approaches for skills development and qualification – and the development of associated material – for the further and continuing training of teaching professionals in child care centres, as well as guidance and support in the development of a high-quality portfolio for educational institutions and providers of continuing training and education programmes</p> <p>b) Support of educational research directly connected to the WiFF initiative.</p> <p>c) <i>Haus der kleinen Forscher</i>: With its educational concept and range of further training programmes for professional educators, the "<i>Haus der kleinen Forscher</i>" (Little Scientists' House) foundation makes a key contribution to the development of a positive attitude among children towards science and technology. It supports local networks in the creation and expansion of "Little Scientists' Houses" in order to reach out to at least 80% of all child day-care facilities over the long term. Expansion programme for 2011 and beyond aims to also include children aged 6-10 and offer continuing training to teaching professionals for this age group.</p>	<p>a) The quality-driven continuing training of professionals helps develop and guarantee quality standards in child day-care centres</p> <p>b) Strengthens the WiFF while also specifically supporting young researchers in the field (of which there is an acute shortage, particularly since the introduction of training for child care workers at third level)</p> <p>c) Each child should be given the opportunity to discover his/her aptitude, interests and talent for science and technology in a way that is appropriate for his/her age.</p>	<p>a) Commenced; (2008-XII/2011 with over €5 million in funding incl. ESF), plans to continue programme</p> <p>b) Commenced; call for applications in 2010, appraisal, first rounds of funding planned from 2011-2014</p> <p>c) Commenced; 2008-2010 with €3.8 million. From 2011 support within the framework of institutional HGF-GF funding and €2 million p.a. for programme expansion</p>		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
47.	Creating a smooth transition from pre-primary to primary education	<p>a) Project support for monitoring the “Houses of Learning 3-10” (<i>Bildungshäuser 3-10</i>) project in the state of Baden-Württemberg where pre-primary and primary education are combined in one centre. Specialists from pre-schools and teachers work to develop integrated strategies within the framework of collaboration between pre-schools and primary schools. Overall transfer goal: implementation outside of Baden-Württemberg for interested educational establishments (both for educational and demographic reasons)</p> <p>b) Support of educational research for “cooperation between pre-primary and primary stages of education”</p>	<p>a) Findings on (i) the opportunities and limits of linking pre-schools and primary schools; (ii) the development of children in the model and reference institutions from pre-school age to the end of primary school; (iii) the development of the quality of the educational institutions; (iv) the job-related pressure and workload of the educators. The project aims to identify the areas of development (cognitive, social, emotional) in which children can particularly benefit from the “House of Learning” approach and discover to what extent greater collaboration contributes to increasing the quality of the educational institutions.</p> <p>b) Support for greater collaboration between educational institutions through the findings of the studies that cover various stages of education</p>	<p>a) Commenced; IX/2008 – VIII/2012</p> <p>b) Commenced; project funding since 2010</p>		
48.	Further training of specialist staff in child day-care centres and primary schools	Further development and expansion of joint further training programmes for specialist staff in child day-care centres and primary schools, also in the form of “tandem training courses”.				
49.	Specific support for children with special needs	<p>a) One of the priorities of the WiFF (see above)</p> <p>b) Research support by funding projects in full-time school research and educational research to ensure equal opportunities</p> <p>c) Support of the European Agency for Development in Special Needs Education</p>	<p>a) Support of specialised staff with the aim to improve their skills and ability to educate and work with children with special needs</p> <p>b) Insight gained through educational research. Transfer of best practices to support day-to-day activities in <i>Länder</i> and educational institutions</p> <p>c) European transfer of best practices, know-how and expert advice as input for educational policy and of immediate practical relevance for the countries</p>	<p>a) S.32 a</p> <p>b) Full-time school research project completed in 2010; Equal opportunities funding guideline, call for applications in 2010, appraisal,</p> <p>c) Ongoing, time-limit on government funding lifted since 2010</p>		
50.	Support for (early) childhood speech and language development	Binding language skills assessment already in day care establishments, together with subsequent targeted support for speech and language development in pre-school and school				

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
51.	<i>Bildungs- und Teilhabepaket</i> (Package for Education and Social Inclusion)	<p>The total budget for benefits under the “<i>Package for Education and Social Inclusion</i>” – including benefits pursuant to Section 6b of the Federal Child Benefits Act for recipients of child supplements and/or housing allowance – is approximately €790 million for 2011 and approximately €820 million for 2012 and 2013. Administration costs are also estimated at €163 million for 2011 and roughly €137 million for 2012 and 2013. In 2011-2013, the Federal Government will also provide an additional €400 million each year to the <i>Länder</i> and municipalities for lunches in after-school care centres and in the area of school social work.</p> <p>The “<i>Package for Education and Social Inclusion</i>” can be used to pay for or subsidise school excursions and school trips lasting several days, the purchase of personal school material, private tuition, the costs of school transportation, lunches in schools and day-care centres, or membership fees for sports clubs or music schools. As defined under Section 28 of Social Code II (SGB II), the <i>Package for Education and Social Inclusion</i> implements requirements of the ruling of the Federal Constitution Court of 9 February 2010 (1 BvL 1/09).</p>	<p>The benefits defined in Section 28 of Social Code II provide for the special needs of children, adolescents and young adults with regard to participation and inclusion in society and the education system (covering the socio-cultural subsistence level). These are independent needs that go beyond the standard needs covered by standard social benefit rates.</p> <p>Benefiting needy children, the education package aims to overcome need on the long term (through better inclusion in society, creating equal opportunities, ending social exclusion and creating a basis for the ability of individuals to earn their own livelihood without assistance in the future).</p>	Promulgated in the Federal Law Gazette on 29 March 2011	With effect from 1 January 2011	
52.	Training Pact	<p>The Training Pact of the Federal Government and leading trade associations has been extended until 2014 with new partners (Integration Officer of the Federal Government, President of the Conference of Ministers of Education and Cultural Affairs), and a new definition of priority areas.</p> <p>All potential must be tapped, with the pact concentrating on both weaker and higher-achieving young people. Efforts focus on migrants, repeat applicants, disadvantaged young people and young people with disabilities.</p>	<ul style="list-style-type: none"> <li>• Better utilisation of the training potential</li> <li>• Greater involvement of migrants, repeat applicants, disadvantaged young people and young people with disabilities in in-company vocational training programmes</li> <li>• Reduction in the number of individuals who drop out of school and training programmes.</li> </ul>	Agreement of 26/10/2010 – valid until 2014; ongoing implementation backed by regular meetings at work level (ongoing) and management level (twice annually)	26/10/2010	123.
53.	<i>Bildungsketten</i> (“Educational chain”)	Complementing existing career entry support programmes, the Federal Government has launched the new “ <i>Bildungsketten bis zum Ausbildungsabschluss</i> ” initiative to install up to 1,000 career start coaches to provide comprehensive support to roughly 30,000 at-risk pupils nationwide from the 7 <sup>th</sup> class upwards. The initiative aims to ensure such pupils successfully complete their school education and training programmes.	Reduction in the number of individuals who drop out of school and training programmes.			

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
54.	"JUGEND STÄRKEN" youth empowerment initiative with new "JUGEND STÄRKEN: Aktiv in der Region" model programme	<p>With individual outreach support measures, the initiative is geared towards young people from disadvantaged backgrounds and young migrants who are not served, or no longer served, by the existing range of services and educators (school/vocational school etc.).</p> <p>In the new "JUGEND STÄRKEN: Aktiv in der Region" model programme, 36 municipalities are following an overall municipal strategy to test out new ways to reintegrate young people on the basis of existing services and facilities. The initiative is co-funded by the European Social Fund (ESF).</p>	<ul style="list-style-type: none"> <li>• Programme interlinks service portfolios and stakeholders across all jurisdictions. Structures and framework created for collaboration at areas where school jurisdiction and the provisions of Social Code II/III and Social Code VIII meet and overlap</li> <li>• Strengthen public youth welfare services in the municipalities</li> </ul>	Start in October 2010; Programme will run until December 2013		54.
55.	"Go MINT" National Pact to promote interest in MINT disciplines	Commitment of partners in the political arena, business sector, science, media and special organisations to specifically promote the participation of women in the fields of mathematics, informatics, natural sciences and technology (MINT disciplines)	<ul style="list-style-type: none"> <li>• Increase the number of female students enrolling in MINT courses</li> <li>• Increase the share of female new hires in MINT fields</li> <li>• Increase the percentage of women in management positions in MINT fields (in science and industry)</li> <li>• More interest in MINT professions</li> </ul>	Phase I from 06/2008 to 02/2011 Phase II from 03/2011 to 12/2013	June 2008	
56.	Higher Education Pact 2020	<p>The Federal Government and the <i>Länder</i> have extended the Higher Education Pact 2020 for a second programme phase (2011-2015). The pact comprises:</p> <ol style="list-style-type: none"> <li>1. Programme for additional new entrants to higher education: This programme creates the framework for a needs-driven range of third-level courses in Germany. Between 2011 and 2015, 320,000-335,000 additional higher-education places will be created. The Federal Government will fund half of the costs incurred for each additional new student, while the <i>Länder</i> will secure overall financing. The Federal Government will invest a total of €4.7-4.9 billion in the expansion of university places between 2011 and 2015.</li> <li>2. One-off grants for research projects: The Government provides one-off 20% grants for projects supported by the German Research Foundation (DFG). Roughly 1.7 billion euros are available in 2011-2015 to strengthen research at institutes of higher education.</li> </ol>	<ul style="list-style-type: none"> <li>• Increase the number of university places</li> <li>• Improve the quality of teaching</li> <li>• Strengthen research at institutes of higher education</li> </ul>	The second phase of the programme started on 1/1/ 2011 and ends on 31/12/2015.		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
57.	Joint Federal Government/ <i>Länder</i> programme to improve study conditions and the quality of teaching	In the Quality of Teaching Pact funded by the Federal Government, measures to improve the staff arrangements at third level, to support upskilling of teaching staff, and to guarantee and further develop a high-quality system of third-level education are supported in two rounds of approval in 2011 and 2012. The Federal Government/ <i>Länder</i> agreement is effective until the end of 2020. The third-level institutes will receive roughly 2 billion euros in total from the government.	<ul style="list-style-type: none"> <li>• Complements the programme to increase the number of university places by launching an initiative to improve the quality of study conditions</li> <li>• Improvement in teaching quality, support and advice for students over the entire third-level landscape</li> <li>• Guarantees the success of academic reform, contributes to higher university graduation rates</li> </ul>	First application phase until March 2011. Funding commences in the 2011/12 winter semester	30/09/2010	59.
58.	Initiative for Excellence	With the Initiative for Excellence, the Federal Government and the <i>Länder</i> promote clusters of excellence, graduate schools, and strategies for the future at universities. The Federal Government and <i>Länder</i> will make total funding of €2.7 billion available in the second phase from 2011-2017.	<ul style="list-style-type: none"> <li>• Enhances the international visibility of cutting-edge research at universities</li> <li>• Fosters young scientists and research talent</li> </ul>	Decision on the second round of funding will be made in summer 2012.		
59.	Continuation of the Pact for Research and Innovation	By continuing the Pact for Research and Innovation, the Federal Government and the <i>Länder</i> aim to increase grants to the major science and research institutes in Germany by 5% each year between 2011 and 2015. These institutes are the German Research Foundation (DFG), the Fraunhofer-Gesellschaft for the promotion of applied research (FhG), Hermann von Helmholtz Association of German Research Centres (HGF), Gottfried Wilhelm Leibniz Association (WGL) and the Max Planck Society.	<p>Financial planning security for science and research organisations together with the following research-related objectives:</p> <ul style="list-style-type: none"> <li>• Dynamic development of the sciences</li> <li>• Create a dynamically interconnected science system that enhances performance and results</li> <li>• Develop and implement new strategies for international collaboration</li> <li>• Establish long-term, sustainable partnerships between academia and the business community</li> <li>• Attract top researchers and scientists for German industry over the long term</li> </ul>	The Federal Government and <i>Länder</i> agreed to continue the pact in June 2009.	1/1/2011	70.
60.	23 <sup>rd</sup> Act to Amend the Federal Educational Assistance Act ( <i>BAföG</i> )	<ul style="list-style-type: none"> <li>• Increases BAföG entitlements by 2% (also in the Upgrading Training Assistance Act)</li> <li>• Increases the tax-free allowance by 3% (also in the Upgrading Training Assistance Act)</li> <li>• Raises the age limit for master's programmes to 35</li> <li>• Adapts university system to the Bologna European Credit Transfer System (ECTS)</li> <li>• Improves conditions to combine studying with child-rearing</li> </ul>	<ul style="list-style-type: none"> <li>• Guarantees an attractive system of student loans and educational assistance and upgrading training assistance</li> <li>• Raising the age limit for master's programmes makes it possible for graduates of bachelor programmes to spend more time gaining on-the-job professional experience</li> <li>• A system for funding studying after having a family helps secure the supply of skilled labour</li> </ul>	Law entered into force following agreement within the framework of a mediation committee	Essentially in force with retroactive effect from 1/10/2010	57.
61.	"Aufstiegsstipendium" (career advancement grant)	The grant supports dedicated, experienced skilled workers who have achieved high scores in final vocational examinations, or have an equivalent qualification, in commencing university education either as a full-time or part-time student (studying while working).	<ul style="list-style-type: none"> <li>• Incentives for talented professionals to obtain a university qualification</li> <li>• Enables individuals with work experience to have excellent careers</li> <li>• Increases flexibility and ensures the demand for skilled labour is met</li> </ul>	Programme has been implemented successfully. Roughly 2,500 people had been accepted into the programme by the end of 2010.		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
62.	"Deutschlandstipendium" grant programme	<ul style="list-style-type: none"> <li>• Monthly grants of €300 for talented students at state and state-recognised universities in Germany</li> <li>• Co-funded by the government and private sector: if the universities attract private funding of €150 per month, the government matches this with a further €150.</li> </ul>	<ul style="list-style-type: none"> <li>• Incentive for top performance</li> <li>• Removes financial obstacles to studying</li> <li>• Establishes a new grant culture in Germany in which society as a whole takes responsibility for educational advancement</li> <li>• Incentive for private sponsors to assume responsibility for education and the next generation of skilled workers</li> </ul>	Funding commences in the 2011 summer semester	1/8/2010	
63.	Bologna mobility package	<p>The Federal Government will increase mobility funding through 2015. In particular support will be provided in the following areas:</p> <ul style="list-style-type: none"> <li>• Double degree courses</li> <li>• Four-year bachelor programmes with time spent in a foreign country</li> <li>• Language courses</li> </ul>	<ul style="list-style-type: none"> <li>• Increased mobility of students given the tiered study structure</li> <li>• Greater cooperation between international universities through joint study courses</li> </ul>	Increase effective from 1/1/2010		60.
64.	"WeGebAU" special programme	One particular priority area is support for the continuing training of low-skilled workers and older employees particularly within the framework of the "WeGebAU" programme (WeGebAU stands for "continuing training of low-skilled workers and older employees in companies").	Upfront financing for continuing training, particularly in SMEs; Secure and enhance employability, prevent unemployment and contribute to meeting the need for skilled labour	In force (extended – measure must have commenced by 31/12/2011)	since 2006	
65.	"IFLAS" initiative	Initiative of the Federal Employment Agency for unemployed low-skilled individuals to support structural change	Individuals obtain recognised vocational qualifications or learn employable skills in areas for which there is a particular demand in the labour market	Continued in 2011	since 2010	
66.	"Continuing education grants" programme	<p>The continuing education grant helps fund individual, professional continuing educational and vocational training. It currently comprises two components:</p> <ul style="list-style-type: none"> <li>• The <b>grant voucher</b> co-funded by the ESF (Federal Government bears 50% of the cost of continuing education up to a maximum of €500).</li> <li>• The <b>continuing education savings plan</b> (allowing the early withdrawal of savings accumulated under the Capital Formation Act (<i>Vermögensbildungsgesetz</i>) in order to finance continuing education measures)</li> </ul>	<ul style="list-style-type: none"> <li>• Underlines the importance of continuing educational and vocational training</li> <li>• Encourages people who have not been interested in continuing training to partake in continuing educational and vocational courses</li> <li>• Improves the employability of low- and middle-income workers</li> <li>• Promotes a change in the general mindset as people recognise the need to invest in continuing education to secure their future</li> </ul>	In force (until 30/11/2011)	1/12/2008	
67.	"Advancement through Education: Open Universities" competition	Additional capital in the form of fast-track funding is to be made available within a competitive framework on the basis of innovative, demand-driven and sustainable overall university strategies that aim to create and develop study courses as part of lifelong academic learning. The first round of the competition starts in 2011. Funding will commence in autumn 2011.	<ul style="list-style-type: none"> <li>• Secures the supply of skilled labour over the long term</li> <li>• Enhances flexibility between vocational and academic education and training</li> <li>• Faster transfer of new knowledge to practical scenarios</li> <li>• Enhances the international competitiveness of the science and academic system by placing a focus on life-long learning and part-time study over the long term.</li> </ul>	Funding commences in autumn 2011		

No.	Action name	Description of action	Anticipated impact	Status and schedule	Entry into force	AER No.
68.	Basic Education Pact Targeting Functional Illiteracy	With a Basic Education Pact, the Federal Government and the <i>Länder</i> wish to address literacy problems among adults with poor reading and writing skills. The aim of the pact is to create a broad community-based alliance involving business associations, trade unions, chambers and adult education centres along the lines of the current "Education Pact", which was created to address the shortage of training places and was extended for another four years in 2010.				
69.	Upskilling while claiming short-time work benefits	<ul style="list-style-type: none"> <li>• For those claiming short-time work benefits, upskilling and skills development measures can be supported during the short-time working arrangements.</li> <li>• The programme is co-funded by the European Social Fund (ESF). The programme was extended to 31 March 2012 with the ESF Funding Directive of 18 November 2010.</li> </ul>	Enhancement of employees' skills with general and specific upskilling and skills development measures.	In force (extended until 31/03/2012)	1/1/2009	

