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Foreword

1. The period for the preparation and coordination of the NRP 2022 has been overshadowed by the Russian Federation's attack on Ukraine. The Federal Government vehemently condemns this blatant breach of international law. It is far from clear how the war will develop and what the direct and indirect ramifications will be. The war's impact on the policy areas of the NRP can also not be fully assessed at present. For example, there is the question of how we can ensure a secure supply of energy to Germany and Europe under altered conditions. General economic development is likely to be different to the growth expected in the annual projection at the start of 2022.

2. The German economy is facing enormous challenges. As recently as January, the assumption was that value added would exceed the level it was at before the outbreak of the COVID-19 pandemic by mid-2022. Since 24 February 2022, a development of this kind can no longer be expected. While extensive government assistance has been able to protect the economy from major structural upheaval over the past two years and the favourable labour market situation has been safeguarded, the war in Ukraine means we are facing renewed uncertainty in the wider economy.

3. In contrast to the COVID-19 pandemic, the war in Ukraine is placing structural challenges and, in particular, the need to transition to a sustainable energy-based economy even more firmly at the centre of German economic policy. In this context, the radically changed geopolitical environment presents a greater challenge not only to well-established multilateralism but also to Germany and Europe from a technological, industrial and energy policy standpoint. It is all the more urgent for Germany to press ahead swiftly with the transformation to a climate-neutral economy and thereby minimise its dependence on fossil fuel supplies. Raw materials must be reused more frequently and

more efficiently. To complement national security measures, the Federal Government will also invest in the equipment of Germany's armed forces through a special fund.

4. The transition to a climate-neutral and, in overall terms, sustainable economy requires profound changes to economic structures. The success of this transition process will hinge on whether climate policy goals are reached, the measures to be taken are socially equitable, and both prosperity and competitiveness are maintained. Our economic system will have to take more systematic account of the interests of future generations. This will also call for a sustainable economic and fiscal policy that ensures a return to compliance with the regular borrowing limit, as defined in the debt rule enshrined in the German constitution, from 2023 onwards. The Federal Government is committed to evolving the economic policy regulatory framework into an ecological social market economy. In this context, the Federal Government is relying on a decentralised approach and the price mechanism, i.e. market-based instruments. It commits to the pricing of GHG emissions as a central instrument of efficient transformation, taking into account the polluter pays principle, and regards it as part of a comprehensive policy mix. Against this backdrop, the Federal Government welcomes the European Commission's proposals regarding the Green Deal and will lend constructive support to its implementation. In addition to broad public acceptance, ultimately effective climate action also hinges crucially on the further international establishment of adequate mechanisms for the pricing of greenhouse gas emissions.

5. Increased private investment activity, particularly in the areas of renewable energy, climate-neutral plants and processes, zero-emission mobility and the building sector, is vital for the faster reduction of emissions in Germany. The Federal Govern-

ment is creating the necessary framework conditions for this and will significantly accelerate the required planning, administrative and approval procedures to ensure the swift and efficient implementation of investment projects. A suitable public and private infrastructure must be provided to enable companies and private households to respond to price signals.

6. The Federal Government seeks to strengthen industry's ability to innovate, invest and compete internationally so that Germany remains a high-tech country. If we are to transform the manufacturing sector, and industry in particular, while also remaining internationally competitive, we will require both market-based incentives and the targeted and efficient deployment of funding and regulatory instruments. For example, in a period of accelerated emission reductions it is particularly important to avoid carbon leakage, i.e. the shifting of emissions-intensive value creation abroad. In view of long investment cycles and the goal of achieving climate neutrality by 2045, it is necessary to develop the technologies today and create the framework conditions for long-term investments so that investments in the coming years are made in low-carbon and, on the longer term, carbon-neutral production processes.

7. The Federal Government's economic policy is geared towards greater productivity and progress, also in light of the challenges of climate change mitigation. Increased digitalisation, in particular, has the potential to substantially raise macroeconomic welfare and the standard of living by opening up new areas of growth and employment whilst facilitating and driving forward the transition to environmentally friendly and climate-friendly economic activity.

8. The aim of a responsible, inclusive and sustainable digital policy must be to actively shape the

changes, to support necessary structural adjustments and to ensure that the potential for innovation can be used in all areas of the economy and society. In recent years, digitalisation has often been mentioned as a challenge alongside climate change and an ageing society. In actual fact, digitalisation primarily offers great opportunities for innovation, ecological sustainability and increased productivity in companies and state institutions. Germany has failed to make sufficient use of these opportunities over the last decade. We now need to work on the necessary digital advances while also systematically addressing unintended effects of digital technologies. This is particularly true of the competition system itself, which on the one hand is strengthened by digitalisation due to greater price and market transparency, for instance, but on the other is exposed to risks in the field of the platform economy, particularly in the provision of work and services.

9. The modernisation of the state is also a central focus of the Federal Government. In the coming years it will be necessary to make an effective leap forward to more efficient and agile state structures. Citizens and companies must be able to see the state as a supporter and enabler. This requires changes in institutions and authorities, increased civic participation as well as further progress on cutting red tape.

10. In this modernisation agenda, the Federal Government places a great deal of importance on achieving a social balance. The necessary transformation will particularly meet with support and acceptance if it is designed to be socially just, creates new opportunities for the population at large, and leaves no-one behind. Societies can tackle common challenges successfully if social cohesion and equivalent standards of living are assured.

11. The development of the regulatory framework towards an ecological social market economy must also involve a broader consideration of well-being and sustainability. In its 2022 Annual Economic Report, the Federal Government has extended the scope of economic policy reporting to include relevant economic, ecological and social indicators, thereby taking a “beyond GDP” approach. The report will be developed further in the coming years.



I. Macroeconomic context

Macroeconomic development

12. The German economy grew by 2.9% last year despite the pandemic. The development in the coming months will be determined by Russia's war of aggression against Ukraine. Oil and gas prices have risen sharply as a direct consequence of Russia's aggression. Inflation climbed 0.2 percentage points in February to 5.1% (January: +4.9%), driven by the development in food prices (+5.3%; previously: +5.0%) and particularly by a further hike in energy prices (+22.5%; previously: +20.5%). Additional price increases for energy products cannot be ruled out in light of the war. The price of crude oil, for example, has risen appreciably since the war began. Most recently, a barrel of Brent crude cost over \$100 USD (April 2020: \$27.40 USD). Indicators for the reporting months of January and February point to the continued recovery of the German economy. However, the economic impact of Russia's war of aggression in Ukraine will only gradually become apparent and be reflected in the further course of the economic cycle.

13. The German economy is facing enormous challenges: that the current situation is made more difficult by the pandemic and the war does not alter the fact that the necessary transition to a climate-neutral and, in overall terms, sustainable economy and society, digitalisation and the likelihood of growing shortages of skilled workers must be tackled with greater urgency. The success of the forthcoming transformation will however require a substantial further development of the existing regulatory framework. There is a need for a clear and reliable framework which offers companies a reliable basis for their planning in this process of transition. The aim is to develop the "Social Market

Economy" into an ecological social market economy and thus to continue its success story.

14. In the course of developing the Social Market Economy into an ecological social market economy, there is also a need to rebalance economic policy priorities. Alongside traditional economic policy indicators, such as the gross domestic product (GDP), in the 2022 Annual Economic Report the Federal Government also considers, for the first time, a selection of additional indicators for well-being and sustainability in relation to economic development and the Federal Government's economic and fiscal policy. The approach presented for measuring well-being, including the underlying data, the methodology and the selection and systematisation of the indicators, will be continuously reviewed and improved in the future. This plan to expand reporting on well-being is also in the spirit of the country-specific recommendations of the Council of the European Union, the implementation of which is reported in the NRP (cf. Chapter II). For example, this concerns the development of investment, the situation of second-earners (frequently women), improvements in educational outcomes and the stability of public finances.

Box 1: An overview of the additional indicators of well-being provided in the 2022 Annual Economic Report

I. Growth, income and employment

The average income situation, measured in terms of the **nominal gross national income per capita**, has increased by 2.5% p.a. on average over the last ten years. The employment rate is a central employment indicator and has remained at a relatively high level despite the economic downturn caused by the pandemic. Greater integration of women into the labour market makes a key contribution to gender equality and is reflected in the steadily increasing **representation of women in executive positions in the public and private sector**, as well as a **narrowing gender pay gap**, which still stands at 18%, however. Increasing **gross fixed capital formation** and a high **enterprise birth rate** are prerequisites for strong economic performance and competitiveness. The **greenhouse gas (GHG) intensity of GDP** is a central indicator as we transition to a carbon-neutral economy; in 2019 this figure was down by roughly 25% on 2010.

II. Environmental protection and climate action

An increasing **share of renewable energy in gross final energy consumption** and the more efficient use of energy – as measured by the **final energy productivity** metric – and resources – measured by **raw material input productivity** – are important indicators on our path to climate neutrality. In addition, the burden on vital ecosystems is on a downward trend, as demonstrated by the slowing **rise in land used for settlements and the transport infrastructure** and the steady decline in the emission of air pollutants and the **reduction of nitrate contamination in ground water**. More efforts are needed in all these areas, however.

III. Education, research and innovation

Good, inclusive and equal education is both important for each individual to enjoy opportunities and participate in society, and also the bedrock of a competitive economy. The successful education of highly qualified workers is reflected in the growing **share of people aged between 30 and 34 with a tertiary or higher vocational qualification**. On the other hand, roughly 10% of 18-24 year-olds have neither a higher education entrance qualification nor completed vocational training, nor are they in initial or further training (referred to as “**early school-leavers**”). **Total expenditure on central publicly and privately owned educational institutions** rose again recently, as did **private and public sector spending on research and development** – except in the 2020 pandemic year. The innovative strength of the German economy is captured by the **share of innovative companies** and the **share of German exports of research-intensive goods in world trade**. The development of **broadband roll-out** is seen as the basis for the successful development of digital opportunities in all sectors of the economy and society.

IV. Social aspects, demography and integration

Differences in productivity, wages and capital income, but also the level of welfare benefits, play an important role in the distribution of income and therefore for participation in economic development. In a pay-as-you-go social insurance system, demographic trends also have serious implications for social insurance. Recently, **income inequality** (after tax and social transfers), as measured by the Gini coefficient, has fallen slightly. **Educational mobility between parents and children** has improved compared to the mid-1990s. **Premature mortality** is on a downward trend, while the birth rate has risen slightly overall in the past decade. The steadily increasing **old-age dependency ratio** remains a central demographic challenge, however. The provision of **all-day care for children under six** is a key prerequisite for a high participation of parents in the labour market and has been expanded steadily. In recent times, the **immigration of workers subject to social insurance contributions who are citizens of an EU Member State or a third country** has contributed significantly to slowing down the contraction of the labour force and to stabilising the social insurance systems on the short and medium term.

V. Public finances and equal living conditions

The investment that is needed in climate action, digitalisation, education, research and infrastructure calls for substantial financing from the private and public sector. In the past five years, **government investment expenditure** has increased significantly by around one percentage point to four in relation to GDP. Up until the current crisis, the Federal Government had managed to consistently pare down the **public debt ratio** – as an indicator of the financial burden on future generations – thanks to Germany's strong pre-crisis economic performance and the fiscal surplus generated from 2014 to 2019. The renewed expansion of fiscal measures due to the crisis is also reflected in the **gap between the actual budget balance and the budget balance to stabilise the debt ratio**. One indicator for equality of living conditions is the **inequality of per capita GDP of urban and rural districts**, which is on a downward trend. Around half the population in Germany enjoys good **access to central facilities providing general public services**, such as schools, supermarkets or public transport links. The level of service accessibility can be significantly lower in rural, peripheral areas. The percentage of **people living in households that spend more than 40% of disposable household income on housing** has dropped steadily in recent years, but this also varies significantly from region to region.

More detailed information on the aforementioned indicators for well-being, and how they tie in with the German Sustainable Development Strategy (DNS), is provided in the 2022 Annual Economic

Report. In the following sections, any graphics whose indicators are part of the German Sustainable Development Strategy are marked by the symbol (N).

Declining current account surplus

15. The German current account surplus has shrunk from 8.6% in relation to GDP in 2015 to 7.4% last year. Despite this downward trend, the current account surplus based on a three-year average is above the MIP threshold of 6%, which is why the European Commission is examining Germany in the 11th round of the macroeconomic imbalance procedure.

16. Foreign investment by German companies increases the current account balance, as does the interest and investment income generated from past foreign investment. As current account surpluses are reflected as capital exports in the financial account, German net external assets continued to grow through to the third quarter of 2021 and stood at €2.3 trillion, or roughly 66% of GDP.

The current account surplus is the result of market-based decisions by businesses and individuals, which determine supply and demand. The specialisation of the German economy in the export of capital goods also contributes significantly to the high surplus. The Federal Government does not see the current account balance as a control parameter for economic policy but is aware of the political significance of a high current account surplus and takes the matter seriously.

17. The Federal Government has implemented a variety of measures to strengthen domestic demand and increase public and private investment, which are described below and have an indirect effect of reducing the current account. To strengthen the domestic economy and address the economic and social consequences of the pandemic, the Federal Government launched the Stim-

Diagram 1: German current account surplus since 2014

Current account in relation to nominal gross domestic product



Source: Deutsche Bundesbank, Federal Statistical Office, in-house calculations

ulus and Future Package worth €140 billion. The Future Package contains investment of around €50 billion in the green and digital transition. Furthermore, the Federal Government has also initiated other projects within the context of Next Generation EU (NGEU).

18. In addition, the Federal Government is creating conditions for more collective bargaining coverage, while respecting the autonomy of labour and management in collective bargaining. Furthermore, the Federal Government is seeking to improve conditions for people to take up employment. While wage agreements are the responsibility of the collective bargaining partners, the one-off increase in the minimum wage from €9.82 to €12.00 is likely to have positive effects on consumption and therefore also on imports. Taken together, the measures described may generally result in a reduction of the current account surplus.

In light of the necessary restrictions put in place due to the pandemic, there has been a sharp increase in savings due to limited possibilities to spend (“forced savings”). According to Bundesbank estimates, these total additional savings in 2020 and 2021 are thought to be in the region of around €200 billion. The Federal Government expects the household saving rate to decline and approach the

pre-crisis level this year (forecast: 11.0% in 2022, 10.6% in 2023). These resources are likely to be largely used for consumption and therefore have a dampening effect on the current account surplus.

19. It is still difficult to assess the impact Russia’s war of aggression against Ukraine will have on Germany’s current account surplus. Over the short term, higher energy prices will increase (nominal) imports and a drop in exports to Russia will reduce the trade balance. Taken together, the surplus is likely to shrink. Changes in the behaviour of businesses and consumers due to higher energy prices coupled with less reliance on energy imports in the medium term will cause a drop in imports in this sector. The planned increase in military spending will generate both higher domestic demand and import demand, which is also likely to have the effect of reducing the current account.

20. Structural changes, such as the enormous investment in a sustainable transition, an ageing society and the restructuring of supply chains, are also likely to diminish the current account surplus in the medium and long term. However, it is too early to definitely say to what extent longer-term structural effects on the German current account can be expected.

II. Actions to tackle primary macroeconomic and social challenges

21. In 2020 and 2021, the European Semester was dominated by the COVID-19 pandemic. Furthermore, the 2021 Semester was closely linked to the creation of national plans within the context of the European Recovery and Resilience Facility (RRF). The goal of this temporary crisis instrument is to mitigate the economic and social impacts of the crisis and to also strengthen the growth potential, adaptability and resilience of the Member States with appropriate crisis management measures. For example, the RRF funds are particularly deployed to support investments and reforms in the Member States that also address the specific challenges identified in the European Semester. Actions in connection with tackling the effects of the COVID-19 pandemic focus on support for the digital and green transition and climate action.

22. The roll-out of the facility caused temporary changes to the usual semester process. For example, the European Commission did not publish any country reports in 2021 and new country-specific recommendations were not made in 2021, with the exception of fiscal policy recommendations. Instead, analyses conducted by the European Commission focussed on the assessment and approval of the National Recovery and Resilience Plans submitted by the Member States.

23. The European Semester will continue to be temporarily linked to the Recovery and Resilience Facility in the next few years. At the same time, the current cycle is returning to established structures for the most part, with the European Commission set to present country reports and issue new country-specific recommendations again this year. This is important in order to have an informed multilateral discussion on new and existing structural chal-

lenges, identify new macroeconomic risks, and enable the development of new reform recommendations not already addressed by the Recovery and Resilience Plans.

24. In the National Reform Programme 2022, the Federal Government reports on the measures taken since the creation of the last NRP and actions planned to tackle Germany's primary economic and social challenges, with the country-specific recommendations issued in 2019 (for 2019 and 2020) and 2020 (for 2020 and 2021, cf. Box 2) serving as the main points of reference.

25. This section is structured along the aforementioned recommendations:

Chapter II.A. describes the measures that Germany is taking to tackle the COVID-19 pandemic, sustain the economy, mitigate negative consequences of the pandemic and ensure debt sustainability.

Chapter II.B. explains the Federal Government's investment priorities and how these are to contribute to the green and digital transition.

Chapter II.C. presents measures to improve the competitive environment and enhance the regulatory framework for a sustainable transition.

Finally Chapter II.D. describes the actions taken by the Federal Government to promote labour participation, secure the skills base, strengthen vocational training and qualifications, and improve the educational outcomes and skills levels of disadvantaged groups. This chapter also describes the implementation of the European Pillar of Social Rights.

Box 2: Country-specific recommendations of the Council of the European Union for Germany from 2019 (for 2019/2020) and 2020 (for 2020/2021)

The Council of the European Union hereby recommends that Germany take action in 2019 and 2020 to

1. While respecting the medium-term budgetary objective, use fiscal and structural policies to achieve a sustained upward trend in private and public investment, in particular at regional and municipal level. Focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities. Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth. Strengthen competition in business services and regulated professions;
2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy. Strengthen the conditions that support higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups.

The Council of the European Union hereby recommends that Germany take action in 2020 and 2021 to:

1. In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Mobilise adequate resources and strengthen the resilience of the health system, including by deploying eHealth services;
2. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport, clean, efficient and integrated energy systems, digital infrastructure and skills, housing, education and research and innovation. Improve digital public services across all levels and foster the digitalisation in small and medium-sized enterprises. Reduce the regulatory and administrative burden for businesses.

The Federal Government is aware that efforts could still be stepped up in some areas to take full account of the recommendations, including the recommendation to safeguard the long-term sustainability of the pension insurance system. Talks on these areas of reform will be continued both within the Federal Government and with the relevant stakeholders and the scientific community to identify workable solutions and put them into practice.

26. The *Länder* have contributed to key policy areas and model initiatives at *Länder* level. This report draws particular attention to these contributions, which are the sole responsibility of the *Länder*. Complementing this, the *Länder* have provided a comprehensive overview of a wide variety of individual measures, also on their own authority. This overview can be accessed on the website of the Federal Ministry for Economic Affairs and Climate Action (here: www.bmwk.de/Redaktion/DE/Publikationen/Europa/nationales-reformprogramm-2022.html).

A. Fighting the COVID-19 pandemic, sustaining the economy, ensuring debt sustainability, strengthening the health system

27. Recurring waves of infection with each new coronavirus variant and frictions in global supply chains have hampered the economic recovery in Germany. Before the Russian Federation began its war of aggression against Ukraine, in clear violation of international law, the assumption was that the German economy would return to pre-crisis levels by mid-2022. Uncertainty regarding the development of the economy has increased significantly once again due to the war in Ukraine. The work of the Federal Government continues to be

aimed at limiting the social and economic impacts of the past two years and accelerating the pace of recovery. The Federal Government sees an opportunity to significantly reduce the medium- and long-term effect on Germany's potential output, particularly through the use of tax and fiscal policy support measures.

COVID-19 assistance measures

28. The Federal Government has provided more than €170 billion in support for companies, the self-employed and employees since the outbreak of the pandemic. Assistance totalling around €60 billion has been paid out, and loans of close to €55 billion granted; spending on the short-time work allowance – whose access requirements were eased and whose scope was increased during the crisis – amounted to around €24.6 billion in 2020 and 2021; in addition roughly €17.6 billion was spent on the reimbursement of social insurance contributions to employers (in total: around €42.1 billion). Companies can draw on recapitalisation and guarantees from the Economic Stabilisation Fund as well as other guarantees. In addition to this, the economy has been bolstered by various tax breaks. The German *Länder* also developed their own assistance programmes to complement those of the Federation. The system of assistance measures is flexible and can be quickly adjusted in line with what the situation demands.

29. The Bridging Assistance programme, in particular, is a flexible, cross-sectoral instrument. In addition to reimbursement for their fixed costs, companies are also provided with equity grants to protect their substance. Own-account workers who do not have high levels of fixed costs benefit from New Start Assistance. As the programmes are implemented, the Federal Government takes care to ensure that the aid reaches the companies and self-employed workers that need it. Preventative

measures against abuse and fraud are in place. The economic assistance is disbursed by the *Länder*.

30. Digital application procedures and good cooperation between the federal and *Länder* levels have made it possible to grant roughly 4 million applications since the beginning of the pandemic. Some 156,000 approvals have been granted under the KfW Special Programme.

31. A total of €4.5 billion in assistance for culture and the media is available under the New Start for Culture programme and the Special Federal Fund for Cultural Events. The Federal Government also assisted businesses and artists in the area of social insurance for artists. With the provision of additional federal funding, the contribution rate to artists' social insurance was kept stable at 4.2% during the pandemic years. The annual minimum income level for artists was suspended and the earnings

limit for additional non-artistic independent activities was increased to ensure that artists continue to be covered by artists' social insurance despite the consequences of the pandemic.

32. With the Federal/*Länder* decision of 16 February 2022, the Bridging Assistance and New Start Assistance programmes, accompanying assistance in cases of hardship and the rules on simplified access to short-time work allowance were extended by an additional three months, until 30 June 2022. The higher loan limits offered under the KfW Special Programme and the KfW Instant Loan (*KfW-Schnellkredit*) will continue to apply until 30 April 2022 (application deadline). Applications for the 'KfW Investment loan for municipal and social enterprises' will be accepted until 30 June 2022. All other programmes will also remain available until spring, as illustrated in Overview 2.

Overview 1: Summary of utilisation of current bridging assistance

SUMMARY OF UTILISATION OF FEDERAL GOVERNMENT COVID-19 GRANT PROGRAMMES

Assistance programme	Funding period	Applications submitted	Applications approved	Funding applied for	Funding disbursed *
		Number	Number (share of applications submitted in %)	€ billion	€ billion
Bridging Assistance III	November 2020 to June 2021	536,572	494,338 (92 %)	34	29.21 (86 %)
Bridging Assistance III Plus	July to December 2021	122,194	79,775 (65 %)	5.1	3.2 (63 %)
Bridging Assistance IV	January to March 2022	18,371	4,164 (23 %)	0.85	0.317 (37 %)
New Start Assistance	January to June 2021	266,156	256,739 (96 %)	1.63	1.6 (98 %)
New Start Assistance Plus 3rd Quarter	July to September 2021	103,451	92,380 (89 %)	0.368	0.333 (90 %)
New Start Assistance Plus 4th Quarter	October to December 2021	84,382	74,369 (88 %)	0.301	0.267 (89 %)
New Start Assistance 2022 1st Quarter	January to March 2022	59,002	47,649 (81 %)	0.213	0.172 (81 %)

* including part payments
Current as of: 11 March 2022

Overview 2: Some of the most important support measures for businesses provided by the Federal Government

MEASURES AIMED AT STARTUPS AND SMALL SMES	(RE-)CAPITALISATION	ECONOMIC STABILISATION FUND	LOANS	GUARANTEES	SHORT-TIME WORK ALLOWANCE	TAX-BASED MEASURES	BRIDGING ASSISTANCE III PLUS/IV	NEW START FOR CULTURE, SPECIAL FUND, PROFESSIONAL SPORTS	BASIC SOCIAL SECURITY BENEFITS AND NEW START ASSISTANCE
<p>KfW provides the promotional institutes of the Länder with global loans, which are exempted from liability. This is done by way of co-financing their existing and new promotional programmes (a max. of €2.3 million of public money per company group (previously €1.8 million).</p> <p>—</p> <p>Extended until 30 June 2022</p> <p>www.kfw.de</p> <p>Additionally, the equity services provided by SME venture capital companies have been improved (counter-guarantees from the federation and the Länder).</p> <p>Applications can be submitted up until 30 April 2022</p> <p>www.vdb.emoeglicher.de</p>	<p>• Aimed at companies of the real economy that meet at least 2 of the 3 criteria for size (balance sheet total >€43 million, sales revenue >€50 million, an annual average of >249 employees).</p> <p>• Startups can be eligible for support if the company value is at least €50 million.</p> <p>• Two stabilisation instruments: guarantees to hedge loans and capital market products, recapitalisation to directly strengthen the company's equity base.</p> <p>—</p> <p>Limited until 30 June 2022 (applications until 30 April 2022)</p> <p>www.bmwk.de</p>	<p>KfW Instant Loan (KfW-Schnellkredit)</p> <ul style="list-style-type: none"> • Loan volume of up to €2.3 million (up from €1.8 million) • 100% release from liability • A uniform interest rate applies (currently 3%) guided by overall developments on the loan market and set on the day of the loan approval. <p>—</p> <p>Extended until 30 April 2022 (applications until 30 April 2022)</p> <p>www.kfw.de</p> <p>KfW Special Programme</p> <p>Expanded special conditions, e.g. lower interest rates, simplified vetting for risks, higher rates of release from liability (up to 90%).</p> <p>—</p> <p>Extended until 30 April 2022 (applications until 30 April 2022)</p> <p>www.kfw.de</p>	<p>Export credit guarantees</p> <p>Offering short-term payment terms (up to 24 months) for state export guarantees, the federation is hedging exports, including within the European Union and some OECD countries.</p> <p>—</p> <p>Extended until 31 March 2022</p> <p>www.bmwk.de</p> <p>Guarantees covering up to 90% of the loan risk; a minimum of 10% of the risk must be borne by the highest risk bank. For large-scale guarantees (more than €20 million or €50 million respectively), the risk is shared by the federation and the Land. For large-scale guarantees for up to €2.5 million, the risk is shared between the federation, the Land and the guarantee bank.</p> <p>—</p> <p>Applications can be submitted up until 30 April 2022</p> <p>www.vdb-info.de</p> <p>www.foerderdatenbank.de</p>	<p>Special provisions on the length of the period of entitlement, simplified access; access for temporary agency workers.</p> <p>Increase in benefit rates in the case of longer-lasting claims to up to 80% of the net wage, or 87% of the net wage if a child is living in the household.</p> <p>—</p> <p>Extended until 30 June 2022</p> <p>Full reimbursement for social security contributions limited until 31 December 2021, after that: 50% reimbursement until 31 March 2022</p> <p>www.arbeitsagentur.de</p>	<ul style="list-style-type: none"> • Reimbursement of advance tax payments • Adjustments of the rules on advance payments of taxes extended until 30 June 2022 • Tax deferral extended until 31 March 2022 (for taxes due before or by 31 January 2022 and only if applied for before the deadline), simplified procedures for tax deferrals beyond that deadline, combined with instalment payment agreements possible up until 30 June 2022 • Payments to top up short-time work allowance exempted from tax • Enforcement measures have been suspended until 31 March 2022 (for tax due by before or by 31 January 2022) • For 2020 and 2021, up to €10 million/€20 million in losses can be carried back for tax purposes (joint assessment) <p>There are plans to extend this possibility to 2022.</p> <p>www.bundesfinanzministerium.de</p>	<p>Bridging Assistance III Plus/IV</p> <p>Companies whose monthly turnover is down by at least 30% can receive grants towards their fixed costs for specific months:</p> <ul style="list-style-type: none"> • For July to December 2021 under Bridging Assistance III Plus and for January to March 2022 under Bridging Assistance IV <p>—</p> <p>Applications for Bridging Assistance III Plus can be made until 31 March 2022/for Bridging Assistance IV until 30 April 2022</p> <p>www.ueberbrueckungshilfe-unternehmen.de</p> <p>Länder Assistance in Cases of Hardship</p> <p>(financed half-and-half by the federation and the Länder), for cases for which no other instrument is available. Approved case-by-case by the Länder following individual scrutiny.</p> <p>www.haertefalhilfen.de</p> <p>Funding period: until 30 June 2022</p>	<p>Bridging Assistance III Plus/IV</p> <ul style="list-style-type: none"> • Investments related to the pandemic • Enabling cultural activities in all branches: cultural production and expression • Additional budgetary needs of cultural events receiving federal funding <p>—</p> <p>Funding period: until 31 December 2022</p> <p>www.kulturstaatsministerium.de</p> <p>Special Federal Fund for Cultural Events</p> <p>Additional safety net for cultural event organisers</p> <ul style="list-style-type: none"> • Assistance to make small-scale events economically viable (and provide an integrated safety net against cancellations) • Cancellation safety net for large events (minimum of 2,000 persons) <p>Funding period: for now until 31 March 2022 and 31 December 2022 respectively; to be extended</p> <p>www.sonderfonds-kulturveranstaltungen.de</p> <p>Special Fund for Trade Fairs and Exhibitions</p> <p>Cancellation safety net</p> <p>www.sonderfonds-messe.de</p> <p>COVID-19 Bridging Assistance for professional sports</p> <p>For professional sports clubs and companies that are members of the upper three leagues (except men's 1st Bundesliga football) that have suffered losses of income from tickets</p> <p>—</p> <p>Funding period: until 31 March 2022</p> <p>www.bva.bund.de</p>	<p>Anyone who is working as a small-scale entrepreneur or is otherwise self-employed and has too little or no income to sustain themselves financially may be entitled to simplified access to basic social security benefits for the unemployed.</p> <p>—</p> <p>Extended until 31 March 2022</p> <p>www.bmas.de</p> <p>New Start Assistance Plus/New Start Assistance 2022</p> <p>For own-account workers, small incorporated firms and cooperatives having suffered COVID-related losses in turnover between July and June 2022 (New Start Assistance Plus) or January and March (New Start Assistance 2022).</p> <p>—</p> <p>Applications for New Start Assistance Plus can be made until 31 March 2022/New Start Assistance</p> <p>2022: January to March until 30 April 2022</p> <p>April to June: applications can be made from April 2022</p> <p>www.ueberbrueckungshilfe-unternehmen.de</p>	

33. The support measures (cf. Overview 2) have managed to largely prevent undesirable structural upheaval in the economy so far and to safeguard jobs. These measures during the crisis support the macroeconomic base and thus uphold social cohesion.

34. The temporary Next Generation EU rebuilding instrument is the EU's overall response to the economic and social crisis caused by the pandemic. The core element of this is the Recovery and Resilience Facility, which consists of €723.8 billion (in current prices) to support reforms and investments by the EU Member States. The German Recovery and Resilience Plan (*Deutscher Aufbau- und Resilienzplan, DARP*) comprises nearly €28 billion for the 2020-2026 period.

35. REACT-EU is another component of the rebuilding instrument. With it, the European Union supports preparations for a green, digital and stable economic recovery in the wake of the COVID-19 pandemic. For 2021 and 2022, Germany will receive around €2.4 billion which the *Länder* and ministries will invest in a variety of areas, including the creation of a resilient educational and health infrastructure; support for sectors of the economy particularly affected by the pandemic, such as tourism and culture; green and digital investment in SMEs and start-ups; and measures to preserve jobs (cf. also Box 3).

Box 3: *Länder* contribution: Measures to promote economic recovery/overcome the COVID-19 pandemic



The *Länder* have introduced a broad range of measures to support businesses affected by the economic fallout from the COVID-19 pandemic. These range from programmes to promote innovation and investment that are open to all sectors to programmes specifically geared towards retail, culture, inner cities and tourism, as well as payment of half of COVID-19-related assistance in cases of hardship. This assistance specifically complements the Bridging Assistance of the Federal Government and supports businesses and self-employed workers not covered by the existing federal and *Länder* assistance programmes.

Furthermore, funding from REACT-EU is used to scale up ERDF funds, e.g. for start-ups, the convention sector and international SME networking, and to take greater account of the specific goal of “preparing for a green, digital and stable economic recovery”.

The challenges of reviving the economy after the COVID-19 crisis are also addressed in the area of foreign trade. Foreign trade strategies pursue the goal of developing long-term, quality growth.

Furthermore, time-limited loan and equity financing programmes, the creation of equity investment funds to improve the equity base of crisis-hit businesses and the establishment of special funds will help to overcome the economic repercussions of the pandemic.

Fiscal policy to overcome the COVID-19 pandemic and to ensure debt sustainability

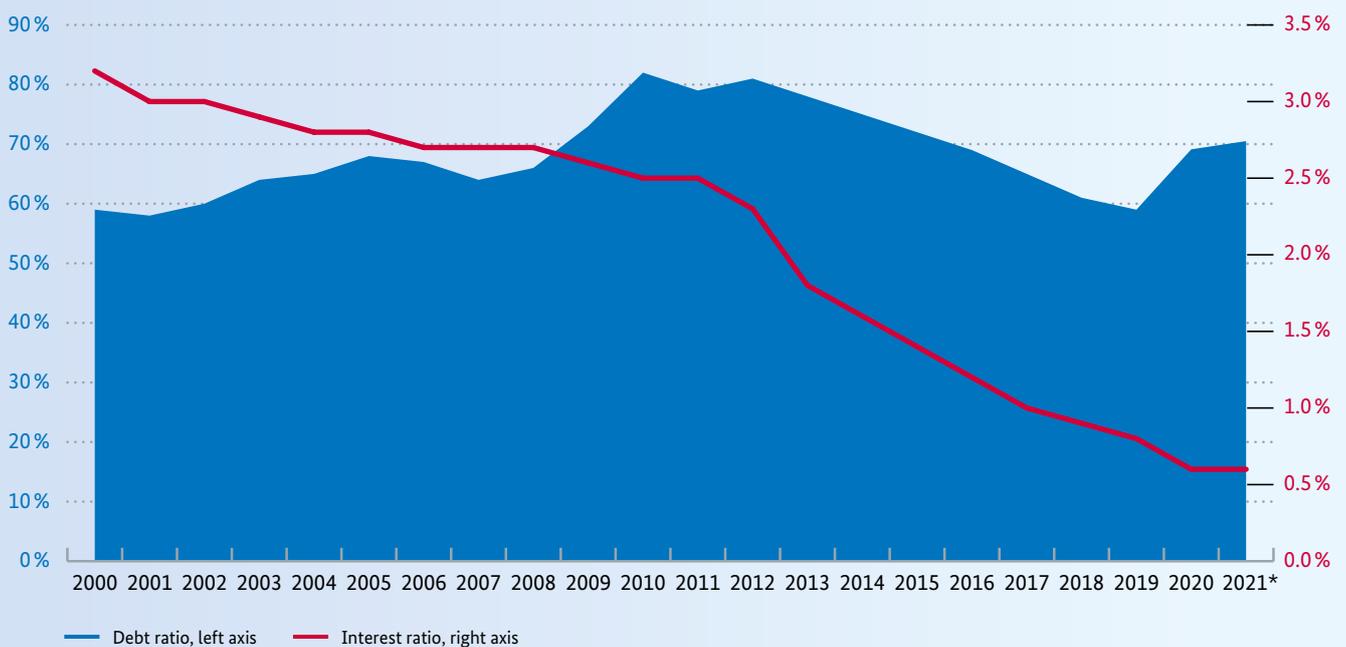
36. Until most recently, the Federal Government’s fiscal policy has been driven by the need to tackle the pandemic. The Federal Government’s priority goal continues to be to protect the health of the public, to support jobs and companies, and to uphold social cohesion. The Federal Government’s fiscal policy is firmly underpinning these efforts.

37. At the same time, Germany is facing the huge task of transforming itself into a climate-neutral, sustainable and digital economy. In view of the restrictions due to the pandemic and uncertainties at national and global level, tax and fiscal policy must also respond to a substantial need for action, also with regard to investment activity. This is because, not least due to uncertain economic pros-

pects during the pandemic, companies did not invest, or did not invest as much as planned. This is another reason why there is a need for a further rise in public investment and support for private-sector investment in forward-looking and transformational tasks; in this way, private-sector investment can be activated in a targeted manner in forward-looking areas and the process of catching up on investment can take place. In addition to this, it is necessary to speed up planning, administrative and approval procedures with a view to at least halving their duration.

38. The federal budget situation facing the new government is extremely challenging. A large amount of debt has been taken on since 2020 due to the pandemic. The Maastricht debt-to-GDP ratio probably rose further in 2021 to an expected 70¼% of GDP. The experience with the financial

Diagram 2: Development of the debt ratio and interest ratio

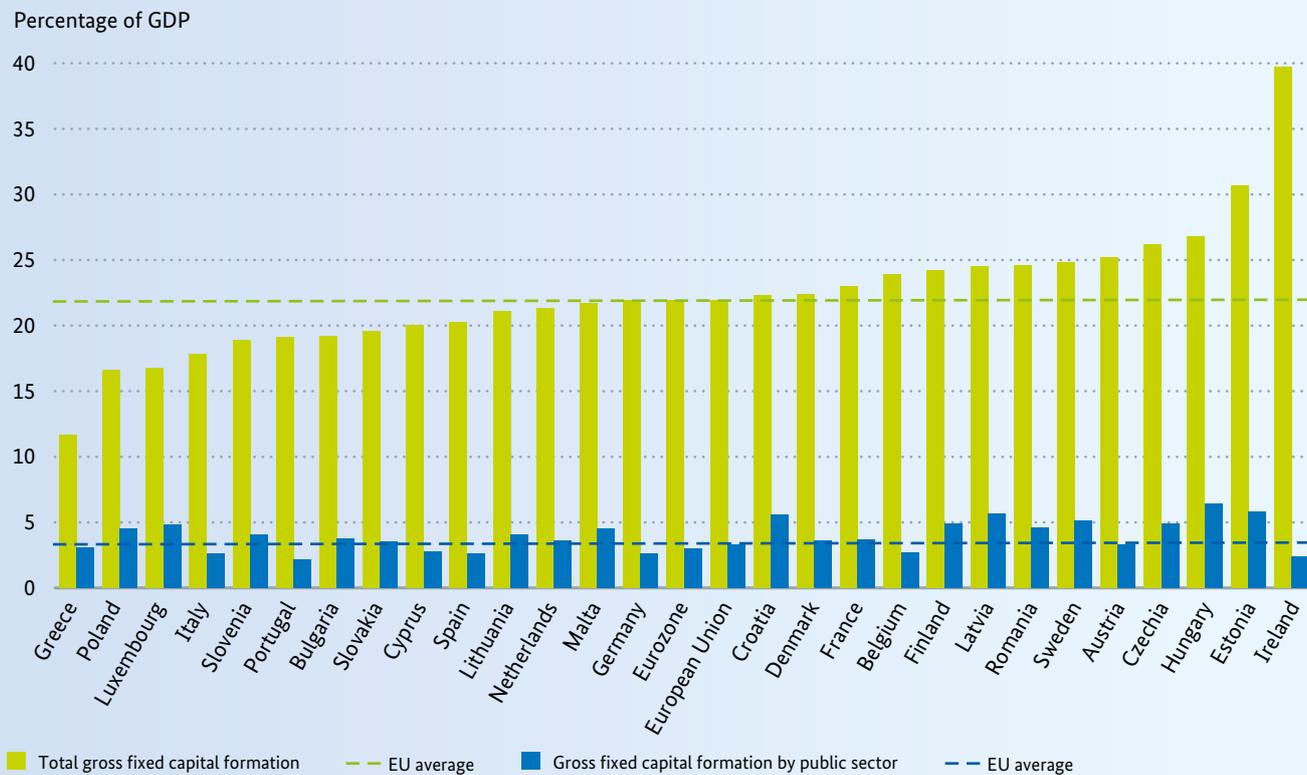


Sources: Federal Statistical Office and Deutsche Bundesbank; *Value for 2021 debt ratio according to forecast of Federal Ministry of Finance of December 2021

crisis of 2008 and 2009 shows that it is possible to successfully scale back a high level of debt. The significantly reduced annual interest expenditure burden (cf. Diagram 2) will also have a positive effect. From 2022, the debt-to-GDP ratio will probably decline, and current assumptions suggest it could drop back below the 60% threshold in 2028. It will again be necessary to respond to repercussions of the pandemic in 2022, and these continue to justify an unusual emergency situation within the meaning of the German debt brake. The safeguarding of future prosperity is rooted in a sustainable budgetary and fiscal policy. For this reason, the regular borrowing ceiling of the deficit rules, as enshrined in the Constitution, will be complied with again from 2023.

39. In line with the statutory mandate of the debt brake, the Federal Government will evaluate the cyclical adjustment procedure, not least on the basis of the findings from systemic crises, and adapt the arising needs accordingly without altering the debt brake, which is anchored in the Constitution. The redemption plans which are drawn up in response to the exceeding of the regular ceiling for net borrowing in 2020-2022 will be pooled together in an overall redemption plan to be adopted by the Bundestag in order to ensure coherent debt repayments which will remain viable in the long term. In this process, the repayment periods will be aligned with those of the EU COVID-19 assistance from the Next Generation EU programme.

Diagram 3: Comparison of gross fixed capital formation in Europe, 2020



Source: Eurostat. Gross fixed capital formation as a percentage of GDP

40. In Germany, government gross fixed capital formation is still slightly below the European average (cf. Diagram 3). While it has been increasing for several years, it will be expanded once more to ensure Germany preserves its role as an innovative economy and can contribute to the economic recovery in Europe. The Federal Government aims for an investment ratio well above the EU average for the economy on the whole.

41. The Federation will increase its investment significantly. According to the second government draft for the 2022 federal budget, investment spending in 2022 will amount to approx. €50.8 billion. In the key figures for 2023 to 2026, provisions are made for the stabilisation of the amount at around €51 billion annually. Compared to the pre-crisis level (actual spending in 2019: approx. €38.1 billion), this represents a considerable increase of over €10 billion per year. This is in addition to the substantial volume of investment funding provided under the Special Funds.

42. Under the 2021 Second Supplementary Budget Act (2. *Nachtragshaushaltgesetz*), additional funding of €60 billion was allocated to the Energy and Climate Fund, which is later to become a Climate and Transformation Fund. These funds are used to overcome the emergency situation caused by the pandemic by specifically activating private-sector investment in areas that are particularly important for the future, such as climate action, and thereby setting in motion a catch-up process to deal with the social and economic impacts of the pandemic and the associated reduction in investment activity. The funds are ring-fenced for the promotion of investment in the building sector, carbon-neutral mobility, the financing of measures to prevent carbon leakage, the promotion of new production facilities in sectors of industry with emission-heavy processes, the development of an infrastructure for carbon-neutral energy supply and to

relieve the burden on electricity customers by abolishing the EEG surcharge.

43. The Future Package of June 2020, which forms part of the stimulus programme, already provides for investment totalling some €50 billion during the period covered by the financial plan up to 2025, and in some cases beyond this. It sets priorities particularly in the fields of climate action, the energy transition, more climate-friendly and environmentally friendly mobility, digitalisation and related key enabling technologies – areas where the major challenges of the coming years will be found. Here, the Federal Government is also giving targeted support to private-sector investment.

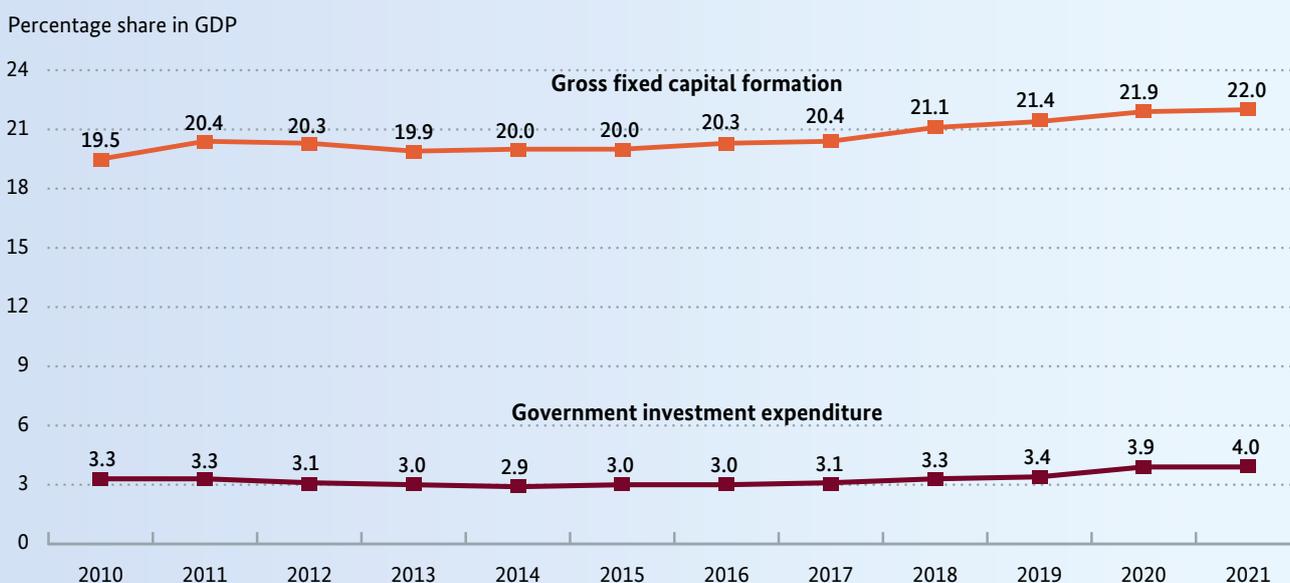
44. The increased investment activity of the government is accompanied by additional improvements in conditions for private investment. With the government draft of the Fourth Coronavirus Tax Relief Act (*Viertes Corona-Steuerhilfegesetz*), the Federal Government has taken steps to extend the more flexible conditions for loss carry forward through to the end of 2023 and to extend loss carry back to the two previous assessment periods. The extension of the declining-balance method of depreciation for movable fixed assets and the extension of tax deadlines for investments are to provide additional investment incentives. Looking beyond the pandemic, tax policy will play its part in helping us cope with the major challenges of the future and provide appropriate incentives for investment. The lowering of the EEG surcharge to zero, with effect from 1 July 2022, will also provide additional relief this year. Efforts to increase private and public investments are also reflected in the investments' share in GDP, which has followed a clear upward trend in recent years (cf. Diagram 4). In light of the transformative challenges ahead, this upward trend should continue in the coming years.

45. Not least, the reduction of superfluous and ineffective subsidies, and of subsidies and spending which harm the environment and the climate, is of relevance to tax and budget policy. The tax breaks given to newly registered plug-in hybrid vehicles in the context of taxation of company cars will be oriented more to distances which are purely battery driven. Further to this, tax concessions which refer to the commercial use of electricity are to be reduced. The relief from the abolition of the EEG surcharge is to be taken into account here, so that the overall burden on companies does not increase. In the context of the future national implementation of a recast of the EU Energy Tax Directive, which is currently still being negotiated, a review of the taxation of diesel vehicles under the motor vehicle tax system is envisaged.

B. Strengthening forward-looking investments, investing in the green and digital transition

46. The Council of the European Union has urged Germany to expand private and public investment and to invest specifically in the green and digital transition. Investment should focus on education; research and innovation; digitalisation, also in small- and medium-sized enterprises; broadband; sustainable transport; energy networks and affordable housing. Accordingly, the Federal Government intends to substantially increase forward-looking investments. Its policy will be specifically focussed on mobilising and leveraging investment in climate action and digitalisation and thereby providing impetus for innovation and sustainable growth.

Diagram 4: Development of public and private investment



Source: Federal Statistical Office, national accounts, Federal Ministry of Finance

Accelerating investment in the future and in climate, supporting structural change

47. The 2020s are to become a decade of investment in the future: if we are to bring growth and prosperity into line with sustainable economic activity and the boundaries set by the planet – also with a view to the effective protection of ecosystems and biological diversity – this will primarily require comprehensive private and supportive public investment in areas that are critical for the future. This involves not only climate action and sustainability, but also in particular digitalisation, education and research, and the infrastructure needed for these areas. The Federal Government will put the preconditions in place for investment to be able to take place swiftly and thoroughly. This will particularly require an appropriate policy framework for businesses, which will be responsible for the bulk of the investment across the economy. The aim is to create unbureaucratic and SME-friendly incentives for investment in the future by small and medium-sized enterprises. Further to this, public investment will need to be boosted at all levels of governance. In this context, importance is also placed on investment in social cohesion, such as in the area of education, culture, health and long-term care. Municipal investments play a central role – also with regard to structural change. For this reason, the Federation is promoting municipal investment in areas such as education or business-related infrastructure and is providing targeted support to municipalities that are in a weak financial position and structurally disadvantaged. Overall, it is now important to set the course for sustainable and dynamic economic development, also in Europe.

48. The pace of structural change will quicken more and more with the transformation of the economy towards sustainability and climate neutrality. For this reason, the Federal Government

will continue to develop the Federal Funding System for Structural Development Regions. New priority areas will be added to the Joint Federal/*Länder* Task for the Improvement of Regional Economic Structures, particularly in the areas of innovation promotion, digitalisation, productivity, sustainability and decarbonisation. Further to this, the Federal Government will examine whether the Joint Task can be supplemented to include aspects of regional public services in agreement with the Joint Task for the Improvement of the Agricultural Structure and Coastal Protection. To support (former) coal-mining regions, the Federal Government will utilise the scope offered by the Structural Strengthening Act for Mining Regions (*Strukturstärkungsgesetz*) in order to attract new companies and to foster the growth of existing businesses. With an earlier phase-out of coal-fired power generation – ideally by 2030 – measures are to be stepped up and brought forward. Any deviations from current plans to phase out coal-fired power generation will be decided upon with the participation of the *Länder* and taking the aspect of energy security into account.

49. The European Structural Funds are also supporting local ecological and digital transition in the 2021-2027 funding period. Germany receives €10.8 billion from the European Regional Development Fund (ERDF). Of this, over 85% goes towards reaching economic, climate and environmental policy goals, with investments being made specifically in research and innovation, SME competitiveness, the digitalisation of businesses and research facilities, energy efficiency measures, adaptation to climate change, strengthening biodiversity, and sustainable, multimodal urban mobility. From the European Social Fund Plus, Germany receives €6.6 billion, some of which goes to support the green and digital transition, with targeted funding provided for self-employed activity, consulting for SMEs, initial and further training meas-

ures and the skilling of workers. Further to this, Germany receives €2.5 billion from the Just Transition Fund (JTF), which promotes the transition to a carbon-neutral economy as part of the European Green Deal. In particular, these funds are to support lignite mining regions in dealing with the social, economic and ecological impacts of structural change motivated by climate policy.

50. The rapid and efficient implementation of investment projects will only succeed if the necessary planning, administrative and approval procedures are significantly accelerated. For this reason, the Federal Government will action and prioritise projects to swiftly improve the planning culture. The aim is to at least halve the duration of procedures.

51. To speed up planning, administrative and approval procedures, the Federal Government has set up an interministerial steering group involving the *Länder*. Improvements are planned in a variety of areas including the following:

- **Simplification and improvement of administrative procedures:** All the possibilities to accelerate administrative procedures are being examined and all the necessary administrative procedures will be simplified and improved in such a way that wherever possible disputes will not end up in court. Barriers to digitalisation will be removed. In order to speed up administrative procedures, the Federal Government is also aiming to ensure the earliest possible intensive public participation and to make progress on digitalisation.
 - **Improvement of human resources:** The Federal Government will optimise the deployment of human resources available to authorities and courts. Flexibly deployable teams of experts and project managers, for example, are to give support to authorities. A reliable and sustainable
- pact for faster planning, authorisation and implementation with the *Länder* is desirable, in order to recruit staff, give further training, and progress digitalisation at all levels.
- **Digitalisation of planning and approval processes:** The authorities will be equipped with the necessary technology, and IT interfaces between the Federation and the *Länder* will be standardised. The exchange of data between the Federation and the *Länder* will take place via the core network. Planning and approval procedures are to be digitised, and in particular the digital possibilities offered by the Planning Safeguarding Act (*Planungssicherungsgesetz*) are to be consolidated in the light of the evaluation, and this is to leverage potential for acceleration.
 - **Reduction in the time and effort devoted to examinations under species protection legislation:** In the field of legislation on the protection of endangered species, legal certainty is to be improved via the introduction of nationwide statutory standards (including significance thresholds) – without reducing the overall level of protection. For certain projects (renewable energy installations, infrastructure for grid-based energy forms, electrified railway routes) and in certain circumstances, there will be a general assumption that the preconditions for an exemption from the Federal Nature Conservation Act (*Bundesnaturschutzgesetz*) exist.
 - **Acceleration of administrative court procedures:** Administrative court procedures are to be accelerated via an “early first appointment” and more efficient interim injunctions in which appropriate consideration is given to remedial action and attention is paid to the reversibility of measures. Plaintiffs whose judicial remedies help resolve the issue will be able to end the procedures without any disadvantages.

Investing in climate neutrality

52. The ambitious path to climate neutrality will require substantial investment: in additional capacities of renewable energy, infrastructure expansion and development, new industrial process technologies, sustainable land use, zero-emission housing and zero-emission mobility. In view of long reinvestment cycles and the goal of carbon neutrality by 2045, it is necessary to develop the technologies today and shape the policy for long-term investment in such a way that more will be invested in the coming years in low-carbon and, on the longer term, carbon-neutral solutions and that investments made today do not jeopardise the goal of GHG neutrality.

53. The Federal Government commits to the pricing of GHG emissions as a central instrument to progress an efficient transformation and to mobilise private investment. The European Union Emissions Trading System (EU ETS) for the field of electricity generation, energy-intensive industry and inner-European air traffic, and the national emissions trading launched last year for the heating and transport sectors, are two key market-oriented instruments which can bring about an effective and efficient reduction in current emissions. To compensate for a future price rise and ensure acceptance of the market system, the Federal Government has set itself the goal of developing a social compensation mechanism (climate allowance).

54. Since the start of last year, the price under the EU ETS has risen from around €30 to over €90 per tonne (data at: 14 March 2022). If the price of carbon drops below €60 in the coming years and the European Union has not agreed on an EU ETS minimum price, the Federal Government will decide on corresponding national measures to safeguard the price of carbon.

55. In addition to taking ambitious climate action, it is also necessary to build resilience to the effects of climate change in Germany and invest in such precautionary measures in the long term if we are to tackle the climate crisis. Infrastructures that are being planned and built today must already be systematically geared towards future climate developments and expected consequences (particularly more frequent and more intensive extreme events such as heat, extended periods of dryness, heavy rainfall). Further to this, substantial investment is required in adapting existing infrastructures and in stabilising and restoring eco-systems (“green” and “blue” infrastructure). Climate adaptation is a common task that requires a concerted effort at all levels of society to create the conditions to adapt to the consequences of climate change in Germany. Therefore, the priority now is to develop the current Germany Adaptation Strategy of 2008 into a preventive climate adaptation strategy with quantifiable goals as a systematic steering element of climate adaptation in all action areas and at all federal levels, and to establish a legal framework with a Climate Adaptation Act (*Klimaanpassungsgesetz*). Further to this, the Federal Government is seeking joint financing - with sufficient financial resources - by the Federation and the *Länder* for climate protection and climate adaptation.

56. In addition to reinforcing nature conservation, the Joint Task for the Improvement of the Agricultural Structure and Coastal Protection will rigorously pursue urgent tasks, such as adaptation to climate change. The Federal Government considers coastal protection and flood control to be a common undertaking and will continue to contribute financially.

57. The Federal Government will develop an Action Programme for Natural Climate Protection that will benefit from the synergies between nature conservation and climate action and initiate the

transition to the sustainable development of our natural and cultural landscapes that is in harmony with nature. By protecting, renaturing and restoring ecosystems, in particular, natural climate protection helps to achieve biodiversity and climate goals and contributes to climate adaptation.

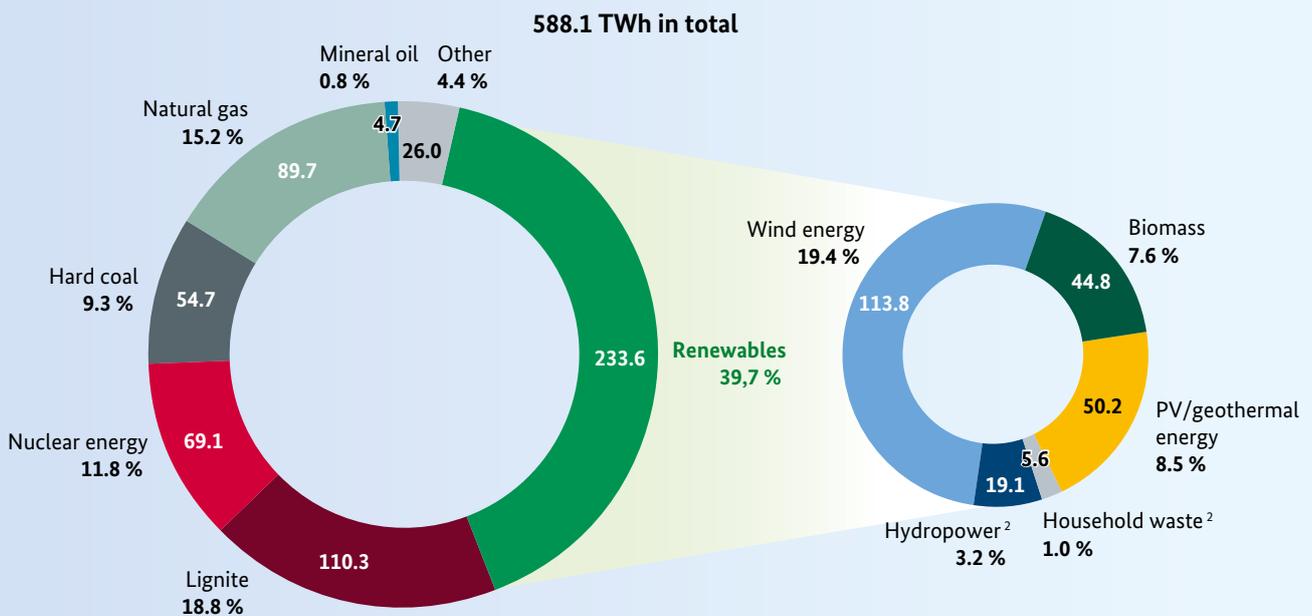
Completing the coal and nuclear phase-out, massively expanding renewable energy

58. The energy sector will continue to have to deliver the largest emissions reduction. According to the Federal Climate Change Act (*Klimaschutzgesetz*), annual emissions in the energy sector are to be more than halved by 2030 compared to the current level of 220 million tonnes of CO₂ equivalent down to 108 million tonnes of CO₂ equivalent (or by 77% from 1990). If this is to happen, it is crucial that, going forward, the provision of energy from

fossil sources is fully shifted to renewable energy sources. In 2021, at 44.1% the proportion of gross electricity generation from fossil fuels was higher than the share covered by renewable energy, at 39.7% (cf. Diagram 5).

59. The share of renewable energy will have to grow substantially and more quickly than has been the case so far. This is because, firstly, the last nuclear power plants in Germany will be taken off the grid in 2022, and, secondly, all the lignite-fired and hard coal-fired power plants will gradually be closed down as coal is phased out. The phase-out of coal should ideally be completed in Germany by 2030. To this end, the review of the closure date for coal-fired power stations, as provided for in the Coal Phase-out Act (*Kohleausstiegsgesetz*) is to be brought forward from 2026 to 2022. The Structural Strengthening Act for Mining Regions (*Struktur-*

Diagram 5: Gross electricity generation in Germany in 2021 in terawatt-hours (TWh)¹



1 Preliminary figures
 2 Renewable share
 Geothermal energy included in photovoltaics (PV) due to very small amount

stärkungsgesetz Kohleregion) continues to provide support to the structural change in the regions affected by the phase-out of coal, and aims to promote growth and jobs. The people and regions affected can continue to count on solidarity and support.

60. The Federal Government is assuming that gross electricity demand will amount to 680-750 terawatt-hours (TWh) in 2030. 80% of this is to be generated from renewable energy. In order to attain this target, the rate of expansion must be much higher than that of recent years. New volumes to come on stream under the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*) will be adapted accordingly. In addition, all existing barriers and impediments are to be removed, planning and approval procedures are to be massively accelerated, and the necessary sites are to be made available. However, the energy transition is to be stepped up without reducing standards of ecological protection. In order to boost legal certainty, uniform nationwide statutory solutions are to be found. The expansion of renewable energy is in the public interest and serves the security of our supply. For this reason, when different interests are weighed up, this should be viewed as a priority interest until climate neutrality is attained.

61. Two per cent of Germany's territory is to be designated for onshore wind energy. This will require backing from the *Länder*. The Federation-*Länder* Cooperation Committee is in agreement that the current designations of land for wind energy in the *Länder* (0.75 - 0.85% in relation to total area) are not even enough to achieve the expansion targets set out in the 2021 Renewable Energy Sources Act. This is even more true given the plans, in an amended Renewable Energy Sources Act currently being prepared, for a necessary increase in the level of ambition so that the climate targets can be met.

62. Repowering of wind turbines, i.e. the replacement of old turbines with newer, more efficient and higher-capacity installations, will play an important role in the expansion. Ultimately it will reduce the need for sites via concentration on fewer, more suitable sites. A change to the Federal Immission Control Act (*Bundes-Immissionschutzgesetz*) in 2021 made it easier to obtain approvals for onshore repowering. At present, Federation-*Länder* working parties on immissions protection and on nature conservation, landscape management and rehabilitation are working on recommendations to facilitate and accelerate the implementation and thus the approvals for repowering. Where wind farms exist already, it must be possible to retrofit old wind turbines with new ones without an elaborate approval process. The target for offshore wind energy was raised in the last revision of the Offshore Wind Energy Act (*Windenergie-auf-See-Gesetz*). The Federal Government is planning a further substantial increase in the capacities for offshore wind energy (at least 30 GW in 2030, 40 GW in 2035 and 70 GW to 2045).

63. The expansion of photovoltaic installations is to be accelerated considerably. Approximately 200 GW of installed capacity is to be in place by 2030. To this end, all suitable roof areas are to be used for solar energy in future. This will be mandatory for new commercial buildings, and will become the norm for new private buildings. To help bring this about, grid connections and certification are to be accelerated, remuneration rates adapted and further aspects of the policy framework improved. Innovative solar energy solutions, such as agrivoltaic systems and floating solar photovoltaics, are to be strengthened, and the co-use of space – e.g. for energy generation and agricultural purposes – is to be facilitated in an environmentally compatible manner.

64. In order to boost public acceptance of the expansion of renewable energy, municipalities are

to be enabled to derive an appropriate financial profit from wind turbines and larger ground-mounted solar installations on their territory; also, community energy is to be strengthened. This also aims to appropriately reward the substantially increased contribution made by rural areas to Germany's energy supply.

65. It is of top priority for the Federal Government that security of supply is maintained at its present high level during and following the phase-out of nuclear energy and coal-fired electricity generation. For this reason, a major focus will be placed on ensuring secure grid and system operation, e.g. in the System Stability Roadmap. Also, the expansion of renewable energy is to be progressed, energy efficiency and flexibility of demand improved, and modern gas-fired power stations built. The latter need to be "H2 ready": capable of conversion to climate-neutral gases. The Federal Government will seek solutions to how operating permits can be issued in a legally secure way that ensures long-term GHG-neutral operation without triggering a halt to investment, misallocations of investment and claims for compensation.

66. With a view to the future high share of renewable energy, the Federal Government will also draw up a new electricity market design in order to ensure security of supply. In this process, existing instruments will be evaluated and competitive, technology-neutral capacity mechanisms and forms of flexibility will be examined.

67. Germany is also benefiting from its integration into the European internal market in electricity which, thanks to balancing effects between supply and demand, can ensure a more secure electricity supply more cheaply than a purely national market. For this reason, the upgrading of the connections to neighbouring European countries is becoming more and more important. Since 2021,

NordLink has connected the Norwegian and German electricity markets via a submarine cable.

68. In order to view the sub-aspects of security of supply, i.e. both the aspects of the electricity market and the questions of grid and system stability, in an integrated manner in future, the responsibility for monitoring security of supply was transferred to the Federal Network Agency (*Bundesnetzagentur*) in 2021. The Federal Government will further develop the monitoring of security of supply in relation to electricity and heat.

Accelerating the expansion of the electricity grids

69. The expansion of the electricity grids is crucial so that the rising demand for electricity resulting from sector coupling (especially industry, electric vehicles and heat pumps) can be met via the transport of the renewable electricity needed for it across long distances from the places of generation to the centres of consumption. It is therefore important not only to update the current planning of necessary grid infrastructure but also to speed up planning and approval procedures so that the expansion targets can be reached without reducing the overall level of security. Here, again, it is necessary to ensure that there is public acceptance of the expansion in the municipalities.

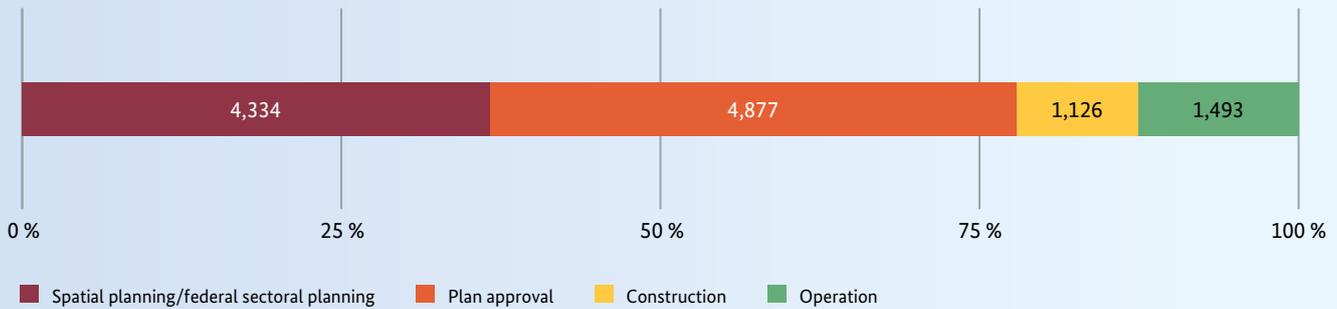
70. As of the fourth quarter of 2021, of the priority grid onshore expansion projects under the Federal Requirements Plan Act (*Bundesbedarfsplanungsgesetz*) and the Power Grid Expansion Act (*Energieleitungsbaugesetz*), 9,211 km of grid is nearing or has entered the approval procedure, 1,126 km is under construction, and 1,493 km is in operation (cf. Diagram 6).

71. Looking beyond the current grid development planning, a climate neutrality grid is to be calcu-

Diagram 6: Progress of grid expansion projects (transmission grid)

Breakdown of kilometres by procedural stage

in kilometres



Source: Federal Ministry for Economic Affairs and Climate Action; status: Q4/2021

lated so that, not least on this basis, the Federal Requirements Plan can be updated accordingly.

72. At distribution grid level, the aim is to have forward-looking and efficient planning of future needs, taking account of energy efficiency and demand-side response measures. This will require the modernisation and digitisation of the distribution grids. Also, the framework for distribution grid planning was completely revised in 2021 via the new section 14d of the Energy Industry Act (*Energiewirtschaftsgesetz*). The provision requires the relevant grid operators to engage in greater coordination and cooperation when they draw up their grid expansion plans.

Making use of renewable heat, improving the energy performance of buildings, and rigorously saving energy

73. Not least at times when energy prices are high and Germany is dependent on imports, it is very important to cut overall energy consumption and to make full use of potential for energy efficiency. Also, if energy demand falls, it will be possible to

attain a high proportion of renewable energy more quickly, and the integration of that energy into the system will be easier. Furthermore, the ambitious climate targets cannot be achieved without a clear boost to energy efficiency. For this reason, Germany will continue to push forward with and consolidate its energy efficiency policy and set further incentives, e.g. in the form of a fair distribution of CO₂ costs between tenants and landlords.

74. The entire supply of heat is to be GHG-neutral by 2045. The Federal Government is advocating for nationwide municipal heat planning and the expansion of heating networks. It aims at a very high proportion of renewable energy in the generation of heat by 2030, with 50% of heat being climate-neutral by then. In this process, consideration must be given to the different local settlement, building and ownership structures. When it assesses the impact on the climate of the various forms of heat generation, the Federal Government will also give consideration to the impacts on the footprints of the sector of land use, land-use change and forestry. The Federal Government will also make arrangements to ensure that the deploy-

ment of biomass does not exceed the sustainably available potential.

75. Buildings account for roughly two-thirds of the energy demand for the provision of heating. The federal funding for efficient buildings scheme (BEG) restructured the funding programmes for improving the energy performance of buildings for the period from 2021. Under the Immediate Climate Action Programme, the Federal Government wants to develop the BEG further in 2022 with a particular focus on energy retrofitting in order to strengthen energy efficiency and the use of renewable energy in the building stock. As the funding for achieving efficiency house standard 55 (EH 55) in new buildings comes to an end, a time-limited funding programme to achieve the EH 40 standard is planned for the interim in 2022 before future funding for new buildings will place a particular focus on sustainability aspects, such as greenhouse gas emissions per m² of dwelling space.

76. Also, the Buildings Energy Act (*Gebäudeenergiegesetz*) is to be revised: as of 1 January 2025, every newly installed heating system is to be operated on the basis of at least 65% renewable energy; as of 1 January 2024, the standards for major upgrading, rebuilding and extensions of existing buildings in the Buildings Energy Act are to be adapted so that the new components meet the EH 70 standard; the standards for new buildings are to be aligned with the EH 40 standard from 1 January 2025. The efficiency house standard is based on an indicator which describes the energy requirements of a building and the quality of the building envelope. The lower the indicator, the more energy efficient the heating of the building can be. Also, the aim is to introduce the broad and systematic use of individual retrofitting roadmaps.

77. Roughly one-third of the energy demand in the heating sector is accounted for by the generation

of process heat in the sectors of crafts, trade and services, and industry. The programme entitled “Federal funding for energy and resource efficiency in commerce” (EEW) will provide grants to facilitate investment in energy efficiency and the expansion of renewable process heat and the use of waste heat in industry and commerce. The revision of the EEW programme in November 2021 brought clear improvements in the funding terms and included resource efficiency as a new target for the funding.

78. Further to this, the “Federal funding for efficient heating networks” scheme (BEW) is to be launched in the near future; this will play a key role in the expansion and decarbonisation of existing heating networks and the construction of new heating networks. Renewable energy and unavoidable waste heat play crucial roles in the GHG-neutral transformation and the rebuilding of the heating networks.

Building up the hydrogen industry

79. Green hydrogen, i.e. hydrogen produced using renewable energy, plays a central role in the energy transition because it makes it possible to significantly cut carbon emissions, particularly in industry and transport, while using renewable energy. Furthermore, innovation and investment in hydrogen are also of central strategic importance. The development of promising technologies and the build-up of expertise makes a key contribution to maintaining and expanding the leading position held by German and European industrial and service companies in the field of modern energy technologies.

80. In 2020, the National Hydrogen Strategy established a coherent framework for action for the future production, transportation, exploitation and utilisation of hydrogen and therefore for rele-

vant innovations and investments. The Federal Government will update the Hydrogen Strategy in 2022 with a view to a swifter market ramp-up. Compared to the previous goal, Germany seeks to double the planned electrolysis capacity in 2030, from 5 to around 10 gigawatts. This is to be ensured not least via the newbuild of additional offshore wind energy and via European energy partnerships.

81. The Federal Government is funding the production of green hydrogen in Germany. To ensure a quick market ramp-up and until an inexpensive supply of green hydrogen is available, the Federal Government will take a technology-neutral approach to hydrogen regulation. In the interest of a rapid market ramp-up, forward-looking technologies will continue to be funded until the availability of green hydrogen is assured.

82. The Important Projects of Common European Interest (IPCEIs) in the field of hydrogen technologies and systems are an important component. More than €8 billion in federal and *Länder* funding is available for the 62 German projects selected by the Federal Government. These cover the entire value chain, including hydrogen generation, transport and industrial applications, as well as mobility.

83. Also, international cooperation like the energy partnerships and dialogues and other initiatives play a key role in ensuring long-term availability of sufficient hydrogen imports. The Federal Government is also working proactively with various funding programmes for green hydrogen and green power-to-X (electrical energy generated from renewables which is converted into alternative fuels) in order to stimulate output in the EU and third countries and to make a contribution to the global market ramp-up and corresponding economies of scale, whilst also opening up new

market opportunities for German firms. This will also involve current exporters of fossil fuels and development cooperation partner countries. With a view to the diversification of energy imports, the latter are to play a significant role in guaranteeing a secure supply of energy in Germany.

84. The implementation of the H2Global funding model represents an important step in the international market ramp-up of green hydrogen and realises a further element of the National Hydrogen Strategy. This instrument buys green hydrogen or hydrogen derivatives abroad on the basis of long-term contracts, and re-sells these products at annual auctions in the European internal market. The Federal Government provides financial support to the instrument in order to offset the difference between the purchasing price and the selling price for a certain period and to set an incentive both for the market ramp-up and for the investment in infrastructure and applications. The Federal Government wants to further develop H2Global in the European framework and ensure it has suitable financial resources. At the same time, the establishment of a global green hydrogen economy also offers fresh opportunities for economic development, new jobs and participation in international trade and investment for numerous countries outside Europe which offer great potential for the generation of renewable energy.

85. In addition, the energy legislation framework is also important for the establishment of a hydrogen industry. For example, the revised version of the Energy Industry Act (*Energiewirtschaftsgesetz*), which entered into force in 2021, in combination with the related Hydrogen Network Fee Ordinance (*Wasserstoffnetzentgeltverordnung*) contains rules for the initial regulation of pure hydrogen networks. This forms the basis for a rapid and legally secure start on the development of network infrastructure for the transport of pure hydrogen.

Effectively strengthening the decarbonisation of industry and the industrial sector's role as a driving force for innovation

86. The industrial sector is a key player in efforts to develop innovative climate action solutions which can be deployed around the world and to attain the climate targets. According to the recast Federal Climate Change Act of 2021, the industrial sector is to reduce its annual emissions to 118 million tonnes of CO₂ equivalent by 2030 (2020: 172 million tonnes of CO₂ equivalent). This will require emissions to be cut by around 31% from today's level and will call for the fundamental transformation of industrial production processes that is based on solutions for decarbonisation, electrification, circularity, the use of carbon-neutral processes and products that are based, for example, on hydrogen and biomass in addition to carbon capture and utilisation/storage (CCU/S). It will be necessary to put the technical preconditions in place in the production plants, opening up the prospect of carbon-neutral or even carbon-free production of, for example, steel, chemicals and cement. For the transformation of industry to succeed, sufficient quantities of green electricity and green hydrogen must be available for industrial purposes in the foreseeable future. Businesses need reliable policy conditions to make timely investments in low-GHG or, going forward, even GHG-neutral processes and to be able to profitably deploy these facilities.

87. German industry faces a massive need to invest. It is necessary to set incentives for efficient investments in low-GHG or, going forward, GHG-neutral processes and to avoid lock-ins of investment as this takes place. Of relevance here are both initial investments in facilities which are to be newly built or retrofitted, and also subsequent operating costs.

88. In principle, the more expensive it is to emit CO₂, the more investments will pay off. In the case of industry, the crucial role here is played by the price of certificates in the European Union Emissions Trading System. The higher the likely price path in future, the less economically viable it will be to invest in carbon-emitting processes. However, not least in view of the ongoing uncertainty about how the price will develop in future, and in order to provide incentives for swift implementation, it is temporarily necessary to provide funding for climate-friendly investments by the industrial sector and towards additional operating costs from more climate-compatible technologies. This is possible, for example, via carbon contracts for difference (CCfD), investment promotion programmes, tax incentives for investment (cf. Item 150) and measures to incentivise green lead markets.

89. The Federal Government will develop a funding programme for carbon contracts for difference in the basic materials sectors that mitigates market risks and operating cost differentials between conventional and low-carbon or zero-carbon processes. This will make it feasible in the steel industry and other sectors, for example, to achieve substantial GHG savings by 2030 already and to embark on the transformation needed for the long term. Carbon contracts for difference can also make an important contribution to the market ramp-up of hydrogen technologies in the energy-intensive industrial sector.

90. In addition, the Federal Government will continue to provide funding for flagship projects for decarbonisation in industry (e.g. in the basic materials industry and via lightweighting) and establish incentives for lead markets and climate-neutral products, e.g. via the introduction of minimum quotas for climate-neutral products in public pro-

curement. In addition, it is currently examining the use of subordinated capital instruments to accelerate the decarbonisation of industry and strengthen it on the long term.

Speeding up the work on climate-friendly mobility

91. In the comparison of all the sectors, the transport sector has achieved the smallest absolute GHG reduction in Germany since 1990 – from 164 mt CO₂ in 1990 to 146 mt CO₂ in 2020. However, the Federal Climate Change Act provides for a clear reduction down to 85 mt CO₂ by 2030. This requires a reduction of more than 40% from 2020. The Federal Government will take measures necessary for a mobility policy in accord with the climate targets and will significantly speed up their implementation in practice. To close the technology gap, the Federal Government will significantly strengthen and expand fundamental research, transfer and spin-offs and the development of sustainable mobility within the framework of “mobility future labs”.

92. Mobility is part of general public services and is a precondition for equivalent standards of living in urban and rural areas and for the competitiveness of the regional economic centres. The Federal Government will therefore take into account the various mobility structures and requirements in urban and rural areas and the social compatibility of the necessary adjustment and conversion.

93. The CO₂ reductions in the transport sector are to be attained by means of a package of measures including a modal shift, funding and incentives in conjunction with carbon pricing. The focus will be on the strengthening of local public transport and rail transport, a far-reaching decarbonisation of the fuels and drives, new technologies and the

reduction in subsidies that harm the climate. In the field of rail transport, there are also plans to boost wagonload freight and to provide incentives for investment in sidings. An examination of rail connections is to be mandatory in new business parks and industrial estates. Intermodal combined transport terminals are to be promoted, work accelerated to ensure that conventional semi-trailers are operable by crane, and initial and final legs are to be exempted from the truck toll for a distance of up to 50 kilometres. Further to this, digital mobility services and innovative mobility solutions are to be supported and incorporated into a long-term strategy for the driverless and connected operation of vehicles on public roads.

94. In the interest of the modal shift, the Federal Government will invest far more in railways than roads – primarily in projects which can successfully implement the synchronised timetable for all of Germany’s passenger rail transport. Decommissioned tracks will also be reactivated. Better rail connections to airport hubs will aim to reduce the number of short-haul feeder flights. The Federal Government will strengthen cross-border railway transport and build up night train services with the EU and its Member States. By 2030, the capacity for rail passenger transport is to be doubled, and the market share of rail freight transport is to rise to 25%.

95. In the field of road freight transport, the Federal Government will introduce regulations for a greater differentiation of the truck toll in line with carbon emissions and the inclusion of trucks of 3.5 tonnes and more in the truck toll from 2023. Also, a CO₂ surcharge is to be introduced under the condition that a double burden from carbon pricing is avoided.

96. At least 15 million fully electric cars are to be driving on Germany’s roads by 2030. The environmental bonus (purchase premium for vehicles with alternative drives) will be paid out until the end of 2025 at the latest; the additional innovation premium (doubling of the state’s share of the funding) will continue to apply until the end of 2022. From 2023, the Federal Government will only be funding electric vehicles which demonstrably have a positive effect in terms of climate action.

97. The Federal Government will support the transition process in the German automotive industry via a corresponding policy framework and funding measures, e.g. via targeted funding for clusters, particularly with a view to small and medium-sized enterprises. To this end, it intends to set up an “Automotive economy transformation” strategy platform together with the mobility industry, environmental and transport associa-

tions, social partners, academia, the Bundestag, the *Länder* and main municipal associations in order to ensure that the goals of climate neutrality, value creation and jobs and training places are met.

98. In line with the European Commission’s proposals under its Fit for 55 package of legislation, by 2035 only zero-emission new cars and new light commercial vehicles are to be newly registered in Europe – and this will impact Germany at a correspondingly earlier stage. Beyond the existing system of fleet emission limits, the Federal Government is advocating that only vehicles which can demonstrably use e-fuels should be newly registered.

99. The accelerated expansion of a nationwide and needs-oriented charging infrastructure for electric vehicles is a crucial precondition for a successful switch to climate-friendly electric mobility. The Federal Government will revise the Charging

Diagram 7: Development of the charging infrastructure in Germany



Source: Bundesnetzagentur

Infrastructure Master Plan in 2022, pool together measures from the fields of construction, energy and transport, and place a priority on a municipal networking of the solutions. The aim is to provide a million charging points which are publicly accessible on a non-discriminatory basis by 2030, with a focus on fast-charging infrastructure. At European level, the Federal Government will call for ambitious expansion targets for the development of the infrastructure for alternative fuels (AFIR).

100. The second revision of the Charging Station Ordinance (*Ladesäulenverordnung*) in 2021 introduced a uniform payment system for spontaneous charging at publicly accessible charging points for electric vehicles. All users will in future be able to

make contactless payments for the electricity using common credit and debit cards. This user-friendly rule applies to all charging points which come on stream from 1 July 2023.

101. Two IPCEIs have created the nucleus for a competitive and sustainable battery value chain in Germany and Europe. The Federal Government is deploying additional funding measures to ensure that the battery ecosystem is continuously expanded via projects, not least for improved environmental friendliness. Additional cell manufacturing sites (including recycling and the “green battery”) are to be developed. The Federal Government will also be promoting renewable fuels and alternative drives in the railway sector.

Box 4: Länder contribution: Investment in climate action



In Germany, appreciation for environmental protection, climate action and nature conservation is growing and receiving more and more attention. The *Länder* and the Federation agree that additional efforts and investments are needed to guarantee the protection of our environment, nature and climate. Stakeholders at the municipal and Land levels face considerable financial challenges in this regard. Appropriate priorities have been set in many of the *Länder*, including investment in a climate-neutral administration or hydrogen technology.

With regard to energy research, a number of *Länder* are investing in research into the application of hydrogen, also in tandem with the Federal Government. These projects span the entire hydrogen value chain – from generation and storage to transport and use.

The *Länder* held a Special Conference of Environmental Ministers on the issue of flooding together with the Federal Government. In the resolutions, the *Länder* asked the Federal Government to provide substantive and financial support, to draft a Federal Climate Adaptation Act (*Bundes-Klimaanpassungsgesetz*) and to adapt preventive flood protection in flood-adapted planning, construction and renovation, the building code, construction planning law and urban development to the challenges of flood prevention, heavy rainfall management and climate change. Furthermore, in the opinion of the *Länder*, the National Water Strategy should be expedited, a systematic heavy rainfall risk management system should be established, a nationwide statutory provision should be created

for the unrestricted publication of heavy rainfall hazard maps, and better integration into land use planning should be ensured. It is also essential to emphasise the importance of individual precautions and to develop additional instruments for private precautionary measures.

In addition, the *Länder* have asked the Federation to increase the financial resources of the Joint Task for the Improvement of the Agricultural Structure and Coastal Protection with regard to flood and coastal protection. It also requested the Federation to expand the scope of the Joint Task to include the implementation of preventive measures to help manage and protect against the effects of heavy rain and other extreme weather events at the local level, to ensure the transferability of funds (formation of carryover amounts and transfer to subsequent budget years), and to put the special framework plans for coastal and flood protection on a permanent footing beyond 2025 and to adapt them annually.

Further to this, the *Länder* believe that co-financing by the Federation and the *Länder* should be ensured in order to guarantee climate adaptation also in the water sector on a permanent, joint basis, allowing for a high degree of flexibility of use and with an annual financial volume of around €1 billion. This also includes the creation of financial strategies for the rapid implementation of emergency assistance, adapted reconstruction and precautionary measures, financial and human resources support for the *Länder*, and an examination of the best approach to accelerating approval procedures in the area of climate adaptation.

The environmental ministries of the *Länder* plan to hold a conference with the Federal Government in 2022 where the primary focus will be on ensuring the staffing required to improve flood protection and heavy rainfall management, to safeguard the water supply, to ensure water-sensitive urban development, to approve infrastructure for distribution and renewable energy generation facilities, and to increase energy efficiency and sustainable mobility. The aim is to ensure the faster delivery of the energy transition and enhanced climate resilience.

The role of peatlands in climate protection is becoming increasingly important. Not only do peatlands serve as a habitat for numerous species of flora and fauna and play a regulating role in water and nutrient cycles, they also store carbon and have an evaporative cooling effect. The Federation/*Länder* target agreement on climate action through peatland conservation adopted in October 2021 should be implemented swiftly.

The Conference of Environmental Ministers addressed the issue of adequate funding for nature conservation in the context of the new CAP and the restructuring of the joint financing of measures by the Federation and the *Länder* (Joint Task for the Improvement of the Agricultural Structure and Coastal Protection). If we are to respond to climate change and mitigate its consequences it is essential to substantially strengthen nature conservation in general, and the protection of biodiversity and insect conservation in particular.

Investing in the digital transition

Developing the data economy

102. The digital transition, and particularly data-based value creation, offers enormous potential for boosting productivity, for new value added and for greater sustainability. An accompanying economic policy can help unlock this potential in Germany and Europe more effectively. To ensure that the technological opportunities are reflected in concrete investments and regional value added, infrastructure development, framework legislation and the promotion of research, innovation and technology must mesh together well and complement one another. At the same time, this also calls for a digital, service-oriented administration, which is sovereign and ensures data protection and security, and the further strengthening of start-up activity. These conditions create opportunities for a digital awakening in Germany and Europe. Furthermore, digital applications can help us achieve climate neutrality.

103. Digital administrative services are an important interface between government and businesses. The Federal Government will press ahead with the digitalisation of the administration and reduction in administrative bureaucracy and in doing so cut the administrative effort required by companies, e.g. by implementing and refining the Online Access Act (*Onlinezugangsgesetz*), the Single Digital Gateway and the development of digital tax administration (cf. Item 157 ff).

104. The Federal Government will lower the barriers to market entry by implementing open standards and open interfaces for software in public administration, and in this way create an attractive market environment for small and medium-sized enterprises, whilst also strengthening digital sovereignty.

105. To support small and medium-sized enterprises making the digital transition and to promote investment in digitalisation, the Federal Government has scaled up the “Digital Now – Investment Promotion for SMEs” investment grant programme for the 2021-2024 budget years by around €250 million to roughly €460 million in total. This means that funding has been doubled for the 2021 budget year and more than doubled for the subsequent years 2022 to 2024.

106. The volumes of data associated with the digital transition will enable more efficient production processes and new business models. For Germany and Europe to reap greater benefits from data-based value creation, we need framework conditions that go far beyond the digital network infrastructure and put the use and protection of data on a clear, sound footing. For this reason, the Federal Government is making provisions for additional measures, particularly to support the development of sovereign data and cloud infrastructures that are based on open interfaces and security and transparency specifications (with the involvement of the *Länder* examined) and to facilitate the use of data. The Federal Government’s Data Strategy (2021) brings together goals, measures and instruments in connection with the use of data by civil society, and involves public stakeholders, the scientific community and the business sector. Chiming with the EU Data Strategy, the goal of Germany’s Data Strategy is to increase the innovative and responsible provision and use of data for all stakeholders and therefore take advantage of the opportunities of the data economy.

107. The Gaia-X initiative launched by the Federal Government in 2019 aims to create an interlinked European data and infrastructure ecosystem that sets standards in data protection, transparency, interoperability and openness. Funding is granted, for example, to the “Catena-X” flagship project – which is open at the European level and globally –

whose aim is the end-to-end digitalisation of automotive value chains and, with its specific applications, is the central reference project for Gaia-X. This project also demonstrates the potential of advanced *Industrie 4.0* technologies to reach sustainability goals, such as with the use of data-based solutions for a comprehensive and interconnected circular economy.

108. The Federal Government is pushing ahead with the use of secure, user-friendly digital identities that comply with data protection regulations as the key to secure activities online. The European Commission published proposals for a European digital identity on 3 June 2021. The aim is the development of a standardised ecosystem across Europe in the area of digital identities and trust services in the interests of the Digital Single Market. According to the Federal Government, the objective is to ensure a high data protection and IT security standard that enjoys a high degree of acceptance among users in the business community and in public administration without ruling out certain technologies from the outset (technology-neutral approach). Furthermore, the constitutional concerns of the Federal Government regarding risks for the right to informational self-determination and the possibility of comprehensive profiling should also be taken into account.

109. Employee data protection is becoming more and more important in an increasingly digitalised working world. Data-based applications increasingly dominate the everyday working practices of many workers, giving rise to growing volumes of data records that are ever more detailed. The Federal Government will develop a separate Employee Data Protection Act (*Beschäftigtendatenschutzgesetz*) to take advantage of the opportunities for the more efficient and people-friendly organisation of work, whilst also effectively protecting the privacy rights of workers.

110. Distributed ledger technology (DLT) or blockchain are key enabling technologies that can facilitate secure and efficient processes in many areas of the economy, including the matching of supply and demand via smart contracts on the energy market or the secure exchange of documents that are verified in a decentralised manner when recruiting skilled labour from abroad, for instance. Opportunities are also presented for sustainable business operations, such as in the case of the tamper-proof tracking of supply chains and related possibilities to support resource-efficient, circular value creation. Under the European Blockchain Partnership, the Federal Government will continue to advocate the testing of these technologies, also in order to enable innovative business ideas in Germany and to protect the climate.

111. Ensuring that individuals and businesses can operate in a trusted digital environment is a central objective of the Federal Government. Not least, this calls for a competitive research practice in the field of IT security. Under the “Digital. Secure. Sovereign” research framework programme published in June 2021, the Federal Government is funding R&D in IT security in various fields of application, with an emphasis on quantum communication and post-quantum cryptography, artificial intelligence and the Internet of Things.

Rapid expansion of fixed broadband networks and mobile coverage

112. If Germany is to be a competitive digital hub it requires a top-class digital infrastructure. Therefore, the aim of the Federal Government is to ensure the nationwide provision of fibre optic connections and the latest mobile telecommunications standard. The expansion of broadband and 5G therefore has priority. The Federal Government is also already focussing its attention on the next generation of mobile communications, 6G.

113. By mid-2021, gigabit-ready connections delivering speeds of at least 1000 Mbps were available for around 62% of households overall. The provision of fibre optic connections, in particular, must grow at a faster pace in the coming years than it has in the past. In this context, private-sector network expansion continues to have priority. According to industry information, at least €43 billion will be available for the next five years for the commercial expansion of fibre optic networks in Germany. In areas where infrastructure expansion is not driven by the market – mostly in rural and sparsely populated regions – the Federal Government will provide additional funding to support the expansion of digital infrastructures. The Federal Government is currently making funding available on an appropriate scale, including through the “Digital Infrastructure” special fund, to support broadband roll-out.

114. As a result of the revised Telecommunications Act (*Telekommunikationsgesetz*), the regulation of telecommunications markets is now more geared towards investment, in line with European requirements. The legal framework has been modernised in central thematic areas – such as market regulation, frequency policy, and end user protection. For example, collaborations have been strengthened within the parameters of competition law and a regulatory differentiation between old copper networks and new gigabit networks has been enabled. Further to this, approval procedures have been streamlined and the use of alternative installation methods and technologies has been simplified. The Federal Government is seeking to accelerate infrastructure expansion further with lean digital application and approval processes, the standardisation of alternative installation technologies and the establishment of a nationwide gigabit land register.

115. Strong 5G coverage is another important component of the continued digital transformation of the economy, and particularly of industry. Infrastructure expansion is making significant progress here. The Federal Government is therefore supporting research into and the development and application of 5G through a variety of programmes. Additional stimuli for 5G innovations, such as in the area of *Industrie 4.0*, can be expected particularly in connection with the allocation of “campus licences”. The aim of the Federal Government is to close any remaining gaps in 4G mobile coverage – particularly in areas lagging furthest behind. Negative auctions are also to be used to this end. The Federal Government will also invest specifically in the research and development of forward-looking technologies, such as 6G.

Investing in research and innovation

116. Germany’s strength as a centre of innovation lies in its excellent science and research system, its technological diversity and the strong regional presence of Germany’s innovative companies, which are often SMEs. For this reason, the Federal Government will continue to resolutely pursue the goal of investing 3.5% of GDP annually in research and development by 2025 together with the Länder and the business community. During the COVID-19 pandemic in 2020, less research was conducted by businesses than in previous years. As a result, research spending dropped from 3.17% of GDP in 2019 to 3.14% in 2020. The priority is to boost private sector research and innovation particularly in SMEs and also outside the main centres with attractive programmes to promote research and innovation.

Box 5: *Länder* contribution: Investment in the digital transition



Many *Länder* support the digital transition of small and medium-sized enterprises as well as own-account workers through the provision of a digitalisation grant.

A tiered approach is in place in the form of a basic service offering with a digitalisation voucher as well as a funding instrument for larger and more complex digitalisation projects with a grant and – if warranted – also a loan component. The *Länder* are also operating specific programmes in which the development and use of innovative audio-visual media productions are supported.

The pandemic revealed the lack of existing opportunities for the pandemic-appropriate use of cultural and educational facilities, which is why greater levels of funding are being invested in the digitalisation of tourism/culture and in inter-company training centres for crafts and trade through programmes such as REACT EU. The funding of additional digitalisation projects is also planned via this programme through the “Digital Innovation” programme component.

Municipalities are supported in both digitalisation efforts and the expansion of the broadband infrastructure. “Digital model regions” have already managed to lend great impetus to the “Smart City” project. Measures to support digitalisation in the area of volunteer work and mentor programmes to improve the digital participation particularly of senior citizens complement the support and funding available also at the civic level.

Support for the creation of “digital hubs” aims to promote a culture of experimentation, knowledge-sharing and risk-taking. The *Länder* offer programmes for the promotion of digital technologies and innovations via which higher education institutions, research facilities and small and medium-sized enterprises are assisted in bringing particularly innovative ideas to fruition. Another example is the establishment of a campus that encompasses the entire AI value chain (research – skills – commercialization).

Digital solutions can also help address the challenges presented by the pandemic. Efforts to digitalise the health boards with the SORMAS software made an important contribution to kick off digital management of the pandemic. In addition, with the #digitalvscorona pilot projects, valuable experience was gathered in controlled re-opening with the help of digital tools. Finally, the IRIS connect gateway solution provided a single and efficient technical basis for the wide range of digital contact tracing solutions available.

Strengthening innovation policy and technology transfer

117. The Federal Government introduced a mission-oriented approach with the High-Tech Strategy (HTS) 2025. Behind this approach is the idea to organise research and innovation policy around ambitious goals, to mobilise stakeholders across disciplines and sectors and to unite them behind the mission goal. The Federal Government will continue to pursue mission-based action in the future in tandem with stakeholders from the scientific community, the business sector, policy-makers and society. Under the Future Strategy for Research and Innovation, the Federal Government will develop new, ambitious approaches for a systemic research and innovation policy for the 20th legislative term that is geared towards current central challenges, and therefore build on the success of the High-Tech Strategy.

118. The Federal Government specifically aims to strengthen applied research and the transfer of knowledge and technology within the framework of regional and interregional innovation ecosystems and is open to the establishment of a German Tech Transfer Fund. To give innovation an appreciable boost, the priority is to strengthen the culture of creating spin-off companies in higher education institutions (HEI) and non-university research centres on a broad scale. A central component in this context is the EXIST programme, which promotes spin-offs from the scientific field. Science entrepreneurship initiatives also assist in bringing about the necessary cultural change. Outside of EXIST, HEIs and research facilities that are receptive to and encourage start-ups are also supported by other programmes that promote innovation across all topics (research campuses, future clusters, innovation regions, validation funding). The Federal Government will develop a German Agency for Transfer and Innovation (DATI) to foster social and tech-

nological innovations particularly at universities of applied science and small and medium-sized universities in conjunction with start-ups, SMEs and social and public sector organisations, for example.

119. With the establishment of the Agency for Breakthrough Innovations (SPRIND) at the end of 2019, the Federal Government has created a new agent for the promotion of disruptive, game-changing innovations. Open to all topics, disciplines and technologies, the Agency for Breakthrough Innovations is agile, flexible and prepared to take risks in the high-risk world of disruptive innovations. Ideas with the potential for breakthrough innovation can be supported by the Agency through the validation of project ideas and the establishment of venture-specific affiliate companies, for example. Further to this, innovation competitions specifically enable the identification of disruptive innovations in key thematic fields and the promotion of highly innovative activities. The Federal Government will develop the Agency for Breakthrough Innovations further and substantially improve its legal and financial framework to ensure it can operate even more comprehensively and with greater freedom in the future.

120. The Agency for Innovation in Cyber Security GmbH (Cyber Agency) was founded by the Federal Government in 2020. Its aim is to examine internal and external security from a cybersecurity perspective across all departments and with an application focus. The Cyber Agency initiates, finances and manages high-risk projects that offer major potential for innovation. The knowledge obtained is made available to the Federal Government.

121. Regulatory sandboxes make it possible to test innovative technologies, services or business models under real-life conditions. With this approach, law-makers can also learn about the impact of innovations at an early stage in order to formulate

associated regulations responsibly in an innovation-friendly and evidence-based manner. The Federal Government will create a legal framework that offers uniform, pro-innovation conditions for regulatory sandboxes and experimental spaces to test out new technologies, services and business models.

122. Aside from plans for a better legal framework to facilitate the trialling of innovative approaches, under the Federal Government's seventh energy research programme "Innovations for the Energy Transition", the Federal Government promotes the testing of innovative energy technologies in a real-life setting. Under the new funding pillar "Regulatory Sandboxes for the Energy Transition", pioneering innovation projects (e.g. involving hydrogen) commenced in 2021, in the interests of a competitive and climate-neutral industry, for clean power generation and supply and for sustainable mobility.

Mastering and applying key enabling technologies

123. The successful development and application of (digital) key enabling technologies has a decisive influence on the future competitiveness of the German and European economy and – not least – entails a strategic and security policy dimension in the international context. The Federal Government therefore considers itself a driver of a strong technology centre that is based on European values, attracts talent and safeguards the future viability, security and prosperity of our country. In this connection, the technological and digital sovereignty of Germany and Europe is, not least, a primary objective of the Federal Government. The maintenance and further development of strong basic research and the necessary research infrastructure in Germany is the foundation and source of revolutionary technologies.

124. Technological sovereignty is the commitment and ability to (co-)design key enabling technologies and technology-based innovations on a collaborative basis. This is not a goal that will be achieved through protectionist measures. Rather, it can only be achieved by promoting research and innovation, through conscientiousness, collaboration and the self-determined utilisation and development of technological options in a manner that encourages competition.

125. The Federal Government sees artificial intelligence (AI) as one of the most important digital key enabling technologies and is therefore committed to making Germany, and Europe as a whole, a leading location for AI research, development and application. On the basis of the AI Strategy, the Federal Government has launched a variety of initiatives. These focus specifically on strengthening Germany's position as an AI research hub, promoting the transfer of research findings to practical applications, particularly in SMEs and start-ups, and encouraging the sector-specific development and use of AI in diverse socially relevant fields of application with significance for the future, such as the healthcare sector, the world of work and environmental and climate protection. For research and for parts of the German economy, high-performance computing and supercomputing are important and necessary preconditions to be able to compete at the global level. Under the "High-performance Computing and Supercomputing for the Digital Age" programme, the Federal Government is actively promoting the development and expansion of the computing infrastructure in Germany and is investing in research and development to this end.

126. Quantum technologies promise additional disruptive developments in a variety of areas. Their use for simulation, analysis and control purposes is

likely to have a considerable impact on productivity, and therefore competitiveness, in many sectors. Quantum computing is also set to enable major advances in the modelling of complex systems, such as climate change and associated impacts. With the “Quantum Technologies – from the Basics to the Market” framework programme, the Federal Government supports the continued development of various fields of application (sensors, computing and communication through to quantum cryptography via satellite). Additional funding of €2 billion is available to quantum technologies through the Stimulus and Future Packages. In the coming years, this money is to fund the development, inter alia, of a quantum computing eco-system involving industry and SMEs, the first quantum computer demonstrators and quantum-enhanced sensors for projects in the medical field through to satellite-based Earth observation. On the longer term, the latter promises to be an important tool for comprehensive and regular monitoring of climate change, with Earth observation satellites making key contributions to nature conservation and climate action and improving transparency with regard to compliance with international climate change commitments.

127. Trustworthy microelectronic products are the indispensable basis to any digitalisation project. As the current semiconductor shortage highlights, a secure supply is of central importance to many user industries. Supply still frequently depends on non-European producers. The Federal Government is therefore anxious to make the semiconductor value chain more resilient in Germany and Europe overall. To this end, it is engaged in close dialogue with other Member States of the European Union, the European Commission and the manufacturer and user industries. Within the framework of another Important Project of Common European Interest (IPCEI), the German semiconductor industry is to also receive financial support along the

entire value chain and be strengthened as a strategic field of technology. In this respect, the recently announced European Chips Act will help build production capacities for highly innovative chips in addition to strengthening research and development capabilities. Under the Framework Programme for Research and Innovation, the Federal Government is also placing a focus on trustworthy and sustainable microelectronics. The main emphasis here is on energy efficiency for the purposes of green information and communication technologies, special processors for AI and edge computing or other developments in the field of sensors or power electronics for efficient energy use.

Boosting momentum in the start-up sector

128. Germany has become increasingly attractive as a location for start-ups and business creation. Recently there has been a reversal of trends in enterprise birth rates, although it must be said that the COVID-19 pandemic will have thwarted or delayed some new start-ups. The Federal Government is committed to boosting existing momentum and to supporting the new culture of entrepreneurship, particularly also with regard to start-ups. The aim is for Germany to become a leading start-up location in Europe and for this reason the Federal Government will adopt a comprehensive Start-up Strategy. A priority will be placed on attracting more talent, improving access to capital further and increased networking within the start-up landscape.

129. Building on the measures and initiatives of recent years, the Federal Government plans to make it easier for start-ups and young businesses to access public contracts. With nationwide one-stop shops that offer business start-up advice, support and registration, the aim is to make the process of setting up a business even faster. The proportion of

women entrepreneurs in the digital sector is also to be increased with grants for female business founders.

130. To further improve access to venture capital (VC) specifically in the capital-intensive growth phase, the Federal Government is already making €10 billion available for a venture capital fund for forward-looking technologies (“Future Fund”) at the KfW. The aim is to use the Future Fund to strengthen the VC ecosystem in Germany and Europe, particularly to provide more high-volume growth financing. Comprising flexible modules, the

Future Fund will help open the venture capital market to more institutional investors. With KfW Capital an established fund investor, women’s access to venture capital is also to be improved under the Future Fund. This is important for funding innovation and will increase diversity in the German VC environment.

131. The Federal Government will continue to pursue its successful equity financing programmes from the ERP Special Fund and develop it further as required. For example, the investment phase of the High-Tech Start-up Fund IV which was

Box 6: *Länder* contribution: Investment in research and innovation including the promotion of start-ups and business creation



In the area of “investment in research and innovation”, higher education institutions are supported in measures to improve study outcomes and the quality of teaching and receive advice regarding the “Horizon Europe” programme and financial support for the application process.

Examples of innovation funding include the funding of R&D projects in individual enterprises, collaborative projects conducted by businesses and research facilities, feasibility studies, filing of IP applications, innovation advisory services, process innovations and investments due to process innovations. Furthermore, there are invitations for the funding of innovative projects in specific thematic areas, such as the environmental industry. The regional innovation strategies of the *Länder* serve as a guide in this context.

In addition to investment in research and innovation, a dynamic start-up culture is seen as a driver of competitive economic structures in the future. For this reason, the *Länder* promote business start-ups through loans, risk capital, grants and by supporting start-up initiatives at HEIs. A broad range of services are offered, including information services, networking initiatives and specific financial support in the start-up phase as well as assistance in finding a successor.

Further to this, funding is also specifically targeted at hi-tech business start-ups and high-growth start-ups are assisted in dealing with typical challenges facing businesses as they scale up.

These investments are also a focus of funding under the European Regional Development Fund (ERDF) in Germany.

founded in 2021 (with a planned fund volume of at least €350 million) is due to commence mid-2022. The Federal Government is also developing its instruments further in the field of debt capital with the restructuring of the ERP and KfW promotional loan programmes (planned loan volume of approx. €9.1 billion for 2022). The funding landscape was streamlined in January 2022 and the conditions for business start-ups, succession, growth, digitalisation and innovation significantly improved.

Investing in housing

132. When building housing, the priority is to reconcile the ecological dimension of sustainability with housing affordability. In this context, both the emissions associated with the use of the living space and those resulting from the actual construction of the building (e.g. grey energy) must be taken into consideration. In addition, when constructing housing it is important to use space efficiently and focus firmly on the goal of reducing land use, e.g. via densification of use. Pervious surfaces provide a wide range of ecosystem services and therefore need to be protected.

133. The Federal Government is providing impetus for a sufficient supply of affordable housing through the construction of social housing, inter alia. So far, the Federal Government is making available €1 billion in programme funding each year for social housing in the period from 2020 to 2022. Under the Immediate Climate Action Programme, an additional €1 billion is set aside in 2022 for energy-efficient new buildings or for the energy-efficient modernisation of social housing units. The Federal Government intends to continue to provide financial support for the construction of social housing and to increase the level of funding. It also plans to establish an “Affordable Housing Alliance”, to launch a new housing model organised around the principle of being “in the public

interest” (*Wohngemeinnützigkeit*) with tax funding and investment grants, and to take into consideration existing approaches of development banks. The linear depreciation for residential buildings is to be increased from two to three percent. Furthermore, the aim is the construction of 400,000 new apartments per year, 100,000 of which through public funding.

134. For 2022, around €1.08 billion in programme funding is earmarked for the child benefit for home buyers and home builders (*Baukindergeld*) to help families with children purchase their own home. In addition, the *Länder* are to have greater flexibility in the structuring of the real estate transfer tax in order to facilitate the purchase of self-used homes. To help finance this, tax loopholes with respect to the purchase of property by undertakings (known as “share deals”) shall be closed.

135. In addition, through urban development assistance, the Federal Government is helping cities and municipalities to address imbalances in the urban infrastructure and make the necessary adjustments. One particular area eligible for funding is the revitalisation of brownfield sites to support housing construction. Furthermore, the reduction of greenhouse gas (GHG) emissions and climate change adaptation measures are central components of urban development funding. Programme funding of €790 million is set aside in the 2022 federal budget for financial assistance for urban development.

136. The housing benefit reform of 2020, the introduction of a carbon component in the housing benefit and the dynamic adjustment of the level of housing benefit every two years help ensure that accommodation remains affordable for low-income households, even during the pandemic. Furthermore, the 2022 federal budget makes provisions for a one-time heating cost allowance for recipients of the housing benefit.

137. The Act to Reform Rent Level Surveys (*Mietpiegelreformgesetz*) is designed to increase the legal certainty, importance and prevalence of qualified rent level surveys. There are also plans to continue the provision of assistance for tenants and private-sector owners for the age-appropriate conversion of dwelling units.

138. The Federal Government will evaluate and extend existing tenant protection regulations. In this connection, the rent control mechanism is to be extended until 2029. In tight housing markets, the rent increase cap is to be reduced to 11% in three years.

Box 7: Länder contribution: Investment in housing construction



In the vast majority of German metropolitan areas, the situation on the housing market remains tight. The future goal will therefore continue to be to increase residential construction activity significantly. As one of the biggest emitters of greenhouse gases, the construction industry is increasingly the focus of climate action efforts. Building standards are therefore being raised gradually and require corresponding increases in investments. Cost savings due to the resulting reduction in energy consumption cover only a small percentage of the financial resources needed. Last year building costs for residential buildings rose by around 14.4% (11.6% adjusted for reduction in VAT), far outstripping consumer price increases, for example, which rose by around 5.2% (figures: as at November 2021). In addition, too little development land is available, particularly in densely populated areas, and sites have become considerably more expensive as a result.

In light of these developments, efforts need to be stepped up and increased investment is needed in all areas of housing construction.

Under the federal funding for efficient buildings scheme - residential (cf. Item 75), Germany's development bank, the KfW, provides grants and promotional loans with repayment grants. Funding is provided for the renovation, new construction or purchase of new or renovated energy-efficient buildings as well as individual energy efficiency measures in existing properties. With a gross volume of roughly €32 billion, around 50,000 overall measures are to be supported annually.*

Under the home ownership programmes, the KfW spends around €4-6 billion annually in the form of grants, and thereby supports the purchase or construction of owner-occupied homes or condominiums for private individuals.

When selling real estate, the Institute for Federal Real Estate (BImA) and the Federal Railway Property Agency (BEV) grant municipalities and municipal companies a right of first refusal and a purchase price discount. Sites may subsequently be passed on to third parties, also for the purpose of subsidized housing construction.

The promotion of housing is the jurisdiction of the *Länder*. Through their various funding programmes, the *Länder* promote the construction and modernisation of owner-occupied housing and existing rental housing by private and public project developers with grants and loans. This housing is generally tied to social housing conditions for a certain period of time, i.e. the property owners undertake to rent the property exclusively to people on a low income for the duration of the commitment period. The vast majority of the developers receiving funding are municipalities, municipal companies or other housing companies with due regard to the public interest, which keep their housing stock and rent it out at inexpensive rates. It can therefore be assumed that a large proportion of the dwelling units will remain price-controlled rental units even after the commitment periods expire.

Further to this, some *Länder* and municipalities fund certain special areas of housing construction. For example, programmes are in place for student housing, homes for persons with disabilities, or separate funding for wooden residential buildings, for instance.

On the basis of Article 104d of the Basic Law, the Federation provides financial assistance for investments funded by the *Länder* in the area of social housing. The conditions and the scope – currently €1 billion a year – are governed by the “administrative agreement on the provision of financial assistance by the Federation towards social housing”. Under the 2022 Immediate Climate Action Programme, the Federation is making an additional €1 billion available in 2022 for climate-friendly social housing. The properties in receipt of funding are to meet high energy standards. The goal of the promotion of housing by the *Länder* is also to implement these climate action requirements for low-income households in a socially acceptable manner.

* Comment by the Federal Government: Funding was temporarily halted on 24 January 2022. However, all eligible applications submitted to the KfW up to that date are currently being processed. With the provision of new funds, modernisation funding was also resumed on 22 February 2022 with unchanged conditions of funding. A time-limited funding programme for EH40 new-builds is to be launched with modified conditions; the inter-ministerial steering group is currently finalising the details.

C. Improving competitive conditions, developing the regulatory framework for a sustainable transformation

139. Germany is called upon to gear policy conditions for the economy even more towards inclusive and sustainable growth. Reforms that modernise the tax structure and strengthen competition in the services sector can help in this regard. A further reduction in the bureaucratic and administrative burden will also improve conditions for invest-

ment, employment and growth. This subsection demonstrates that Germany is taking these suggestions on board: competition in legal services is being strengthened, competition law is being developed further, particularly for digital markets, and public procurement is being digitalised and geared towards sustainability. Further to this, the Federal Government is simplifying the tax system, providing tax incentives for investment and digitalising administrative procedures and making them less bureaucratic.

Strengthening competition in business services and regulated professions

140. Germany has taken significant additional steps in the liberalisation of the regulated professions: The latest amendments to the Federal Code for the Legal Profession (*Bundesrechtsanwaltsordnung*) and other provisions relevant to professionals providing legal advice give lawyers, patent attorneys and tax consultants far-reaching freedom in terms of how they organise themselves under corporate law. In addition, the new rules open up extensive possibilities for interprofessional collaboration with other liberal professions. Furthermore, the reform provides the option of establishing the comparability of the profession of patent attorney in other WTO countries with the German profession of patent attorney by ordinance. If the professions are found to be comparable, the professional groups concerned may establish themselves in Germany and provide legal advice on foreign law. In addition, the previous ban on contingency fee agreements for attorneys has been relaxed significantly. This particularly enables attorneys to compete more effectively with debt collection agencies.

141. The German rules for the posting of workers in the internal market, which are relevant for the free movement of services, can already be described as relatively supportive of the internal market. For example, the Posted Workers Act (*Arbeitnehmer-Entsendegesetz*) makes provisions for an exemption from the application of working conditions, and therefore from reporting obligations, for certain activities – including initial assembly or installation work – if the worker is employed for no more than eight days in one year. Germany also takes a pragmatic approach to the obligation to provide supporting documentation under the regulations for social security for workers from other Member States (A1 certificate). This makes it easier to provide services in Germany, particularly for small and

medium-sized enterprises from other Member States. The Federal Government will improve the protection of workers on international assignments and reduce bureaucratic barriers.

Continuing the modernisation of competition law

142. Digitalisation, sustainability and global distortions of competition require an ongoing fine-tuning of competition policy. In the current legislative term, the Federal Government will therefore examine the effectiveness of the measures introduced by the ARC (Act against Restraints of Competition) Digitalisation Act (*GWB-Digitalisierungsgesetz*) at the start of 2021 and, in addition, will evaluate fair competition in general and develop it further. The focus here – taking account of the Green Deal reform proposals of the European Commission in this policy field – is particularly on the interests of small and medium-sized enterprises, but also on the goals of innovation, sustainability, consumer protection and social equity. The Federal Government will examine how the Bundeskartellamt (Federal Cartel Office) can be strengthened to investigate and rectify serious breaches of economic consumer protection standards in the same way as breaches of the Act against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*). Competition will only serve the interests of consumers if existing structural weaknesses in law enforcement are prevented by the authorities. In addition, the Federal Government will reform the ministerial authorisation of mergers and acquisitions with a view to ensuring that appropriate legal remedies against a ministerial authorisation exist again, and that the Bundestag is involved in the procedure. In addition, the further strengthening of data access for small and medium-sized enterprises is examined.

143. At European level, too, the Federal Government will continue to press for a further development of competition policy and an ambitious Digital Markets Act (DMA). The central aims here include interoperability obligations for dominant companies in the market in order to strengthen consumer choice. Further to this, the Federal Government is committed to the effective enforcement of the DMA, not least also by the national competition authorities, and to solutions to competition issues raised by “killer acquisitions”, i.e. the strategic acquisition of a potential rival. The Federal Government will therefore continue to advocate a change in the thresholds for action in EU merger control legislation and better possibilities to ban killer acquisitions. It will also continue to play a constructive role in ongoing negotiations on a regulation that addresses unfair competition in the internal market due to subsidies from third countries.

Making public procurement more digital and sustainable

144. With the digitisation of public procurement, the Federal Government will continue to promote public-sector investment in a legally secure way. To this end, it will set up a user-friendly central platform in the context of the Federation-*Länder* collaborative project to implement the Online Access Act, which will contain announcements of, if possible, all procurement procedures in Germany from 2023 onwards. The public sector is to make more thorough use in future of possibilities for swift awarding of contracts, whilst also ensuring that the procurement makes economic sense. The *Länder* and municipalities are to be helped with simplifying and digitising procurement procedures, and with making them more sustainable. Further to this – with a view to the future central platform for announcements and the various national procurement solutions – the Federal Government will introduce the new electronic standard forms,

which are basically designed to be uniform throughout the EU, for announcements of invitations to tender (“eForms”). It will provide the announcements as open public data.

145. The public sector serves as a role model in this transformation project. A step towards a procurement policy which is oriented to climate friendliness and sustainability has already been taken for federal purchases in the form of the General Administrative Instruction on the Procurement of Climate-friendly Services and the sustainability programme of measures. The provisions of the General Administrative Instruction specifically take account of the requirements of the Federal Climate Change Act with regard to the inclusion of a shadow carbon price. In order to make the new rules easier to apply in practice, a “negative list” of services which are in principle not to be purchased has been created, covering products which are particularly harmful to the climate. Also, the public sector is to take part in the establishment of a system to calculate climate and environmental costs. In addition to this, the Federal Government will introduce minimum quotas for the public procurement of climate-friendly products. It is also important to make greater use of the possibilities for public procurement to encourage innovative services in order to produce a leveraging effect when deploying innovative technologies and processes in practice.

146. Public procurement will be guided even more strongly by social standards in future. To this end, the Federal Government will draw up rules for the mandatory compliance with representative collective wage agreements by contractors working for the Federation.

147. The new Competition Register at the Bundeskartellamt enables contracting authorities to find out quickly and easily whether a bidder has

committed relevant violations of the law (e.g. tax evasion or corruption) so that it can decide on this basis whether to exclude the company from the tender procedure. It will be compulsory for contracting authorities to search the Competition Register from June 2022. This also removes the need to consult the corruption registers which exist in some of the Länder and which have different pre-conditions for the blacklisting of companies.

Strengthening companies that serve the common good and a solidarity-based economy

148. A modern business culture also includes social enterprises, cooperatives and companies with tied assets. The Federal Government will draw up a national strategy for social enterprises in order to give greater support to companies which serve the common good, and to social innovations. The statutory framework for companies which serve the common good, such as for cooperatives, social enterprises and integration enterprises, is to be improved. A suitable legal basis which excludes the possibility of tax-saving arrangements is to be put in place for companies with tied assets. Barriers to access to finance and funding are to be reduced. The disadvantages currently suffered by companies serving the common good compared with other forms of companies are to be systematically removed. Finally, the legal framework will be put in place so that assets in dormant bank accounts can be used to promote the common good.

Setting tax incentives for investment, fighting tax avoidance

149. Growth-friendly, internationally competitive and fair tax rules make a major contribution towards economic development. These help to stabilise the economy, boost investment and productivity, and to support the necessary process of transformation into a digital, climate-neutral and

sustainable economy. Other priorities in the field of tax policy are the ongoing efforts in the field of tax simplification, the modernisation of the tax collection system, the fight against tax avoidance, and the strengthening of fair taxation in the national and international context.

150. The Federal Government intends to provide further tax incentives, for a limited period, for investment in climate action and in digital assets that are designed to help accelerate the necessary process of transformation. For example, support could be in the form of an allowance that is not linked to taxes or profits, with a concurrent reduction of the assessment basis for depreciation for wear and tear by the allowance amount. This helps companies achieve greater economic efficiency, which results in the faster refinancing of the investment.

151. In order to make employee shareholding a more attractive option, the Fund Domicile Act (*Fondsstandortgesetz*) has raised the maximum tax-exempt amount for asset participation from €360 to €1,440 a year. Also, a provision has been included in the Income Tax Act (*Einkommensteuergesetz*) for start-ups in particular according to which the income from the transfer of asset participations in the employer's company is not initially taxed. Further to this, the Federal Government intends to make more improvements in rules governing employee shareholdings, making them more attractive. For this reason, the maximum tax-free amount will be raised further.

152. The Act Updating Corporate Tax Law (*Gesetz zur Modernisierung des Körperschaftsteuerrechts*) gives commercial partnerships and partnership companies the possibility to be treated like a corporation in terms of taxes on earnings. This option represents a key step to strengthen the competitiveness of small and medium-sized unincorpo-

rated firms in particular. The Federal Government will evaluate the option model and the taxation of retained profits and consider the extent to which further practicable adjustments are necessary.

153. The Capital Income Tax Relief Modernisation Act (*Abzugsteuerentlastungsmodernisierungsgesetz*) digitises and simplifies the relief procedure for capital gains tax. It counteracts related abuse and tax evasion. The Act Implementing the Anti-Tax Avoidance Directive (*Gesetz zur Umsetzung der Anti-Steuervermeidungsrichtlinie*) addresses tax avoidance and makes the taxation of controlled foreign companies (CFCs) modern and legally secure in the interest of a stronger German economy. The Defence against Tax Havens Act (*Steuerparadiesabwehrgesetz*) permits tax-based defence measures in the case of business relations with uncooperative states. Further measures are to contribute to tax fairness: the existing requirement to report cross-border tax arrangements to the tax authorities will be extended to national tax arrangements of companies with a turnover of more than €10 million, an interest capping rule will be introduced, VAT fraud will be combatted, and abusive dividend arbitrage trading schemes will be halted. Further to this, the Federal Government will consider the extension of rights to withhold tax at source.

154. Digitalisation is creating major challenges to the existing system of tax law in a globalised economy. In the long term, the best way to tackle these challenges is via an internationally coordinated and uniform approach by all states. The Federal Government will therefore continue to proactively advocate the introduction of global minimum taxation. Double taxation and tax disputes between countries must be avoided.

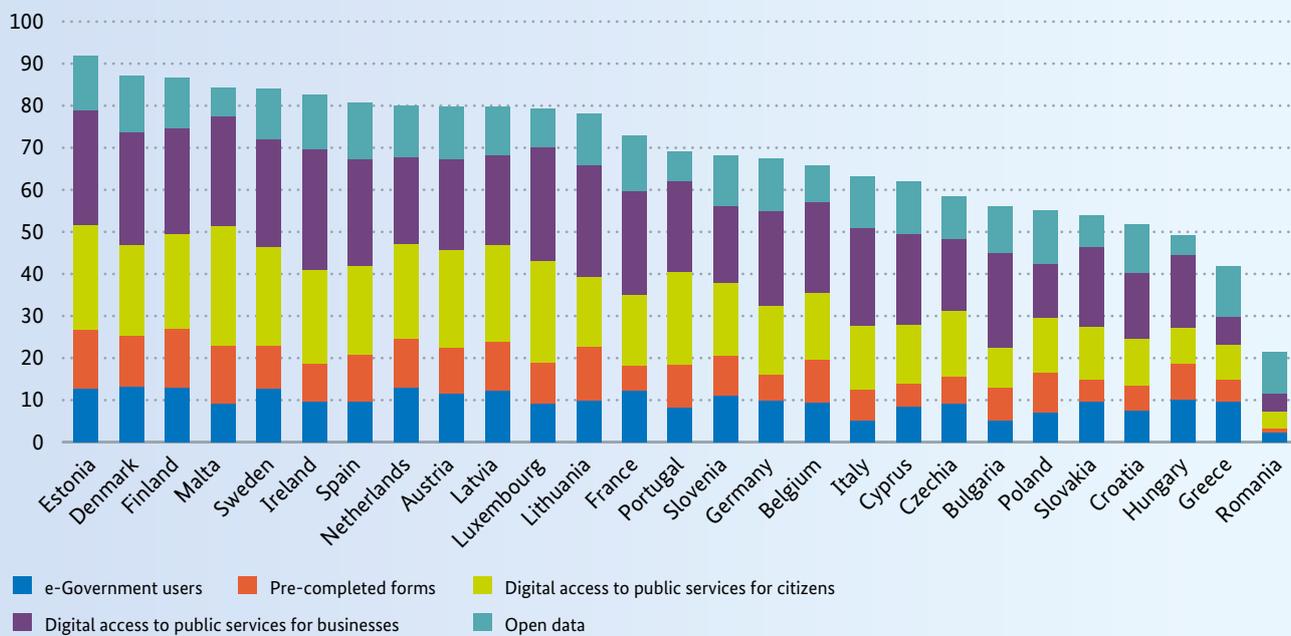
Addressing bureaucracy reduction and the modernisation of administration structures as a cross-cutting task

155. Despite numerous measures to reduce and limit the bureaucratic burden, wide-ranging and in some cases complex regulations in many areas continue to present barriers to the dynamic economic development. However, the forthcoming major transformative processes in particular need rules that are flexible and as unbureaucratic as possible. Despite constructive efforts, Germany still lags behind other European countries when it comes to the digital modernisation of government (cf. Diagram 8).

156. The impact of the pandemic on legislative activities has so far been ambivalent. On the one hand, numerous bureaucratic burdens have been removed, at least on a temporary basis. This creates the opportunity to retain simplifications that were tested during the crisis. On the other hand, new legislation has been put in place during the pandemic which, at least temporarily, has imposed new costs on business in particular.

157. The Federal Government aims to address the reduction of bureaucracy as a cross-cutting task. To this end, a new Bureaucracy Reduction Act (*Bürokratieentlastungsgesetz*) is to be initiated with the participation of all ministries. This Act is to apply to all sectors and take businesses of all sizes into consideration. A reduction in bureaucracy is envisaged in the field of tax law and also in the area of welfare benefits, in the healthcare sector, tourism and the use of funding programmes (e.g. via a uniform digital funding portal). Public administrative bodies are to become more digital and user-centric. Information already available in one administrative body is to be reusable for other administrations. The service for citizens takes centre stage. In future, all

Diagram 8: Development of e-Government (index value from 0 to 100)



Source: European Commission, Digital Scoreboard

interactions between users and the administration are to be possible online. In tax administration, pre-completed tax returns are to be expanded further and an “easy tax” service offered.

158. The Federal Government, together with the *Länder*, will press ahead with the digitisation and reduction in bureaucracy of the taxation authorities to this end and ensure that tax rules can in principle be implemented digitally. Finally, a systematic procedure to review the costs of compliance will be developed with a view to improving the quality and practicability of legislation. In the context of the modernisation of registers, the introduction of a basic register of core company data, in connection with a nationwide identifier for businesses, will represent a major step forward: core company data are to be held centrally, thus avoiding the need for multiple entries in different regis-

ters. The basic register will be implemented swiftly, and the financing for it will be put in place.

159. With the introduction of the Online Access Act in 2017, the Federal Government laid the foundation to make government services digitally accessible at all levels. Nevertheless, the momentum of the digitalisation of public services has fallen short of expectations. Therefore the Federal Government is placing a priority on the implementation and continued development of the Online Access Act. By integrating the administrative portals at the Federal and *Länder* level into a portal network, all administrative services will be accessible across Germany in just a few clicks, irrespective of the administrative portal citizens or businesses initially enter from. Basic services, such as user accounts, support online services in such a way that very frequently used functions are provided centrally by the Federation or the *Länder*.

In addition to providing actual digital access, the main priority here is to also take a user-oriented approach, for instance with simplified procedures and pre-completed forms. To support the nationwide implementation in the Länder and municipalities, the Federal Government is focussing on the standardisation and harmonisation of IT processes (one-for-all principle). The economic stimulus programme has made €3 billion available for the faster implementation of the Online Access Act and a further €300 million for the modernisation of registries. In future, citizens and businesses will be able to use administration services according to the “once-only” principle. Supporting documentation that has already been saved in certain registries does not have to be presented a second time; instead, the competent office can retrieve the information automatically from a public body under specific conditions that comply with data protection legislation (to be defined in detail). Citizens and businesses should be able to identify themselves easily in administrative procedures using a user account. In this context, secure electronic identification is a central prerequisite not only for administrative processes but also for many value chains in the economy. Individuals who, for various reasons, do not have access to online services, will still be able to apply for administrative services by analogue means.

160. Under the EU’s Single Digital Gateway Regulation (2018/1724), German authorities at all federal levels are required to make effective progress in the digitalisation of public administration, with the ultimate creation of a single digital entry point to the administrative services of the EU and the Member States. With the Single Digital Gateway, citizens and businesses are to have user-friendly online access to information, to procedures and to assistance and problem-solving services in all EU Member States. In addition, 21 selected administrative procedures are to be offered for cross-border users in such a way that they can be completed fully

online without the need for paperwork. To achieve this goal, relevant processes must connect to the planned technical system for the automated exchange of documentation (“once-only technical system”). The existing “Your Europe” digital EU platform will be expanded to this end, producing a smart link between national portals (the federal portal in Germany) and the European gateway. The simultaneous implementation of the Online Access Act supports the authorities in complying with European requirements: in future, obstacles to digitalisation (requirement for the written form etc.) are to be overcome through general clauses and legal terminology (e.g. “income”) is to be standardised. Furthermore, the Federal Government plans to reduce legal barriers to encourage the increased use of digital options among businesses: in addition to a permanent provision for virtual general meetings, the possibilities for certification and authentication via video communication are to be expanded in corporate law.

D. Increasing labour market participation, improving skills development, ensuring a sustainable and forward-looking pension system and labour market

161. Structural change and the aging population have significant implications for the labour market and the development of the economy overall. On the medium term, the contribution of the volume of work is likely to have a dampening effect on the annual growth potential of the economy, and could be in the range of -0.2 percentage points by the end of 2026 - the current medium-term forecast period. To prevent the shortage of labour and skilled professionals, it is essential to strengthen the labour supply overall by offering good skills development opportunities and attractive working conditions

and to facilitate job-to-job transitions. At the same time, social stability and participation must be ensured. In addition, the social insurance system must be able to guarantee an adequate level of security on the long term. Both the Federal Government and the Council of the European Union recognise a need for action in all these areas. The Federal Government seeks to improve the labour market opportunities of the disadvantaged groups specifically referred to by the Council, particularly refugees, foreign workers and people with a disability. Furthermore, the priority is to give all children and young people good opportunities for participation, education and training.

Improving employment conditions

162. Social protection, also on the labour market, and fair wages help improve employment conditions and can provide vital incentives to counteract the declining labour supply as a result of demographic changes.

163. Against the backdrop of the EU 2030 targets, the Federal Government has set national targets for its contribution to improving gainful employment, continuing training and social integration.

Box 8: Implementation of the European Pillar of Social Rights

The Federal Government supports the call to further develop and strengthen the social dimension of the EU by implementing all 20 principles of the European Pillar of Social Rights (EPSR). The aim is to reduce social inequalities within the EU, minimise disruptions on the labour markets, also due to external shocks, and improve social protection.

The measures of the Action Plan to Implement the EPSR presented by the European Commission in 2021 can make a contribution to further counteract poverty and social marginalisation, also as a result of the COVID-19 pandemic. Funding from the European Social Fund Plus and the RRF also plays a role in this regard.

At the national level, the Federal Government takes concrete measures that contribute to the implementation of the EPSR principles. The participation of the social partners and affected associations is sought for legislative and policy initiatives. Annex III provides an overview of the most important policy measures adopted since 2017, including the expanded federal programme “Safeguarding Training Places”, the “Digital Pact for Senior Citizens” and the Inclusion Act (*Teilhabechancengesetz*), which also serves to implement employment policy guidelines and reach the EU 2030 headline targets for the fight against poverty.

The coalition agreement for the 20th legislative term also contains an array of measures that contribute to making the EPSR reality. Actions of particular significance to the implementation of the EPSR include the raising of the minimum wage, the introduction of a citizen’s income (*Bürgergeld*) and the planned introduction in 2023 of a period of (part-time) education and training based on the Austrian model.

164. In a one-off adjustment, the minimum wage will be raised from the current gross hourly rate of €9.82 and €10.45 from 1 July 2022 to €12 per hour from 1 October 2022 onwards (cf. Table, EPSR No. 6). Following this, the independent Minimum Wage Commission will convene again to discuss any additional increments. In this context, the income threshold for marginal employment will be raised to €520 and made more dynamic to allow individuals to work 10 hours per week at the minimum wage. At the same time, measures have been adopted that are designed to encourage people to take up employment subject to compulsory social insurance contributions. The upper limit of the transitional range will be raised to €1,600 so that low-wage earners in jobs with mandatory social insurance contributions are less burdened. The measures also smooth out the previous increase in the burden under contribution-related legislation when transitioning from marginal employment to employment subject to mandatory social insurance contributions.

165. Not least in light of the intense pressure nursing professionals are under in the pandemic, it is important to further improve training and working conditions as well as pay in the nursing care sector. In future, the Act to Further Develop the Healthcare System (*Gesundheitsversorgungsweiterentwicklungsgesetz*) will require long-term care facilities to pay their care staff at least the collectively agreed wage. On the basis of the nationwide procedure for the allocation of staff, additional jobs for professionals and assistants can be agreed from 1 July 2023 onwards.

166. The Federal Government intends to reduce the use of limited term employment contracts without objective reasons by the Federal Government as an employer. To avoid the practice of repeat limited term contracts, employment contracts with the

same employer that are limited for objective reasons are to be restricted to a maximum period of six years. It should only be possible to exceed this maximum duration in very limited circumstances.

167. Workers in suitable jobs are to have the right to be considered for teleworking and working from home (remote working) arrangements. Accordingly, employers will only be able to withhold consent due to operational concerns. This means that an application cannot be rejected randomly or for inappropriate reasons. In this context, scope must be left for diverging collective bargaining and operational rules. Remote working should be possible without difficulty across the EU. Further to this, tax rules surrounding remote working (known as the “home office flat rate”) are to be extended through to the end of 2022 and evaluated.

168. The Federal Government aims to maintain existing national rules surrounding corporate co-determination and improve them in specific areas. For example, to this end rules governing the apportioning of workers within a company group as defined under the Co-determination Act (*Mitbestimmungsgesetz*) are to be extended to the Act Concerning One-Third Employee Representation on the Supervisory Board (*Drittelbeteiligungsgesetz*). The Federal Government plans to develop company co-determination further in view of advances in digitalisation and socio-ecological transformation. For this purpose, it intends to grant trade unions the right to digital access to companies that corresponds to their analogue right of access and evaluate the Works Council Modernisation Act (*Betriebsrätemodernisierungsgesetz*), which has facilitated the establishment and election of works councils.

Better integration of disadvantaged groups

169. The Federal Government fights for the interests of people with disabilities. An “Accessibility” federal programme is designed to ensure that all areas of public and private life are barrier-free. The contents of the programme will be centred around the four main areas of the coalition agreement (mobility, housing, health and digitalisation). Labour market participation is an important aspect of social participation. The aim is for people with disabilities to actively take part in working life for as long as possible and in an environment that is as inclusive as possible.

170. In future, the recently established single points of contact for employers will make a key contribution to the integration of people with disabilities into the labour market. They offer cross-provider information and advice to employers with regard to the training, hiring and employment of people with severe disabilities and help them apply for funding and assistance. In future, all employers who do not employ a single individual with a severe disability despite being required to do so by law will have to pay a higher compensatory levy. Furthermore, the services offered by sheltered workshops for people with disabilities are to be geared more towards enabling people with disabilities to make the transition to the regular labour market.

171. With the federal programme “Innovative Ways to Participate in the Working World – rehapro”, the Federal Government is acting on the mandate in Section 11 of Book IX of the Social Code that requires the government to support pilot projects to strengthen rehabilitation. The aim of the federal programme is to maintain or restore the employability of people with health conditions more effectively than before with innovative services and innovative organisational measures. This also aims

to strengthen the social principles of “prevention before rehabilitation” and “rehabilitation before pension”. In addition, innovative approaches are to improve the collaboration of stakeholders in the field of medical and professional rehabilitation.

172. Employment in the social labour market can make it easier for people to take up mainstream employment. Initially introduced for a limited period in 2019, the Inclusion Act – with which the Federal Government introduced a social labour market – is to be made permanent and developed further. The aim is to give longer-term prospects to people furthest from the labour market through publicly funded employment and better opportunities for social participation. This also makes an important contribution to reducing poverty and social exclusion in the context of the implementation of the EPSR. The interim report of the Institute for Employment Research (IAB) on the evaluation of the new labour market policy instrument finds that it is a significant innovation that has closed a funding gap and reaches the right target group.

Improving the framework conditions for labour market participation

173. In principle, the Federal Government shares the view of the Council of the European Union that obstacles to increasing the labour supply must be removed and – coupled with this – incentives for low-earners and second earners, particularly from disadvantaged groups, should be increased to encourage higher labour force participation. Increased labour force participation/a higher number of hours worked could also lessen the effects of the decline in the volume of work due to demographic developments.

174. At 73.2%, the labour market participation of women in 2020 was still well below that of men (79%). At the same time, the number of women in

part-time employment has been increasing steadily for years. With regard to tax conditions, the Federal Government is setting itself the goal of developing the family taxation system further, e.g. by making changes to the tax brackets. Economic independence and the spirit of shared family care-giving responsibilities are to be strengthened.

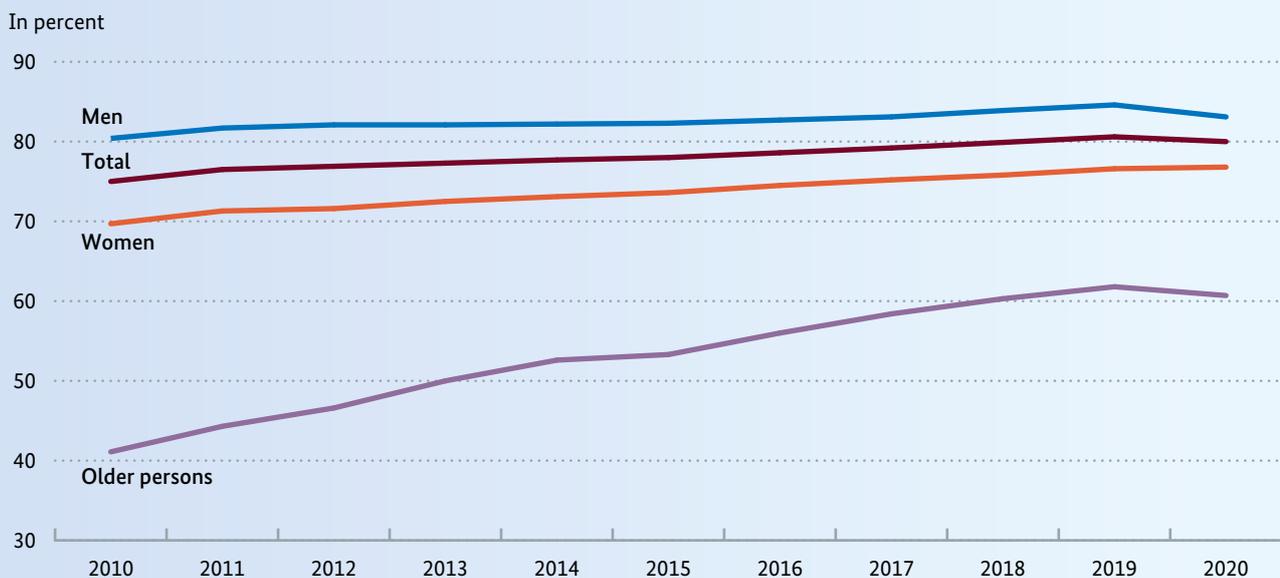
175. The raising of the mini-job and midi-job thresholds in the context of the increased minimum wage and the adjusted development of social security contributions when transitioning from marginal employment to employment subject to social insurance contributions increase the incentive for low-wage earners to take up and increase employment. At the same time, mini-jobs should not be misused as a substitute for regular employment relationships and action is needed to ensure that women, in particular, do not remain stuck in mini-jobs as a form of part-time employment. The additional relief in the transitional area therefore

strengthens incentives for low-income earners to take up employment above the marginal wages threshold.

176. In light of significant price increases particularly in the energy sector, the Federal Government introduced relief – both financial and in the form of simplified taxation – with the draft 2022 Tax Relief Act (*Steuerentlastungsgesetz*), which was adopted by the Cabinet on 16 March 2022. The higher employee's standard allowance benefits workers when they pay their income tax. The planned increase in the basic tax-free allowance relieves the burden on all taxpayers, with low-income households receiving greater relief in relative terms. Furthermore, to provide targeted relief to those particularly affected by higher mobility costs, the increase in the commuting allowance for long-distance commuters and the mobility bonus for low-wage earners are to be brought forward.

Diagram 9: Employment rate

(N)



Source: Federal Statistical Office on basis of EU-LFS

177. The Federal Government intends to introduce a reform that harmonizes or, where possible, brings together the citizen's income, housing benefit and other tax-financed social benefits, if applicable. The aim is to alleviate the negative impact of transfer reduction rates on jobs and employment subject to social insurance contributions, to improve opportunities to earn additional income and to rule out marginal burdens of 100% and more. An independent commission of experts will be commissioned to develop the reform model.

178. To improve incentives for employment and strengthen participation, consideration will no longer be given to income earned by adolescents and young adults who have jobs as school-goers or students and live in a shared household (*Bedarfgemeinschaft*), as defined in Book II of the Social Code, and income earned by foster children or children in care. Furthermore, the tax allowance for trainees and apprentices is to be increased here.

179. The employment rate among 55-64 year-olds rose from around 40% to approximately 60% between 2010 and 2020. The priority is to ensure this positive trend continues this decade. The Federal Government will therefore improve pension advice to raise awareness for the flexi-pension and abolish the time limitation on rules surrounding supplementary income for people who have taken early retirement.

180. To further improve conditions to reconcile family and work commitments and to lend even greater support to families who wish to share responsibility for earning a living and child-rearing in a spirit of partnership, the Federal Government intends to further develop the Federal Act on Parental Allowance and Parental Leave (*Bundeseltern-geld- und Elternzeitgesetz*), (cf. Table EPSR No. 9). Important elements are to include the introduction of an additional, exclusive partner month, the

extension of protection against dismissal in connection with parental leave, the introduction of an entitlement for foster parents to parental allowance, dynamic adjustments to the minimum and maximum amounts and the expansion of conditions in the event of a premature birth. In addition to the existing system of parental allowance and parental leave, the Federal Government plans to introduce a paid two-week leave of absence for the partner (male or female) following the birth of a child. It also plans to expand child sick leave, increasing the number of days that an employee can take off to care for a sick child to 15 days per child and parent, or 30 days for single parents.

181. Support for household-related services is designed to increase the labour force participation particularly of single parents and others who, until now, have been under particular pressure with responsibility for nursing and care activities in the family. Better and more flexible childcare services also help improve the gainful employment of parents. In addition, improved framework conditions for flexible working arrangements make it easier to reconcile family and professional commitments.

182. The equal participation of women and men in economic life also requires a fair pay structure and fair representation in executive positions. The Federal Government is committed to closing the gender pay gap. The Pay Transparency Act (*Entgelttransparenzgesetz*) is to be developed further to this end.

183. With effect from August 2022, a central new rule of the Second Act on the Equal Participation of Women and Men in Executive Positions (*Zweites Führungspositionen-Gesetz*) is that there must be at least one woman on the boards of large German companies with more than three board members (cf. Table EPSR No. 2). The Federal Government also wishes to significantly increase the participation of

women in the investment committees of state-owned funds and investment companies, inter alia.

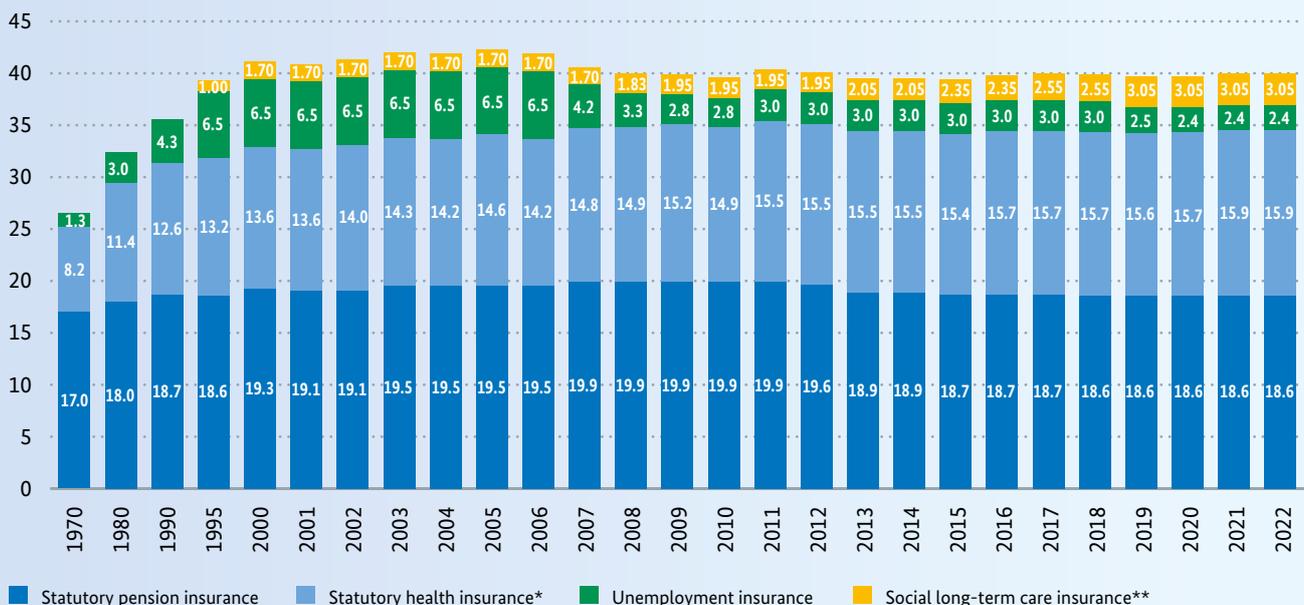
A modern welfare state that is fair for all generations

184. The Federal Government will make the welfare state more citizen-friendly, more transparent and less bureaucratic. The comprehensive digitalisation of services is an important step towards bringing government closer to the people. Further to this, the quality of the analogue provision of advice is to be improved with digital support. Benefits that citizens are entitled to should be paid automatically wherever possible. Citizens should receive these benefits and services as if from a single source, within the framework of low-threshold,

single points of contact in the local area. To this end, the Federal Government will set up a joint Federal/*Länder* working group with the participation of the social insurance institutions.

186. The statutory pension system is to be strengthened and the minimum pension level of 48% guaranteed on a permanent basis. The contribution rate will not exceed 20% for the period up to 2025. Furthermore, from 2022 the Federal Government will reintroduce the “catch-up factor” in pension calculations before the pension adjustments and in doing so will ensure that pension and pay developments are in step with one another. To stabilise the pension level and contribution rate on the long term, the Federal Government plans to introduce partial capital-funding of the statutory pension insurance system. For this purpose, the

Diagram 10: Annual median social insurance contribution rates as a percentage of gross assessable earnings



* Including member-specific additional contribution (subject to parity funding since 2019)
 ** Excluding the 0.25% contribution supplement for childless persons levied since 1 January 2005

Federal Government will deploy €10 billion in capital from the public budget to *Deutsche Rentenversicherung* in 2022. With regard to the taxation of pensions from the basic provision system, the Federal Government will ensure there is no “double taxation” of pension contributions and retirement benefits.

187. The Federal Government intends to strengthen company pension schemes, building on the social partner model which is soon to be implemented. It will radically reform the current system of private old-age provision. To this end, the Federal Government will examine the possibility of setting up a public fund offering effective and inexpensive products with an opt-out option, and assess the legal recognition of private investment products with higher returns than the current *Riester-Rente* state-sponsored pension products. Support measures are to provide incentives for people on lower incomes to sign up for these pension products. Current *Riester* contracts will enjoy special protection of acquired rights.

188. To avoid any additional burdens on individuals paying into the statutory health insurance system (SHI) in 2022 and therefore to contribute to the faster recovery of the German economy following the COVID-19 pandemic, a supplementary federal grant to the SHI of €14 billion has been established for 2022 in addition to the federal grant of €14.5 billion. This means that the average additional contribution rate designed to cover expenses can remain stable at the current level of 1.3%. The Federal Government intends to finance non-insurance benefits, such as pension insurance contributions for family care-givers and pandemic-related additional expenses, from tax revenue. The provision of medical treatment procedures in long-term care facilities is to be transferred from the social long-term care insurance to the SHI system and balanced on a flat-rate basis. The policy of the Federal

Government is geared towards the stable and reliable financing of the SHI. This includes regular adjustments to the federal grant to the SHI and higher contributions for recipients of basic income support for job-seekers (unemployment benefit II) to be financed from tax revenue.

189. A moderate increase in the contribution to social long-term care insurance is to be introduced in order to put this system on a sound financial footing. Furthermore, by 2023 a committee of experts is to put forward concrete proposals for the best approach to amend the social long-term care insurance system to include voluntary, co-funded comprehensive insurance with the aim of absorbing the full costs of long-term nursing care. From 2022 onwards, the Federal Government will also pay €1 billion annually towards the costs of social long-term care insurance. The surcharge paid by persons who have no children has been increased by 0.1 percentage points.

190. The Federal Government intends to replace basic income support for job-seekers with a citizen’s income (“*Bürgergeld*”) in the 20th legislative term. Under the provisions, means testing will be suspended in the first two years of receipt of citizen’s income and actual costs for accommodation and heating are considered reasonable costs. The Federal Government also plans to reorganise obligations to cooperate and abolish rules governing priority of placement. Furthermore, the agreement on integration is to be replaced by a participation agreement, time limitations for the Inclusion Act are to be lifted and incentives to gain a qualification are to be strengthened.

191. Many self-employed persons suffered serious loss of income as a result of the COVID-19 pandemic and had to rely on income reserves or directly on basic income support for job-seekers. In light of this, the Federal Government intends to facilitate

access to the voluntary unemployment insurance system and in doing so provide particular support for self-employed persons and business entrepreneurs. All new self-employed persons who are not subject to a compulsory old-age provision system will be obliged to build up old-age provision with freedom of choice: self-employed persons will be insured under the statutory pension system unless they choose a private old-age provision product – via an unbureaucratic opt-out solution – that is protected against insolvency and seizure. To relieve the burden on self-employed persons above the mini-job limit, contributions to the statutory health insurance system will only be levied strictly on the basis of the individual's income.

Developing labour and skills potential

192. Having sufficient numbers of well qualified skilled workers is central to a successful economy. Therefore proactive, forward-looking measures to secure the supply of skilled labour are crucial for our future prosperity. In light of demographic change, the primary challenge of the coming years will be the dynamic pace of structural change, which will lead to increased problems of mismatch on the labour market. The combination of digitalisation, demographic change and decarbonisation – each a major driving force in itself – results in the increasing concurrence of skilled labour shortages and structural changes in the demand for labour, which vary depending on the industry and region. The situation is compounded by the particular challenges still presented by the COVID-19 pandemic.

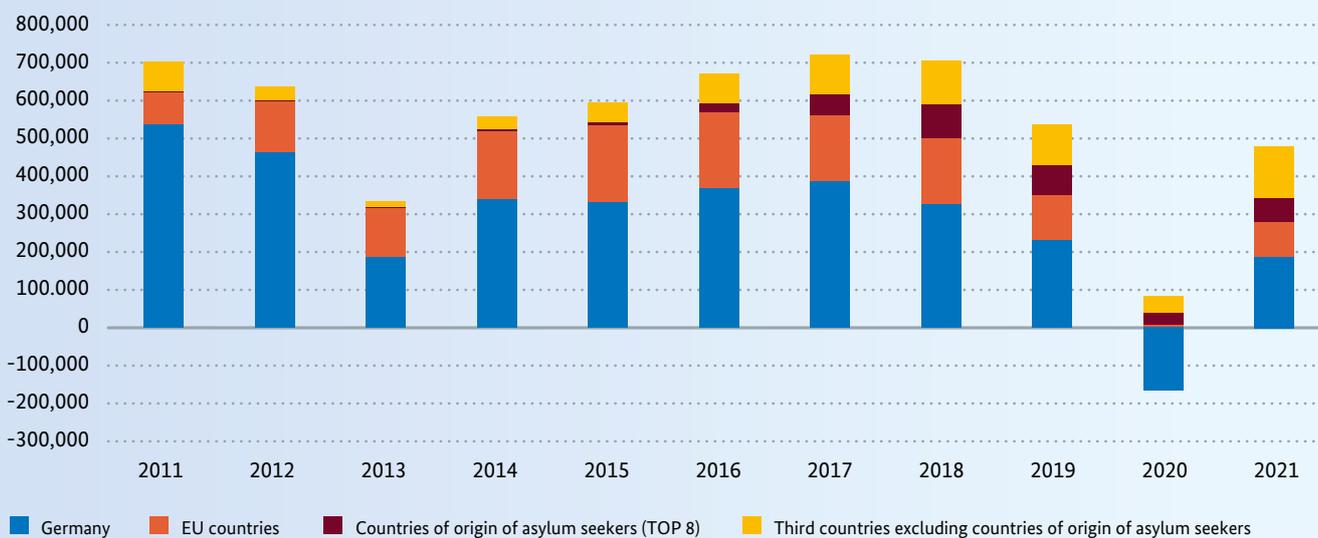
193. The Federal Government will continue to develop its Skilled Labour Strategy and the National Further Training Strategy (cf. Table EPSR No. 1) and improve the possibilities and incentives for further training and professional reorientation.

The priorities here are to ensure a higher labour market participation of women and older workers, provide new impetus for vocational training (initial, advanced and continuing), encourage more immigration of labour and put more attractive working conditions in place in areas already experiencing, or likely to experience, a shortage of skilled workers.

194. Germany's technological and economic performance is determined by highly innovative and increasingly digitally driven sectors that rely on professionals in STEM disciplines. Many initiatives are in place in the *Länder* to improve STEM education both in the context of revised syllabuses and through collaboration with external partners and stakeholders outside the classroom. Furthermore, with the STEM Action Plan, the Federal Government is promoting measures along the entire education chain to enable access to STEM education from kindergarten through to university. The aim is to stimulate and sustain interest in STEM subjects, strengthen STEM knowledge and skills and therefore contribute both to securing the STEM skills base and to a society that is open to technology.

195. In addition to increasing the domestic supply of skilled labour, the priority is also to tap into cross-border labour potential. The Skilled Immigration Act (*Fachkräfteeinwanderungsgesetz*), which entered into force in 2020, aims to support actions to secure the supply of skilled labour in line with economic needs by promoting the targeted and increased immigration of skilled professionals from non-EU countries. In recent years, the employment of international workers has contributed significantly to the high level of employment in jobs subject to social insurance contributions – albeit with regional differences (cf. Diagram 11). The migration-related increase in employment

Diagram 11: Change in the number of workers in jobs subject to social insurance contributions by nationality compared to the previous year



Source: Statistics of the Federal Employment Agency; the value for June compared to the previous year is shown in each case

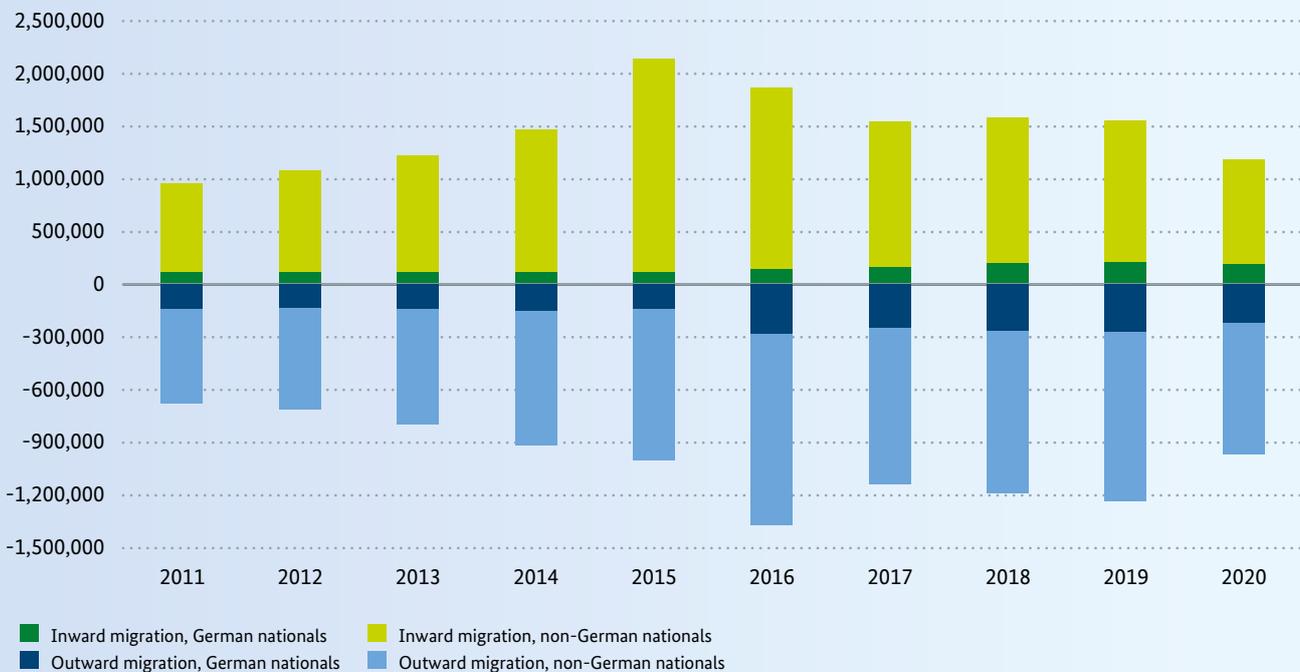
subject to social insurance contributions is also reflected in the migration flows of people of working age (cf. Diagram 12). It is clear that while the number of immigrants is high, the number of those emigrating is also high. Additional efforts are therefore needed to address the outward migration of skilled professionals, particularly with regard to the labour conditions in Germany and the integration of international workers into society.

196. The Federal Government wants to develop existing immigration legislation further and remove the time limitation on proven approaches of the Skilled Immigration Act. This also applies for the “Western Balkans arrangement”. Complementing this, a second pillar is to be established in immigration law with the introduction of an “opportunities card” based on a points system to facilitate controlled access to the German labour market for job-seekers. At the same time, barriers to the recog-

nition of foreign educational and professional qualifications are to be lowered, bureaucracy reduced, procedures stepped up and job-specific language courses promoted more vigorously.

197. The conditions for the temporary suspension of deportation are to be reorganised and new opportunities created for people who have already become part of German society (e.g. “opportunities to obtain right of residence” instead of the previous practice of issuing successive suspensions of deportation, and faster access to the right to stay). With the issuance of a residence permit, more legal certainty is to be created for persons in training whose deportation status has been temporarily suspended and for businesses. In addition, the Federal Government is to lift the time limitation on tolerated stay for working professionals whose deportation status has been temporarily suspended and associated requirements are to be more practicable and realis-

Diagram 12: Migration flows between Germany and other countries of people aged 18-65



Source: Own calculations on basis of Federal Statistical Office, migration statistics

tic. The Federal Government intends to lift bans on employment for people already living in Germany. Furthermore, an ongoing asylum procedure should not stand in the way of a person's actual entitlement to the issuance of a residence permit provided that the conditions for residence authorisation are satisfied on entry into Germany (referred as "lane change", i.e. switching from one status to another).

198. To ensure the successful, long-term integration of international skilled professionals in the German labour market and in society, the Federal Government wants to create fresh prospects and, in particular, make it easier for individuals to obtain German citizenship.

Promoting initial and further training

199. Ensuring a high percentage of tertiary and equivalent education, which was also a goal of the Europe 2020 Strategy, remains a matter of central importance for the Federation and the Länder. The COVID-19 pandemic amplified mismatches on the training market that already existed before the outbreak of the pandemic. The Federal Government has introduced an array of measures to address the negative impact of these changes.

200. The "Safeguarding Training Places" federal programme, which has been in place since August 2020 and was expanded in March 2021, deserves a particular mention in this regard, also within the context of implementing the EPSR (cf. Box 8). To cushion the impacts of the COVID-19 pandemic,

Box 9: *Länder* contribution: Strengthening skills on the labour market, securing the supply of skilled labour



The transformation processes in the working world had already begun before the outbreak of COVID-19. However, the pandemic accelerated the processes further and presented new challenges for workers, job-seekers and employers. The scale of the crisis was demonstrated by the unparalleled drop in the numbers of hours worked (volume of work). This involved significant recourse to short-time work, uncertainty among the workers and employers concerned and an existential threat to many self-employed persons and small and micro enterprises. The labour market situation of migrants came increasingly under pressure. The number of unemployed/long-term unemployed rose while the number of vacancies dropped simultaneously. For young people starting out in their professional lives, the pandemic made it considerably more difficult to make the transition to training, a study programme and work, while the mismatch on the training market intensified. Further to this, the COVID-19 pandemic greatly accelerated the process of digitalisation.

Sharing responsibility with the Federation and in line with the services offered by the Federal Government/employment authorities to strengthen skills in the labour market and secure the supply of skilled professionals, the *Länder* take account of the experiences from the COVID-19 pandemic and address these challenges in 2021 and 2022 by placing a priority on the following areas:

- Support for workers, job-seekers and businesses in the ongoing process of transformation, inter alia by promoting further training and consulting measures.
- Support for self-employed persons and small and micro enterprises, inter alia by providing advice on setting up a business and earning a livelihood.
- Support for teenagers and young adults transitioning from school to training and work, inter alia with (“catch-up”) career guidance and training placement services.
- Promotion of the digital transition in education and further training, including with services for teachers and students.
- Promotion of the reintegration of the long-term unemployed into the labour market, particularly those who lost their job in the wake of the pandemic.
- Measures to promote the equal participation of women in the labour market.
- Improvement of procedures to recognise professional qualifications obtained abroad.

- Promotion of the labour market integration of refugees and of migrants in general, inter alia by providing advisory services and support measures for female refugees and for people from other EU Member States.
- Provision of prospects for single parents and families to overcome personal and family-related problems with the ultimate goal of integration into employment.
- Increased efforts to recruit skilled workers from third countries.

The *Länder* have introduced most of these additional measures within the framework of implementing the REACT-EU programme whose goal is to “provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and prepare a green, digital and resilient recovery of the economy” and linked them to *Länder*-specific labour market initiatives with the active involvement of regional labour market partners. The measures taken helped cushion the impact of the disruptions on the labour and training market caused by the pandemic. In this context, the stabilisation of the training and labour market also goes beyond the effects of the COVID-19 pandemic.

this programme – with a total budget of €835 million for the 2020-2022 period – gives bonuses and grants particularly to small and medium-sized training organisations so that they can maintain or increase the training places offered to young people and continue vocational training courses that have already been started (cf. Table EPSR No. 1). Additional measures to offset the imbalances on the training market particularly during the pandemic include the “Summer of Vocational Training” initiative launched by the Alliance for Initial and Further Training in 2021 (cf. Table EPSR No. 1) or the activities of the Federal Employment Agency to place people in training.

201. On the long term, career guidance services are to be stepped up, the dual system of vocational training and education made more attractive, and all those seeking a training position and trainees in need of additional support are to continue to receive assistance with the instruments of the job

centres and employment agencies that are specifically designed to prepare individuals for training and help them during the training process. A significant contribution will be made by the refined instrument of “assisted training”, which provided assistance for the first time to those starting training in autumn 2021. The Federal Government will make federal educational assistance (*BAföG*) less dependent on parents’ income and will reorganise the *BAföG* system. In particular, the Federal Government will raise age limits significantly, make it easier to change study programmes, extend the maximum grant period, raise grant levels also in light of increasing housing costs, add an emergency mechanism, examine part-time funding and raise the training allowance from €924 to €1,200. With the Educational Links Initiative (cf. Table EPSR No. 1), the Federation, the *Länder* and the Federal Employment Agency closely coordinate their activities with the aim of providing the best possible support to young people transitioning from school to train-

ing and working life. Measures that are designed to help young people take up vocational training are also to be open to refugees in the future.

202. Technological and societal change also impacts job requirements. The Federation, the *Länder* and the social partners will continue to develop occupational profiles for initial and advanced training. The profile content will be overhauled based on job- and sector-specific needs and new professions will be added. The Federal Government will facilitate access to master-level training in a trade or craft by significantly lowering the costs of master-level courses and exams for participants. In addition, the Federal Government will provide targeted support to training in the trades and crafts sector, particularly in light of the overall investment needed in the economy to support climate objectives.

203. The Federation and the *Länder* attach great importance to improving study conditions and the quality of teaching at higher education institutions (HEIs). With the Future Treaty on Strengthening Study and Teaching, which began in 2021, the Federation and the *Länder* intend to improve the quality of study and teaching at HEIs across Germany on a lasting basis and maintain study capacities in line with demand. Through a combination of project funding, exchange, networking and transfer, the “Innovation in Higher Education Teaching” Foundation, which was launched by the Federation and the *Länder*, generates the right momentum for the ability of higher education teaching to modernise. The Vocational Training Act (*Berufsbildungsgesetz*) defines the framework for dual vocational training, and therefore also for vocational training offering higher qualifications, with transparent stages of further training and attractive qualification titles. The internationally recognisable qualifications of “Bachelor Professional” and “Master Pro-

fessional” directly express the equivalence of vocational and academic education.

The Upgrading Training Assistance Act (*Aufstiegsfortbildungsförderungsgesetz*) is a tailor-made support offering that enables funding to be provided at all three further vocational training levels enshrined in the Vocational Training Act. The Upgrading Training Assistance Act therefore supports step-by-step upskilling up to the Master level. As a result of the 27th Act to Amend Federal Educational Assistance (*Gesetz zur Änderung des Bundesausbildungsförderungsgesetz*) individuals receiving support under the Upgrading Training Assistance Act will also benefit from considerable improvements in assistance with maintenance costs from the summer of 2022 onwards. In this context, the Federal Government will also cut red tape in application procedures for upgrading training assistance. As part of a second step, plans are in place to significantly reduce the costs of the measures, to also enable maintenance support for those in part-time programmes under certain conditions, and to expand the funding framework to ensure the best possible development of potential for individuals and society.

204. The Federal Government will further improve conditions for vocational re-orientation and initial and further training. In particular, there is a significant increase in the need for tailored vocational further training, including for those who are changing jobs or switching from one sector to another. The National Online Further Training Platform (NOW!) is to bring greater transparency to the wide range of stakeholders, offers and funding opportunities available in the area of vocational further training and in doing so contribute to increased participation in further training measures in Germany. NOW! is to be interlinked with the National Education Platform, a digital network-

ing infrastructure which offers lifelong support to everyone taking part in education and extends to all areas of education. NOW! is to be developed as a central entry portal for all matters of vocational further training. Novel digital infrastructures will be created and new data spaces designed and comprehensively developed with the interconnection and further development of the platforms. These spaces enable transparent and individual access to educational and advisory services and funding instruments. Under the “Creating Further Training Alliances” federal programme, the Federal Government is making over €100 million available in total through to 2024 to increase further training activities particularly in SMEs and to strengthen regional business and innovation networks. To support structural change in the automotive industry, additional further training alliances will be sponsored through a second funding guideline in 2022.

205. To support the reallocation of labour in the course of structural change, the Federal Government has provided incentives for people to also pursue further training during short-time work. With the Act to Promote Vocational Further Training amid Structural Change and Enhance the Promotion of Training (*Gesetz zur Förderung der beruflichen Weiterbildung im Strukturwandel und zur Weiterentwicklung der Ausbildungsförderung*) and the Act to Secure Employment (*Beschäftigungssicherungsgesetz*), the Federal Government has already established a procedure for the promotion of further training during short-time work that is void of bureaucracy. To strengthen further training during short-time work, employers who enable their workers to pursue vocational further training during short-time receive a 50% reimbursement for their social insurance contributions and full or partial reimbursement for the training costs, depending on the size of the business. To be eligible, workers must take part in a training measure that is certified according to Book III of the Social Code and

is provided by a licensed educational provider for a period of over 120 hours.

206. With a skills development allowance that is modelled on the short-time work allowance, the Federal Government seeks to support businesses affected by structural change so they can keep their workers through in-work training and secure the supply of skilled labour. In the case of vocational qualifications, those entitled to benefits under Book II and III of the Social Code are to receive an additional, monthly further training allowance of €150. Furthermore, following a period of further training individuals are to at least have an entitlement to three months’ unemployment benefit. Rules surrounding priority of placement in Book II of the Social Code are to be abolished.

207. The introduction of a period of (part-time) education and training based on the Austrian model is planned for 2023. It is designed to enable workers to receive financial support for further training to suit the labour market, e.g. earning a professional qualification later in life or professional reorientation (cf. Table EPSR No. 1).

Improving school education, strengthening skills development

208. Improving opportunities for education and participation is of central importance for the Federal Government, particularly with regard to disadvantaged groups. The provision of educational opportunities is crucial in the fight against poverty and social marginalisation. In recent years a series of measures have been introduced that aim to improve care and educational offerings (cf. Table EPSR No. 3).

Due to the autonomy of the *Länder* in educational and cultural affairs, central responsibility for educational policy lies with the *Länder* (cf. Box 10).

When collaborating on educational matters, the Federal Government seeks close cooperation with the Länder to together ensure that every child has the same opportunity to develop and fulfil their potential. The developments of recent years demonstrate both progress and persistent shortfalls. While the share of young people with higher educational and professional qualifications has increased steadily, the percentage of early school-leavers has remained relatively high (cf. Diagrams 13 and 14).

209. Education and skills development begin in early childhood and continue through our entire working lives. To address educational imbalances as a result of the COVID-19 pandemic, inter alia, the Federal Government has launched the €2 billion “Action Programme to Catch up after COVID” for children and young people (cf. Table EPSR No. 3). Furthermore, digital learning is becoming increasingly important, both within the context of the

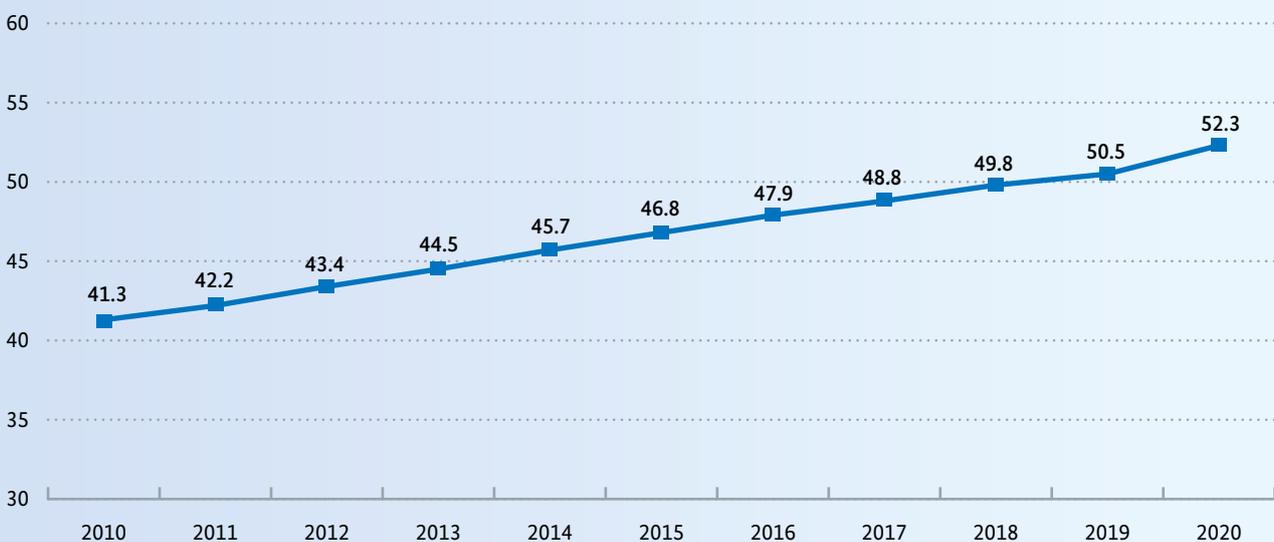
COVID-19 pandemic and beyond. To make progress with digital learning in all stages of education, the Federal Government launched the “Digital Education Initiative”. Funding for the “Digital Pact for Schools” was increased by a further €1.5 billion, the process of drawing down funds is to be simplified further and the disbursement of funds accelerated. Digital platforms spanning multiple *Länder* improve the efficiency of the national education infrastructure.

210. Through the Special Fund to “Expand all-day education and care services for children of primary school age”, the Federal Government is making €3.5 billion available for investment to expand all-day education and care services for children of primary school age. The Federal Government intends to continue to support the expansion of all-day services for primary school children with a particular focus on quality. Like the planned support for household-related services, this measure is also

Diagram 13: 30–34 year-olds with a tertiary or higher vocational qualification



30–34 year-olds with a tertiary or higher vocational qualification



Source: Federal Statistical Office, microcensus

Diagram 14: Early school-leavers



Percentage of all 18–24 year-olds



Explanation: Share of 18–24 year-olds in all persons of the same age group who, at the very maximum, have successfully completed lower secondary education (Hauptschule or Realschule) (ISCED level 2) and who have not gone on to earn a further professional qualification or who are currently not in training or education.

Source: Federal Statistical Office, microcensus

designed to help reconcile family and work commitments. The introduction of basic security benefits for children is intended to create better opportunities for children and young people and, through digitalisation and simplification, to lift more children out of poverty. Until its introduction, an immediate supplement is to be paid for children already in need.

211. Improvements in the field of school education are of central importance to the medium- and long-term development of prosperity – not least in light of the aging population. The Federal Government intends to significantly increase public spending on education together with the *Länder* and, while respecting the autonomy of the *Länder* in educational and cultural affairs, seeks a closer, more focussed and binding collaboration at all federal levels (principle of cooperation). By combining

the ability and ambition of local school authorities to put solutions into practice, the educational and cultural autonomy of the *Länder* and the support potential of the Federal Government, the aim is to establish a new culture in educational collaboration. In addition, the Federal Government will hold an education summit at which the Federation, the *Länder*, the municipalities, the scientific community and civil society will agree upon new forms of collaboration.

212. Written language skills are a central prerequisite for social and economic participation. As part of the “National Decade for Literacy and Basic Education 2016–2026”, which the Federation supports with around €180 million, funding is granted to research and development projects whose aim is to develop and test innovative models to improve the literacy skills and basic education of low-literacy

workers in everyday life and work settings. Once completed, the R&D projects will provide practical knowledge and useful models and materials. The transfer of knowledge to applications in practice is one focal area in the further course of the National Decade for Literacy and Basic Education.

213. The “Digital Pact for Senior Citizens” was launched in August 2021 (cf. Table EPSR No. 1) and is of particular importance both for the implementation of the first principle of the European Pillar of Social Rights focussing on “Education, training

and life-long learning” and within the framework of the EU Digital Strategy. This joint initiative by the Federation, Länder, municipalities, the business sector, the scientific community and civil society seeks to strengthen the ability of senior citizens to live a self-determined and independent life in the following areas: housing, mobility, social integration, health and care, social spaces and the local neighbourhood. A mobile advisory team and a service point with a knowledge platform provide onsite assistance to older persons to learn everyday digital skills.

Box 10: *Länder* contribution: Investment in education (school and higher education institutions)



Education is essential for long-term social and economic development and for innovation. It is a deciding factor for opportunities in life and enables everyone to lead independent lives. For this reason, the *Länder* – responsible for around 70% of spending on education – have introduced a wide variety of comprehensive measures and instruments to increase the education and skills level further and reduce inequalities, also in the context of the COVID-19 pandemic.

The following section provides examples of measures taken by the *Länder*, some of which are also implemented in tandem with the Federation.

1. Post-COVID Catch-up Action Programme for Children and Young People

With the “Post-COVID Catch-up Action Programme”, the Federation and the *Länder* are responding to the educational deficits among students due to the loss of in-person teaching during the pandemic and to the psycho-social stress that children, young people and their families are under. This programme goes beyond the additions to the Digital Pact that were already agreed in 2020 and 2021 (immediate provision of equipment to pupils, administration support and the provision of devices on loan to teachers), whereby €500 million was provided by the Federation and €50 million by the *Länder* for each additional agreement.

Supported by total federal funding of €2 billion, the “Post-COVID Catch-up Action Programme for Children and Young People in 2021 and 2022” also makes provisions for measures to reduce educational deficits, for which the Federation is providing €1 billion in total. In implementing the agreed measures, the *Länder* are contributing own funds on an equal basis at least to actions to reduce edu-

cational deficits. The Federation is contributing €1.29 billion towards the Action Programme launched on 25 June 2021 via the Fiscal Equalisation Act (*Finanzausgleichsgesetz*).

The measures are implemented by the *Länder* within the framework of existing structures. Apart from this, in the 2020/2021 academic year the *Länder* already introduced a series of measures to promote learning and a number of support instruments to address gaps in learning owing to the pandemic.

2. Legal entitlement to all-day care for children of primary school age

All-day education and care of children of primary school age is pivotal to raising the level of education and reducing educational imbalances on the long term. The Act for the All-day Support of Children of Primary School Age (*Gesetz zur ganztägigen Förderung von Kindern im Grundschulalter*) was definitively adopted by the Bundesrat on 10 September 2021. The legal entitlement to all-day care will enter into force on 1 August 2026.

The Federation is supporting the necessary expansion of all-day services with financial assistance of up to €3.5 billion for investment in infrastructure. Of this amount, €750 million have already been provided since the end of 2020 through the investment programme for the faster expansion of the education infrastructure for primary school children. The Federation will also pay towards regular costs and provide lasting support to the *Länder* in the form of the *Länder* share of VAT revenues. The funding will increase annually from 2026 up to €1.3 billion per year from 2030 onwards.

3. “Strong Schools” initiative

The start of 2021 saw the launch of “Strong Schools”, a joint Federal/*Länder* initiative to support schools in socially deprived areas. The aim is to improve the educational opportunities of socially disadvantaged pupils. 200 schools in socially deprived areas are supported in meeting their educational mandate to enable their students get the best possible learning and educational outcomes in line with their potential. Support is granted to customised solutions and ideas presented by the schools.

4. Measures to address the effects of the COVID-19 pandemic in higher education institutions

To continue to help higher education institutions (HEIs), teachers and students deal with the impact of the COVID-19 pandemic, the Standing Conference of the *Länder* Ministers of Education and Cultural Affairs also adopted measures in 2021 to structure teaching activities during the semesters. These measures are designed to give HEIs as much flexibility as possible and also provide reliability and planning security while also avoiding disadvantages for students.

In addition, by investing a great deal of effort and with the support of the *Länder* the HEIs also forced the pace on the use and expansion of digital instruments to continue teaching activities during the COVID-19 pandemic. Not least, this added flexibility can also benefit non-traditional stu-

dents (e.g. persons with vocational qualifications or students with family obligations) and foreign students. The digitalisation of teaching can also help open up HEIs to target groups whose personal circumstances make it difficult for them to take up or continue a study programme at a HEI that operates exclusively within the framework of in-person attendance.

Spending on investment in the budget years is generally conditional on approval by the budgetary legislator.

III. Brief summary of the main progress made in implementing the German Recovery and Resilience Plan

Key points of the German Recovery and Resilience Plan

214. The German Recovery and Resilience Plan (DARP) was positively assessed by the European Commission on 22 June 2021 and approved by the Council on 13 July 2021. The DARP has now entered the implementation phase following the conclusion of the financing agreement between the Federal Government and the European Commission. In line with the guiding principles of the EU's Recovery and Resilience Facility (RRF), the plan centres on the topics of digitalisation and climate change, which are important challenges of the future. In the German plan, around 42% of spending supports climate objectives and over 50% fosters the digital transition. Germany therefore exceeds the EU requirements for 37% of spending to go towards climate action and 20% towards digitalisation.

215. The DARP has a total budget volume of roughly €28 billion for the 2020-2026 period. According to current forecasts, Germany is entitled to grants of €25.6 billion from the facility. The pre-financing instalment of €2.25 billion was paid to Germany on 26 August 2021.

The DARP contains 40 measures that concentrate on the following six priorities:

1. Climate policy and energy transition (€11.3 billion)
2. Digitalisation of commerce and infrastructure (€5.9 billion)
3. Digitalisation of education (€1.4 billion)

4. Strengthening of social participation (€1.3 billion)

5. Strengthening of a pandemic-resilient health system (€4.6 billion)

6. Modern administration and reduction of barriers to investment (€3.5 billion).

216. The DARP sets the long-term course for more investment in forward-looking technologies and in the protection of the health of the general public. Accounting for around 40% of the total financial budget, the first priority of the DARP focuses on the area of climate policy and the energy transition, with huge investment in the development of a strong hydrogen sector, the promotion of climate-friendly mobility and energy retrofitting of buildings. A second priority area of the DARP is the digitalisation of commerce and infrastructure as well as the digitalisation of the education system. The digital transformation is a common thread running through almost every feature of the plan.

The DARP is also centred around the Important Projects of Common European Interest (IPCEIs) jointly initiated by Germany and France in the fields of hydrogen, microelectronics/communication technologies, cloud computing and data processing. These projects are open to all EU Member States and make an important contribution to cross-border technological collaboration in central action areas and thereby generate genuine European added value.

217. Apart from these primary focal areas, Germany is also investing the European funds specifically in a digital education campaign and in measures to strengthen social participation and build a pan-

demic-resilient healthcare system. The investment priorities are accompanied by structural reforms to expand public-sector investment capacities and to modernise the administration in Germany. The DARP aims to make administrative processes and approval services faster and more citizen-friendly and to accelerate the implementation of public-sector investment projects.

State of play: milestones and targets

218. 129 milestones and targets are attached to the 40 measures under the DARP. According to the latest FENIX table update (1 March 2022), 33 of the 129 milestones and targets have been successfully reached by the departments in charge. An additional 30 milestones and targets must be reached in 2022.

219. The first application to the European Commission for payment of the amount of €4.1 billion is likely to be made in mid-2022. To guarantee full disbursement of the funds, evidence must be presented to the European Commission that the milestones and targets to be met by the end of 2021 have indeed been reached.

An operational agreement between the Federal Government and the European Commission sets down requirements with regard to programme implementation, reporting and aspects of the verification mechanisms. Latest developments in individual action areas and additional technical requirements for Germany from the RRF are also considered in this context.

Apart from biannual reporting on milestones and targets, provisions are also made for Member States reports on “common indicators”. The first report on these indicators was submitted in February 2022. The European Commission pulls these indicators into a scoreboard, which gives an overview of how the implementation of the Recovery and Resilience Facility is progressing in the various Member States.

220. To safeguard the financial interests of the EU in the implementation of the DARP, comprehensive obligations to comply with auditing and accounting standards are in place. To guarantee this compliance, an independent audit unit has been set up at the Federal Ministry of Finance in addition to the DARP coordination unit.

IV. Important progress in the implementation of the United Nations Sustainable Development Goals

221. In 2015, the international community adopted the 2030 Agenda with a total of 17 Sustainable Development Goals (SDGs) to be met by 2030. The guiding principle of the Agenda is the “transformation of our world” to ensure a life of dignity worldwide for present and future generations. This comprises economic, ecological and social development aspects. The Agenda calls on everyone – governments around the world, civil society, the private sector and the scientific community – to align their actions with these goals and ensure no-one is left behind in the process of transformation.

222. The Federal Government sees the Sustainable Development Goals as a guideline for its policies in the national, European and international context. It is committed worldwide to sustainable development, the fight against hunger and poverty, climate justice, biodiversity and social and ecological change. In recent years, many companies have also stepped up measures to achieve the United Nations Sustainable Development Goals.

223. The German Sustainable Development Strategy (DNS) is the central framework for Germany’s sustainability policy. Revised in 2016, the Strategy has been geared towards the implementation of the 2030 Agenda in, by and with Germany. With the Sustainable Development Strategy, the Federal Government translates sustainability as a guiding principle into policy action with targets and measures in all 17 SDG areas. As scheduled, the Federal Cabinet agreed to refine the German Sustainable Development Strategy once again on 10 March 2021.

224. Sustainable development is (currently) measured in 39 areas using 75 key indicators. The development of the individual indicators is presented in a comprehensive manner every two years in an indicator report published by the Federal Statistical Office. The last report was published in spring 2021.

225. The European Commission is of the opinion that the German economy has “developed well” in recent years, which is reflected in the results for SDG 8 “Decent work and economic growth”.¹ The European Commission also finds that Germany has performed well on SDG 16 “Peace, justice and strong institutions”. The European Commission regards Germany’s persistent current account surplus, which is linked to the country’s positive economic development, as a challenge (cf. Item 15 ff.).

226. The Federal Government agrees with the European Commission that disadvantaged groups could be better integrated into the labour market and supports this with a raft of measures, such as the continued improvement of the Inclusion Act (cf. Item 172). It will also improve the conditions for the employment of international workers and for employers and refugees, also in light of the shortage of skilled labour (cf. Item 196 ff.). The Federal Government also intends to promote the integration of people with disabilities into the labour market (cf. Item 170). It will strengthen incentives and opportunities for second earners to work by making adjustments to family taxation, promoting household-related services, strengthening the reconciliation of work and family life and improving child-care options (cf. Item 176 ff.).

¹ This and the following references refer to the supporting documentation for the proposal for a COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Germany {COM(2021) 341 final} of 22 July 2021; here: Box 1: Progress in the implementation of Sustainable Development Goals (SDG).

227. When it comes to the climate and energy goals (SDG 7 “Affordable and clean energy” and SDG 13 “Action to combat climate change”) both the Federal Government and the European Commission believe that there is room for improvement. The Federal Government is putting comprehensive measures in place to reduce greenhouse gas emissions and to reach the targets for 2030, and achieve climate neutrality by 2045, as set out in the Climate Change Act (cf. Item 52 ff.). The Federal Government also seeks to significantly increase the share of organic agriculture to 30% by 2030 (SDG 2) and to substantially reduce the concentration of nitrate in our waters (SDG 6).

228. The European Commission recognises that Germany has made considerable progress towards the Sustainable Development Goals that focus on fair opportunities, particularly with regard to poverty (SDG 1 “End poverty”), well-being (SDG 3 “Health and well-being”) and decent work (SDG 8 “Decent work and economic growth”).

229. While the European Commission has identified challenges regarding SDG 4 “Quality education”, the Federal Government only shares the Commission’s opinion with regard to the indicator for early school-leavers. The share of 18-24 year-olds who have neither a higher education entrance qualification, nor have completed vocational training, nor are currently in initial or further training has risen again slightly since 2014 and is above the EU average. In addition, the percentage of 30-34 year-olds with a tertiary qualification is below the European average. However, in this context it is important to note that the German definition of the corresponding indicator factors in both tertiary qualifications and post-secondary, non-tertiary qualifications, which play an important role in Germany due to the country’s dual system of vocational education and training. The value of this indicator, which has a broader definition in the

German Sustainable Development Strategy on account of Germany’s training and education system, has been increasing steadily for years, with data suggesting that Germany could reach its target rate even before 2030. Furthermore, according to the Education and Training Monitor 2021 the percentage of adults taking part in further training in Germany has been increasing steadily and is above the EU average. The much lower figure reported by the EU for the SDG 4 indicator for further training is due to the data source, which underreports further training in Germany significantly on account of differences in the methodology.

230. The Federal Government addresses the topics of social security, participation, education and further training also in the context of the implementation of the EPSR. Particular impetus in the area of further training is provided under the National Further Training Strategy (cf. Item 193). Due to the autonomy of the *Länder* in educational and cultural affairs, the *Länder* bear primary responsibility for education (cf. Box 10). The Federal Government seeks to collaborate closely with the *Länder* to enable good educational opportunities for all children. Imbalances are addressed by measures such as better labour market participation of disadvantaged groups (cf. Item 169 ff.) and the raising of the minimum wage (cf. Item 164 ff.). Thanks to the comprehensive assistance programmes and stabilisation measures put in place by the Federal Government, it was possible to largely cushion the economic impact of the COVID-19 pandemic, with the result that per capita income was far less affected by the crisis than value added.

231. The European Commission recognises positive developments with regard to SDG 9 “Industry, innovation and infrastructure”, such as the level of spending on research and development and the high number of patent applications. The Federal Government intends to step up investment in the

digital infrastructure, an area where the European Commission still sees potential for improvement (cf. Item 112 ff.). With regard to the need to develop specialist and job-specific digital skills, as highlighted by the European Commission, the Federal Government will work with the social partners and the *Länder* to continuously adapt vocational training programmes to meet requirements (cf. Item 202). Digital skills also play a central role in the area of further training.

V. Drafting the NRP 2022: process and stakeholders

232. The NRP 2022 was prepared by the Federal Government under the leadership of the Federal Ministry for Economic Affairs and Climate Action. Coordinated by North Rhine-Westphalia as the state currently chairing the Conference of Minister-Presidents, the sixteen German Länder supplied individual articles and delivered comments on a draft version of the NRP.

233. Many industry and social associations, trade unions, employer representatives and representatives of the municipal administrative level also contributed to the creation of this document. These are the Confederation of Employers' Associations, the German Trade Union Confederation, the Federation of German Industries, the Association of German Chambers of Industry and Commerce, the German Confederation of Skilled Crafts, the Association of German Cities, the Association of German Counties, the German Association of Towns and Municipalities, the National Poverty Conference and the Federal Association of Non-Statutory Welfare. Their opinions are published on the web-

site of the Federal Ministry for Economic Affairs and Climate Action along with the NRP 2022 (www.bmwk.de/Redaktion/DE/Publikationen/Europa/nationales-reformprogramm-2022.html). The draft was also discussed in Bundestag committees.

234. The NRP 2022 was adopted by the Federal Cabinet on 6 April 2022. The citing of measures in the report does not prejudice either current or future budget negotiations. The implementation of measures is based on the precondition that the budgetary legislator makes the appropriate funding available. In this respect, measures not financed in the budgetary framework and in the second government draft of the 2022 federal budget are all subject to the availability of funding. Directly after the Cabinet decision, the NRP 2022 was formally submitted to the German Bundestag and the Bundesrat. The Bundesrat considered the NRP at its session on 8 April 2022. The Federal Government will submit the NRP 2022 to the European Commission by the end of April 2022.

Annex I: Table of the implementation status of the country-specific recommendations

Implementation of the country-specific recommendations in Germany

The council of the european union [...] Hereby recommends that Germany take action in 2020 and 2021 to:

CSR.2020.1

1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Mobilise adequate resources and strengthen the resilience of the health system, including by deploying e-health services.

Subpart 1 (CSR.2020.1):

Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.

No.	Measures	Measure type	Action date
1.	Bridging Assistance III including the New Start Assistance advance payment for own-account workers supported companies with Covid-related losses of turnover of at least 30% by providing grants during the funding period from November 2020 to June 2021. The changes to the programme from 19.04.2021 included an equity grant for companies which were particularly hard-hit and an increase in the reimbursement of fixed costs to up to 100% (disbursements since programme launch: approx. €27.7bn). It was possible to submit applications until 31.10.2021.	Deleted	31.10.2021
2.	Bridging Assistance III Plus incl. New Start Assistance Plus supports companies with Covid-related losses of turnover of at least 30% by providing grants towards the fixed operating costs in the funding period from July to December 2021 (disbursements since programme launch: approx. €1.89bn). Own-account workers can apply for New Start Assistance Plus if they are unable to claim for any fixed operating costs. They receive up to €1500 per month of funding. (Disbursements since programme launch: approx. €509.8m). Applications can be submitted up until 31.03.2022.	Implemented	23.07.2021
3.	Bridging Assistance IV incl. New Start Assistance 2022 is basically an extension of the preceding programme (Bridging Assistance III Plus and New Start Assistance Plus) and is available to affected companies in the funding period from January to March 2022. Bridging Assistance IV again covers the regular, ongoing fixed costs. The eligible fixed costs now also include material and staff costs relating to access restrictions (where only fully vaccinated or recovered persons are permitted access to a site). Applications can be submitted up until 30.04.2022. More information is available at www.ueberbrueckungshilfe-unternehmen.de	Implemented	07.01.2022

No. Measures	Measure type	Action date
4. The Extraordinary Economic Assistance (“November Assistance” and “December Assistance” supported companies affected by the decisions taken on 28.10.2020 to curb the COVID-19 pandemic by providing them with a one-off payment of up to 75% of the like-for-like turnover in 2019 for the duration of the closures in November / December 2020. It was possible to submit initial applications until 30.04.2021. (Disbursements since programme launch: approx. €13.8bn.)	Deleted	30.04.2021
5. The hardship assistance implemented by the <i>Länder</i> is available to companies which have encountered economic difficulties due to the COVID-19 pandemic but which, due to special circumstances, have not been covered by the existing federal and <i>Länder</i> aid programmes. The hardship cases are financed equally by the Federation and the <i>Länder</i> . Federal funding totalling €78.5m has been envisaged for 2022. Approx. 1,000 applications for hardship cases were received by the <i>Länder</i> by the end of 2021. Of these, approx. 260 applications totalling approx. €7.5m had been approved by the end of the year. The funding period for the hardship assistance was extended until 31.03.2022. Further details at: www.haertefallhilfen.de .	Implemented	18.05.2021
6. On 18.02.2022, the Bundestag adopted the Act Extending Short-time Work Allowance, extending certain specific rules governing short-time work allowance until 30.06.2022. In detail: the period of entitlement to short-time work allowance is extended to up to 28 months; the higher benefit rates and the relaxed eligibility rules remain in place, and earnings from mini-jobs still do not need to be offset.	Implemented	01.03.2022
7. On 01.01.2022 the Federal Government extended the KfW Special Programme, including the KfW Instant Loan, until 30.06.2022 (applications by 30.04.2022) and raised the loan ceilings in line with the rise in the ceiling for small amounts of compatible aid. The Special Programme is open to commercial companies of all sizes and freelancers to cover their liquidity needs. As of 31.12.2021, €53.17bn in loans had been approved. One element of the KfW Special Programme is the programme entitled “Global loans to <i>Länder</i> promotional institutes for non-profit organisations” to set up nationwide funding for relevant programmes of the promotional institutes of the <i>Länder</i> in support of non-profit organisations.	Implemented	01.01.2022
8. The existing equity financing provided by the “ <i>Mittelständische Beteiligungsgesellschaften – MBGs</i> ”, which invest in SMEs, was expanded. The aim is to strengthen the equity base of SMEs. To this end, the back-to-back guarantees of the Federal Republic and the <i>Länder</i> were substantially increased and extended beyond 31.12.2021 until 30.06.2022 (application deadline: 30.04.2022), and the conditions for the companies improved; e.g. increase in the standard limit for equity investments from €1m to €2.5m.	Adopted	01.01.2022
9. The companies covered by the “ <i>Mikromezzaninfond Deutschland II</i> ” (Micro-Mezzanine Fund Germany) only need to pay a fixed fee averaging 4% p.a. rather than 8% p.a. for the dormant equity provided via the MBGs until 31.12.2023 (the REACT-EU funding period). The aim of the interest-rate subsidies funded by REACT-EU and disbursed via the ESF is to prevent insolvencies due to the pandemic and to promote new start-ups and investment.	Implemented	30.07.2021
10. The package of measures for start-ups and small SMEs is being provided by the KfW through Pillar 2 of the package beyond 31.12.2021 until 30.06.2022 to the funding institutions of the <i>Länder</i> in the form of global loans released from liability; these are used for pro-rata refinancing of existing and new funding programmes of these funding institutions so that mezzanine and venture capital can be provided. The Federal Republic assumes 100% of the risk of the re-financed share of the financing. Pillar 1 (venture capital funding via venture capital funds) of the package of measures had been limited to 31.12.2021.	Implemented	01.01.2022

No.	Measures	Measure type	Action date
11.	Guarantees for the financing of equipment and investments (loans, current account credit lines, bank guarantees, lease financing) can now be provided on a temporary basis, extended until 30.06.2022, to companies whose business models were viable up to the beginning of the crisis, at a guarantee rate of 90%. In principle, the guarantee programmes (guarantee banks, <i>Länder</i> guarantees, parallel Federation/ <i>Länder</i> guarantees) are open to all industries and, most importantly, also target small and medium-sized enterprises.	Implemented	24.03.2020
12.	Simplified access to basic security benefits was extended once again to 31.12.2022. To this extent, simplifications in the application process, facilitated asset tests, increased asset thresholds, and the recognition of actual spending on accommodation and heating as appropriate spending continue to apply. Ordinance on the extension of rules in the Second Book of the Social Code, in the Federal Educational Assistance Act and other acts due to the COVID-19 pandemic (Federal Government decision of 23.02.2022).	Implemented	01.01.2022
13.	In order to mitigate the emergency situation in the cultural and media sector and to retain the cultural infrastructure, the New Start Culture rescue and future programme was launched in June 2020 with a total volume of an initial amount of €1bn. The Act on the First Supplement to the 2021 Federal Budget increased the funding for New Start Culture by another €1bn. The funding can be used to finance projects until the end of 2022. New Start Culture consists at present of 74 individual programmes with three priority areas: pandemic-related investment, the upholding and strengthening of the production and dissemination of culture, and increased needs of federally funded cultural institutions due to the pandemic.	Implemented	03.06.2021
14.	The Federation's Special Fund for Cultural Events, with a total volume of up to €2.5bn, grants economic viability assistance (grants towards ticket revenues) if smaller cultural events can only be realised before a reduced audience due to the pandemic. If cultural events are cancelled due to the pandemic, another funding module of the fund covers up to 90% of the proven event-related costs. The events must be registered in advance, e.g. on an IT platform. The Federation's Special Fund for Cultural Events ends on 31.12.2022.	Implemented	01.07.2021
15.	The Federation's Special Fund for Trade Fairs and Exhibitions can insure costs of up to a total of €600m. If an event is prohibited due to the pandemic, 80% of the proven event-related costs are reimbursed, up to an amount of €8m per event. Trade fairs and commercial exhibitions in Germany held up to 30.09.2022 are eligible. The events must be registered in advance on an IT platform.	Implemented	25.10.2021
16.	In view of the enduring tense economic situation caused by the COVID-19 pandemic, the guarantee programme via the Landwirtschaftliche Rentenbank was extended in December 2021 until 30.06.2022. The guarantee programme is open to companies in agriculture, horticulture and viticulture, forestry, fisheries and aquaculture.	Implemented	01.01.2022
17.	The Guidelines on the promotion of research and development of urgently needed therapeutic remedies to SARS-CoV-2 aim to strengthen the clinical development of promising therapeutic approaches to COVID-19. The intention is to get candidates which have undergone successful preclinical tests to patients as quickly as possible and to expand the range of treatments of COVID-19. The projects are coordinated by companies. A total of up to €46m is available for the funding.	Implemented	01.05.2021
18.	The new edition of the Guidelines on the promotion of research and development of urgently needed therapeutic remedies to SARS-CoV-2 aims to further strengthen the clinical development of promising therapeutic approaches to COVID-19 (cf. previous entry). A total of up to €24m is available for the funding.	Implemented	01.12.2021

No. Measures	Measure type	Action date
19. The Guidelines on the funding of the clinical development of COVID-19 pharmaceuticals that are close to being deployed and manufacturing capacities for them aim to address the later phases of pharmaceuticals development. In particular, the funding can be used to build up and expand manufacturing capacities. The projects are coordinated by companies. A total of up to €181m is available for the funding.	Implemented	01.10.2021
20. The first supplement to the 2021 federal budget (announced on 09.06.2021) responded to the ongoing pandemic and a worsening in the cyclical outlook with additional necessary supportive and protective measures and an adapted comprehensive vaccination and testing campaign, whilst also ensuring that fiscal policy would retain its ability to function throughout the year.	Implemented	01.01.2021
21. The second supplement to the 2021 federal budget (announced on 18.02.2022) re-allocated to the “Energy and Climate Fund” special fund €60bn from previously assigned but unutilised authorisations to take out loans to cope with the consequences of the pandemic. The funding is hypothecated for the promotion of investment in the buildings sector, in carbon-neutral mobility, in new production facilities in sectors of industry with emission-intensive processes and in the expansion of an infrastructure for carbon-neutral energy supply and to boost demand by abolishing the EEG surcharge. The additional financial backing for forward-looking investment and the related certainty for planning puts in place an activating policy framework and generates in a targeted manner the macroeconomic stimulus needed to tackle the pandemic.	Implemented	01.01.2021
22. The “Special Programme for Child and Youth Work and Education” provided financial assistance to non-profit institutions of education for / work with children and young people which offer overnight facilities but whose survival was threatened due to the pandemic. These facilities received equitable payments of up to 90% of the liquidity squeeze or grants towards their fixed costs. The programme expired on 31.12.2021.	Deleted	31.12.2021
23. The “Covid-appropriate stationary air-conditioning equipment and supply/exhaust air fans” federal funding scheme served to provide incentives for investment in the re-fitting/ upgrading or installation of air-conditioning equipment and the purchase of supply/ exhaust air fans (both of the latter measures apply to facilities for children under 12) in rooms with particularly high rates of fluctuation. The funding period lasted from 20.10.2020 until 31.12.2021.	Deleted	31.12.2021
24. On 14.07.2021, the federal cabinet decided that the Federal Government should use up to €200m from the afore-mentioned “Covid-appropriate stationary air-conditioning equipment” funding to support the measures by the <i>Länder</i> to prevent infections in childcare facilities and schools. This funding is to be used by the <i>Länder</i> to purchase mobile fans. The cabinet decision of 22.12.2021 extended the approval and disbursement deadline until 31.07.2022 at the latest.	Adopted	14.07.2021
25. The “Guidelines for federal funding of research and technology projects for the production of innovative personal protective equipment” provides incentives for innovation in the fields of sustainability and compatibility with the circular economy; functionality, the development of new areas in which the equipment is required; automation and digitalisation of production and services; contribution towards efficiency and standardisation, testing and certification procedures. The deadline for applications was 31.12.2021.	Implemented	30.12.2020
26. The federal funding of production equipment for point-of-care antigen tests supports companies to build up their own competitive production capacities in Germany. The funding is intended to reduce dependencies on non-European products and international supply chains in the medium term. A total of up to €200m is available for the funding. Approvals are ongoing. The deadline for applications was 31.03.2021.	Implemented	16.12.2020

No.	Measures	Measure type	Action date
27.	The federal funding of production equipment for point-of-care NAT rapid test equipment and test cartridges supports companies to build up their own competitive production capacities in Germany. The funding is intended to reduce dependencies on non-European products and international supply chains in the medium term. A total of up to €66m is available for the funding.	Adopted	31.08.2021
28.	The 'Guideline for Federal Funding of Production Plants for the Manufacture of Borosilicate Glass Tubing and Glass Vials for Use in Vaccine Production' supports the expansion of existing and the establishment of new and additional capacities for the production of medical borosilicate glass tubing and glass vials in Germany and the EU. The aim is to ensure that free production capacities are available for the production, filling and delivery of COVID-19 vaccines.	Implemented	01.01.2022
29.	The 'Guideline for Federal Funding for improved production capacities and for research and development into speciality lipids and other auxiliaries for mRNA vaccines and other mRNA pharmaceuticals' supports the expansion of existing and the establishment of new and additional production capacities and, in the medium term, the (further) development of production processes for speciality lipids. In the medium to long term, new speciality lipids and other auxiliaries for mRNA pharmaceuticals are to be researched and developed.	Adopted	01.01.2022
30.	The purpose of the Economic Stabilisation Fund (WSF) is to stabilise companies in the real economy whose failure would have a significant impact on the economy, technological sovereignty, security of supply, critical infrastructure or the labour market. The European Commission extended the approval under State aid rules of the WSF on 21.12.2021. Accordingly, guarantees and recapitalisations can be provided until 30.06.2022. The Economic Stabilisation Fund has given legally binding approval to 25 applications worth around €8.817bn from 21 companies thus far (www.deutsche-finanzagentur.de/de/wirtschafts-stabilisierung).	Implemented	21.12.2021
31.	The support programme for the coach operator industry provided the sector with €80m. The funding was to benefit coach operators which had invested in the environmentally friendly modernisation of their own coach fleet in recent years and had suffered from massive revenue shortfalls during the COVID-19 pandemic.	Deleted	01.04.2021
32.	The <i>Länder</i> are being provided with additional regionalisation funding to offset pandemic-related financial disadvantages in local public transport; the burden of the funding is shared 50-50 by the Federation and the <i>Länder</i> . Funding of €2.5bn was disbursed for this in 2020. €1bn is available for 2021. For 2022, there are plans to offset pandemic-related revenue shortfalls in local public transport; the preparatory work for the legislation has begun.	Announced	
33.	The funding guidelines for rail freight via pro-rata financing of approved track access charges (in force since 10.12.2018) have been extended to cope with the pandemic-related damage to the rail sector in the form of one-off, supplementary and partially retroactive funding. This makes it cheaper for railway companies to use the rail track. An additional €627m is available, permitting massively increased funding rates of up to 98% in the period from 01.03.2020 until 31.12.2021.	Implemented	07.07.2021
34.	The funding guidelines for long-distance passenger rail services via pro-rata financing of approved track access charges as COVID-19 relief aim to reduce damage caused by the pandemic. Funding is going towards transport services in the period from 01.03.2020 until 31.05.2022. Volume of funding: €2.105bn. Level of funding: 01.03.2020 – 31.12.2021: approx. 98%, 01.01.2022 – 31.05.2022: max. 50%. Approval by European Commission: 30.07.2021.	Implemented	17.08.2021

No. Measures	Measure type	Action date
35. The Fourth Coronavirus Tax Relief Act takes measures to continue to tackle the consequences of the COVID-19 pandemic which give companies targeted support for the economic recovery and reduce the burden on employees. This provides additional incentives for investment with improved possibilities for the setting off of losses and the extension of the degressive depreciation of movable capital assets and the extension of the tax deadlines for investments. At the same time, financial recognition is given to the outstanding work done by nursing staff in the form of a tax-free COVID bonus. Further to this, there are further extensions for important instruments like the working-from-home allowance, the tax exemption for grants by the employer to top up the short-time work allowance, and the deadline for the submission of tax returns for 2020 via a tax consultant.	Adopted	16.02.2022
Subpart 2 (CSR.2020.1):		
Mobilise adequate resources and strengthen the resilience of the health system, including by deploying e-health services.		
36. Funding totalling approx. €39.8m is envisaged until the end of the programme in 2023 for the funding priority of digital innovation for improving patient-centred care in the health-care system. The funding priority is subdivided into four modules: smart sensors, smart data use, smart algorithms and expert systems, smart communications with a view to scientific expertise to the benefit of digital innovation and improved patient-centred care.	Implemented	09.12.2019
37. On the basis of the Act to Further Develop Healthcare Provision and the 2022 Federal Grant Ordinance, the statutory health insurance schemes receive an additional federal grant of €14bn in 2022 to stabilise the average supplementary contribution rate to statutory health insurance at 1.3%. Social care insurance received a supplementary federal grant of €1bn in 2021, as introduced on 22.09.2021 by the Ordinance Reimbursing Costs of the Pandemic on the basis of section 153 of Social Code XI.	Implemented	20.07.2021
38. Measures to secure the economic survival of hospitals: Compensatory payments to hospitals to offset revenue shortfalls due to the shifting or suspension of non-emergency admissions, interventions or surgeries until 15.06.2021. Funding of approx. €6bn was provided for 2021; of this, approx. €5bn was disbursed. Also possibility to agree on revenue compensation for hospitals for 2021. This framework permits the retention of part payments.	Implemented	08.04.2021
39. Additional care payments to hospitals to offset special burdens caused by COVID-19 for the period from 01.11.2021 until 19.03.2022. Reimbursement by the Federation. Spending of approx. €168m took place in 2021. Spending of approx. €870m has taken place so far (15.03.2022) in 2022.	Implemented	23.11.2021
40. Measures to secure the economic survival of hospitals: Compensatory payments to hospitals to offset revenue shortfalls due to the shifting or suspension of non-emergency admissions, interventions or surgeries from 15.11. until 31.12.2021. Due to the envisaged reporting and disbursement procedure, the reimbursement by the Federation of the compensatory payments from 15.11.2021 will not take place until 2022.	Implemented	12.12.2021
41. Measures to secure the economic survival of hospitals: Extension of compensatory payments to hospitals to offset revenue shortfalls due to the shifting or suspension of non-emergency admissions, interventions or surgeries until 19.03.2022. Reimbursement by the Federation: so far (as of 15.03.2022) spending of approx. €3.0bn has taken place for the period from 15.11.2021. Also possibility to agree on revenue compensation for hospitals for 2022.	Implemented	31.12.2021

No. Measures	Measure type	Action date
CSR.2020.2:		
2. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport, clean, efficient and integrated energy systems, digital infrastructure and skills, housing, education and research and innovation. Improve digital public services across all levels and foster the digitalisation in SMEs. Reduce the regulatory and administrative burden for businesses.		
Subpart 1 (CSR.2020.2):		
Front-load mature public investment projects		
42. The Fund Domicile Act facilitates start-ups and access to capital for start-ups. The VAT exemption applying to the administration of VC funds was extended in some areas. Also, delayed taxation of employee shareholdings was introduced and the tax-free amount for employee shareholdings was raised to €1,440 p.a. This makes it more attractive to hold shares in start-ups and SMEs.	Implemented	03.06.2021
Subpart 3 (CSR.2020.2):		
Focus investment on the green and digital transition, in particular on sustainable transport,		
43. In 2021, the Federal Government adopted the alteration of the general administrative provision on energy efficiency, renaming it the general administrative provision on the procurement of climate-friendly services. This supplements the energy efficiency rules with ambitious rules on the purchase of particularly climate relevant products and services by including carbon costs and a negative list of services which are not to be purchased. It applies to all federal purchases from 01.01.2022.	Adopted	15.09.2021
44. The funding for projects to develop renewable fuels consists of a total of €640m in the 2021 - 2024 period under the Funding Guideline for the development of regenerative fuels and the call for proposals for the establishment and operation of a development platform for power-to-liquid fuels.	Implemented	28.05.2021
45. A total of €900m is available in the 2021 – 2024 period for the funding of facilities to produce renewable fuels and ramp-up production to market levels via the Funding Guideline for investment in the restructuring or newbuild of generating installations for the marketing of advanced biofuels and electricity-based fuels and the Funding Guideline for the market ramp-up of electricity-based kerosene.	Announced	03.08.2021
46. In addition to the charging infrastructure built by the private sector, the Fast Charging Act initiates a call for proposals for a “Germany network” of more than 1,000 rapid charging sites with a capacity of at least 200 kW per charging point. The funding will be awarded via two calls for proposals in a total of 23 regional lots and 6 nationwide lots along federal autobahns.	Implemented	01.10.2021
47. The administrative agreement on hard coal makes available structural assistance totalling €1.09bn up to 2038, not least in the form of financial assistance, for the structurally weak sites of hard coal-fired power stations in Mecklenburg-Western Pomerania, Lower Saxony, North Rhine-Westphalia and Saarland. Amongst other things, the funding is going towards investment in transport projects, business-related infrastructure, infrastructure for education and research, digitisation and tourist projects.	Implemented	10.08.2021

No. Measures	Measure type	Action date
Subpart 4 (CSR.2020.2): clean, efficient and integrated energy systems,		
48. The revision of the Energy Industry Act to regulate pure hydrogen networks in energy industry legislation has not least put in place the legal basis for the building of a hydrogen network infrastructure by hydrogen network operators, irrespective of whether they rededicate existing gas networks or are other market players. Also, there are plans to adopt rules permitting a start on the regulation of the operation of hydrogen networks. The revision of the Energy Industry Act entered into force on 27.07.2021.	Implemented	27.07.2021
49. The Hydrogen Network Fee Ordinance supplements the revision of the Energy Industry Act (see above). It provides the necessary planning and legal certainty for investors in hydrogen infrastructure. The Hydrogen Network Fee Ordinance entered into force on 01.12.2021.	Implemented	01.12.2021
50. Changes to the 2021 Renewable Energy Sources Act introduced special auctions in 2022, raising the volumes up for auction in 2022 by 1.1 GW to 4 GW for onshore wind and by 4.1 GW to 6 GW for photovoltaics (PV) in order to tap additional potential (approved under State aid rules by the European Commission on 09.12.2021; only in the case of the last third of the increased PV volumes has the European Commission reserved the right to delay a final approval until the outcome of the first auction rounds is known and to review the competition situation). The changes in the 2021 Renewable Energy Sources Act also simplify the procedures for the auctions for photovoltaic installations, introduce reporting requirements for improvements in the relationship between radio navigation and onshore wind, and regulate the financial stakes of municipalities in PV.	Implemented	27.07.2021
51. The inclusion of a new section 16b in the Federal Immission Control Act facilitates approval procedures for repowering projects. The decisive factor as to whether an existing wind turbine can be replaced by a new one will be whether this improves the environment (the "Delta analysis", section 16b of the Act). If this is the case, the installation should be approved. Under the previous regime, it was assumed that the existing turbine does not impose any burden on the environment (greenfield approach).	Implemented	31.08.2021
52. In the context of the IPCEI on hydrogen, the Federal Government is planning the funding of integrated projects along the entire hydrogen value chain. 62 German projects are to be given more than €8bn in funding, triggering investment of around €33bn, including up to 2 GW electrolysis capacity, up to 1,700 km of H2 pipelines, and major steel projects which can save around 11 mt CO ₂ p.a.	Adopted	28.05.2021
Subpart 5 (CSR.2020.2): digital infrastructure and skills,		
53. In April 2021, the gigabit funding programme extended the existing funding for broadband in "blank spaces" to include "grey areas". The aim is to cover the whole of Germany with sustainable optical fibre networks. The funding for grey areas raises the threshold from 30 Mbit/s to 100 Mbit/s (download). From 2023, there will be an option under State aid rules to fund all the households which still lack a gigabit-capable connection. The Federation is currently providing around €12bn in federal funding to support the broadband rollout.	Implemented	26.04.2021

No. Measures	Measure type	Action date
Subpart 6 (CSR.2020.2): housing,		
54. For the period from 2020 to 2024, Federal Government funding totalling €5bn has been allocated to social housing; for 2022, the cabinet decision for the first 2022 government draft and the financial plan up to 2025 on 23.06.2021 included an additional €1bn from the Federal Government for climate-friendly social housing. The additional funding is to be deployed for new buildings with a high energy performance and the energy-related retrofitting of social housing.	Announced	23.06.2021
Subpart 7 (CSR.2020.2): education		
Subpart 8 (CSR.2020.2): and research and innovation.		
55. The Federation is providing €10bn for an equity fund for forward-looking technologies ("Future Fund") up to 2030. The fund is to be based at KfW and support the German venture capital market. It means that there is support for all developmental phases of start-ups, with a focus on growth financing, and better coverage for new market segments and groups of investors. The Future Fund comprises several complementary modules, some of which are already operating on the market and some of which are still being set up.	Implemented	24.03.2021
Subpart 9 (CSR.2020.2): Improve digital public services across all levels		
56. The Company Basic Data Register Act introduces a uniform nationwide identifier for businesses so that, going forward, companies will only have to register their core data with the administration once. The basic register will be administered by the Federal Statistical Office and is currently being set up. The first development stage should be operational in 2024. The initial funding in 2021 and 2022 is coming from the Stimulus Package.	Implemented	15.07.2021
57. The Online Access Act of 2017 obliges the Federation and the <i>Länder</i> to also offer their administrative services for citizens and companies digitally via administration portals by the end of 2022. Of the services which are to go online, 71 are already live, 200 are being implemented, and 88 are being planned. Also, central infrastructure components like the Federal User Account and the nationwide Business Account are available online. Information about the various services and the implementation status can be found at www.onlinezugangsgesetz.de .	Implemented	01.06.2021
Subpart 10 (CSR.2020.2): and foster the digitalisation in SMEs.		
58. In June 2021, the Investment Grant Programme "Digital Now – Promoting Investment by SMEs" was topped up by around €250m to a total of around €460m (financial years from 2021 to 2024) via the Federal Government's Stimulus Programme. This doubled the funding for the 2021 financial year and more than doubled it for the years from 2022 to 2024.	Implemented	16.06.2021

No. Measures	Measure type	Action date
Subpart 11 (CSR.2020.2): Reduce the regulatory and administrative burden for businesses.		
59. Since 01.12.2021, public-sector contracting authorities have been able to find out quickly and easily from a new Competition Register at the Bundeskartellamt whether there are reasons to exclude a company bidding for a contract. From 01.06.2022, it will be obligatory to consult the Register. Companies included on the register can provide evidence of “self-cleaning” measures and apply for deletion.	Implemented	01.12.2021
CSR.2019.1: (only included insofar as there is no overlap with CSR.2020.2; 1. [...] Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth. Strengthen competition in business services and regulated professions.		
Subpart 8 (CSR.2019.1): Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.		
60. The Act Updating Corporate Tax Law entered into force in June 2021. Not least, it contains an option for the corporation tax to be paid by commercial partnerships (<i>Personenhandels-gesellschaften</i>) and partnership companies (<i>Partnerschaftsgesellschaften</i>), makes German reorganisation tax law even better suited to a globalised economy, introduces a simplified system to replace use of balancing items for profit transfers below/over taxable income, and eliminates a disparity with regard to the deductibility of exchange rate losses in connection with shareholder loans.	Implemented	25.06.2021
Subpart 9 (CSR.2019.1): Strengthen competition in business services and regulated professions.		
61. The Act Revising Professional Law for the Lawyers’ and Tax Consultants’ Companies Exercising the Professions and Amending Other Provisions in the Field of Occupations Providing Legal Advice gives lawyers, patent attorneys and tax consultants far-reaching freedom in terms of how they organise themselves under corporate law. The act also provides for a comprehensive liberalisation of inter-professional cooperation with members of other professions. The act will enter into force in August 2022.	Adopted	07.07.2021
62. The Act Promoting Consumer-friendly Offers in the Legal Services Market significantly relaxes the ban which has so far existed on the agreement of success-related fees for lawyers; in particular, this gives lawyers better prospects in competition with debt collection service providers.	Implemented	01.10.2021
CSR.2019.2: 2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy. Strengthen the conditions that support higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups.		
Subpart 1 (CSR.2019.2): Reduce disincentives to work more hours,		

No. Measures	Measure type	Action date
Subpart 2 (CSR.2019.2): including the high tax wedge, in particular for low-wage		
63. The threshold for marginal employment is to be raised to €520 as the minimum wage is adjusted and is to be index-linked. The threshold for “midijobs” is to be raised to €1,600. To this end, a draft act to increase protection from the statutory minimum wage and to make alterations in the field of marginal employment was adopted by the Cabinet on 23.02.2022.	Adopted	23.02.2022
64. In the draft 2022 Tax Relief Act, the Federal Government has initiated relief against the background of substantial price rises, particularly in the energy sector. The plans include an increase in the employee’s fixed deduction and the basic personal allowance, as well as a bringing forward of the increased tax deduction for mileage travelled from home to workplace for long-distance commuters, which applies until 2026.	Adopted	16.03.2022
Subpart 3 (CSR.2019.2): and second earners.		
65. The III/V tax bracket combination is to be shifted to the factor procedure of tax bracket IV in order to share the burden of wage tax more equitably between spouses. This means that the tax-reducing effect of the splitting procedure will be built into the monthly wage tax deduction, rather than being calculated in the context of the annual tax declaration.	Announced	
Subpart 4 (CSR.2019.2): Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy.		
66. The statutory pension is to be strengthened and the minimum pension level of 48% made permanent. In line with the coalition agreement, the move to partially capital-based financing of statutory pension insurance is to take place with a view to the long-term stabilisation of the pension level and pension contribution rate. To this end, German Pension Insurance is to be assigned a capital stock of €10bn from budget funding in 2022.	Announced	
Subpart 5 (CSR.2019.2): Strengthen the conditions that support higher wage growth, while respecting the role of the social partners.		
67. In the reference period, declarations of general applicability on the basis of the Collective Agreements Act or the Posted Workers Act are to set new sectoral minimum wages in the following sectors: roofing, the meat industry, commercial cleaning, scaffolding, painting and decorating, and the brick and stonemason trade.	Implemented	
68. The general minimum wage was raised by the Third Ordinance Adapting the Minimum Wage to €9.60 per hour from 01.07.2021 and to €9.82 per hour from 01.01.2022. The minimum wage will be raised to €10.45 on 01.07.2022.	Implemented	01.07.2021
69. According to a draft act adopted by the Cabinet to increase protection via the statutory minimum wage and to make alterations in the field of marginal employment, the minimum wage will be raised as of 01.10.2022 to a gross hourly wage of €12. Following this rise, the independent minimum wage commission will again decide on any future increases.	Adopted	23.02.2022
70. The Act to Further Develop Healthcare Provision stipulates that from 01.09.2022 social care facilities within the meaning of Social Code XI will only be recognised as such if they are either covered by collective wage agreements or base the remuneration of their carers and nurses on a collective agreement.	Adopted	11.07.2021

No. Measures	Measure type	Action date
Subpart 6 (CSR.2019.2):		
Improve educational outcomes and skills levels of disadvantaged groups.		
71. In order to bring companies and young people together despite the restrictions relating to the pandemic, and to fill as many vacant training places as possible, the partners in the Alliance for Initial and Further Training, which include various federal ministries, held the “Vocational Training Summer” from June to October 2021. Campaign days and events promoted the dual vocational training system and provided information about support services to help people find and take up training places.	Deleted	28.10.2021
72. The “post-Covid catch-up action programme for children and young people” campaign provides a total of €2bn for 2021 and 2022 in accordance with the cabinet decision of 05.05.2021 in order to counteract the restrictions and burdens experienced by children, young people and their families due to the pandemic. The funding is to help people catch up where they have fallen behind with their education and to provide services in the field of education, sporting, leisure and holiday activities for young children as well as support services for children and young people in their everyday lives. The bulk of the measures are being implemented by the Länder and topped up with additional contributions from the <i>Länder</i> . The additional financial burden on the <i>Länder</i> in their field of responsibility will be countered by a temporary alteration in the vertical distribution of VAT. The corresponding amendment to the Act on Fiscal Equalisation amongst the Länder entered into force in July 2021. The federal programmes were included in the first supplementary budget of 2021 (announced on 09.06.2021) or financed from existing funds.	Implemented	05.05.2021

Annex II: Extract from the Fenix table on progress in the implementation of the German Recovery and Resilience Plan (DARP), (data at 1 March 2022)

CSR subsections	Measure name	Description of milestone/target	Deadline (quarter)	Status in Fenix
CSR 2020.2.3 CSR 2020.2.4 CSR 2019.1.5 CSR 2019.1.6	Hydrogen projects as part of IPCEI	Completion of expression-of-interest procedure	Q2 2021	Completed
		Issuance of first funding notifications	Q1 2022	Delayed
		Commitment of at least €500,000,000	Q2 2024	Not completed
		Evaluation of the funding programme	Q4 2025	Not completed
		Commitment of €1,500,000,000	Q3 2026	Not completed
		Development of at least 300 MW of electrolysis capacity	Q3 2026	Not completed
CSR 2020.2.4 CSR 2020.2.8 CSR 2019.1.3 CSR 2019.1.6	Funding programme for decarbonisation in industry	Entry into force of the funding guideline for decarbonisation in industry	Q1 2021	Completed
		Issuance of funding notifications	Q4 2024	Not completed
		Disbursement of funds to supported projects	Q3 2026	Not completed
		Reduction of greenhouse gas emissions in industry	Q3 2026	Not completed
CSR 2020.2.4 CSR 2019.1.6	Pilot scheme for climate action contracts based on the principle of “Carbon Contracts for Difference”	Completion of expression-of-interest procedure for carbon contracts for difference	Q4 2021	Delayed
		Funding guideline for the pilot scheme for climate action contracts based on the principle of “Carbon Contracts for Difference”	Q3 2022	Delayed
		Disbursement of funds to supported projects	Q3 2026	Not completed
CSR 2020.2.4 CSR 2020.2.8 CSR 2019.1.3 CSR 2019.1.6	Project-related research (climate action research)	Approval of applications for funding of climate-related research projects	Q4 2021	Completed
		Disbursement of funds to supported projects	Q4 2025	Not completed
		Completion of supported climate-related research projects	Q4 2025	Not completed
CSR 2020.2.4 CSR 2020.2.8 CSR 2019.1.3 CSR 2019.1.6	Flagship projects for research and innovation in the context of the National Hydrogen Strategy	Call for applications for the “Hydrogen Republic of Germany” ideas competition	Q2 2020	Completed
		Issuance of funding notifications	Q2 2022	On schedule
		Completion of supported projects	Q3 2026	Not completed
		Disbursement of funds to supported projects	Q3 2026	Not completed
		Commitment of funds for flagship projects on research and innovation	Q3 2026	Not completed
CSR 2020.2.3 CSR 2020.2.4 CSR 2019.1.5 CSR 2019.1.6	Support for the construction of a refuelling and charging infrastructure	Entry into force of the funding guidelines	Q4 2021	Completed
		Development of the public charging network for electric vehicles	Q4 2025	Not completed
		Development of charging points in residential buildings	Q4 2023	Not completed

CSR subsections	Measure name	Description of milestone/target	Deadline (quarter)	Status in Fenix
CSR 2020.2.3 CSR 2020.2.8 CSR 2019.1.3 CSR 2019.1.5	Funding guideline for electric mobility	Entry into force of the funding guideline	Q4 2020	Completed
		Commitment of funds	Q4 2022	Not completed
		Development of municipal and commercial e-mobility fleets	Q2 2024	Not completed
		Completion of preliminary electric mobility concepts	Q2 2024	Not completed
CSR 2020.2.3 CSR 2019.1.5	Support for the replacement of private vehicle fleet	Funding for the procurement of 240,000 electric vehicles	Q1 2021	Completed
		Funding for the procurement of an additional 320,000 electric vehicles	Q4 2022	Not completed
CSR 2020.2.3 CSR 2020.2.11 CSR 2019.1.5	Extension of the initial registration period for granting the 10-year vehicle tax exemption for all-electric vehicles	Entry into force of the Seventh Act Amending the Motor Vehicle Tax Act (<i>Siebttes Gesetz zur Änderung des Kraftfahrzeugsteuergesetz</i>)	Q4 2020	Completed
		Evaluation of the measure	Q1 2026	Not completed
CSR 2020.2.3 CSR 2019.1.5	Promotion of the purchase of buses with alternative drive systems	Publication of funding guideline	Q3 2021	Completed
		Approval of applications	Q3 2025	Not completed
		Ordering of buses with alternative drive systems	Q3 2026	Not completed
CSR 2020.2.3 CSR 2019.1.5	Support for the promotion of alternative drive systems in rail transport	Entry into force of the funding guideline	Q1 2021	Completed
		Approval of applications	Q3 2024	Not completed
		Ordering of rail vehicles with alternative drive systems	Q4 2024	Not completed
CSR 2020.2.3 CSR 2019.1.5	Promotion of the vehicle and supplier industry for hydrogen and fuel cell applications in the transport sector	Entry into force of the amendment to the extension of existing funding guidelines of the National Innovation Programme for Hydrogen and Fuel Cell Technology (or publication of new funding guidelines if projects/plans are not sufficiently covered by existing funding guidelines)	Q4 2021	Completed
		Approval of projects for the vehicle and supplier industry for hydrogen and fuel cell applications in the transport sector	Q4 2025	Not completed
		Establishment of a technology and innovation centre for hydrogen technology	Q3 2026	Not completed
CSR 2020.2.6 CSR 2019.1.7	Further development of climate-friendly timber construction	Funding guideline for the promotion of climate-friendly timber construction	Q1 2021	Completed
		Approval of projects related to climate-friendly timber construction	Q2 2022	On schedule
CSR 2020.2.4 CSR 2020.2.8 CSR 2019.1.3 CSR 2019.1.6	Municipal regulatory sandboxes for the energy transition	Approval of “regulatory sandboxes” projects	Q4 2023	Not completed
		Completion of urban district projects	Q1 2026	Not completed
CSR 2020.2.4 CSR 2020.2.6 CSR 2019.1.6 CSR 2019.1.7	CO ₂ building modernisation: federal funding for energy-efficient buildings – innovation funding	Funding guideline for federal funding for energy efficient buildings – residential	Q3 2021	Completed
		Completion of the energy retrofitting of 10,000 dwelling units	Q4 2024	Not completed
		Completion of the energy retrofitting of a further 30,000 dwelling units	Q2 2026	Not completed

CSR subsections	Measure name	Description of milestone/target	Deadline (quarter)	Status in Fenix	
CSR 2020.2.5	An innovative data policy for Germany	Project start	Q4 2022	Not completed	
CSR 2020.2.7		Development of human resources and capabilities in the federal ministries	Q3 2026	Not completed	
CSR 2020.2.8			Appropriations – payment of at least €464,400,000 for supported projects	Q3 2026	Not completed
CSR 2020.2.9		Content development of planned IPCEI		Q2 2021	Completed
CSR 2019.1.2				Q3 2026	Not completed
CSR 2019.1.3	IPCEI Microelectronics and Communication Technologies	First projects are started	Q4 2022	Not completed	
CSR 2020.2.5		Appropriations – payment of at least €1,275,000,000 for supported projects	Q3 2026	Not completed	
CSR 2020.2.8			R&D and R&I projects are started	Q4 2022	Not completed
CSR 2019.1.3				Completion of R&D and R&I projects and start of large-scale piloting of use cases	Q4 2024
CSR 2019.1.4	First industrial deployment of solutions developed within the context of the measure	Q3 2026	Not completed		
CSR 2020.2.5		Appropriations – payment of at least €637,500,000 for supported projects	Q3 2026		Not completed
CSR 2020.2.3	Vehicle manufacturer/supplier industry investment programme		Publication of all funding guidelines	Q1 2021	Completed
CSR 2020.2.5		Approval of projects	Q1 2023	Not completed	
CSR 2020.2.8			Successful completion of projects	Q3 2026	Not completed
CSR 2020.2.10		Publication of the funding guideline		Q2 2020	Completed
CSR 2019.1.3				Active participation of additional companies in further training alliances	Q4 2022
CSR 2019.1.4	Overhaul/redesign of further training measures or submodules resulting from the work of the further training alliances	Q4 2024	Not completed		
CSR 2019.1.5		Q3 2026	Not completed		
CSR 2020.2.5	“Creating Further Training Alliances” federal programme	Research projects are started	Q1 2021	Completed	
CSR 2020.2.7		Report on research and transfer outputs	Q4 2023	Not completed	
CSR 2020.2.10			Continuation of projects	Q2 2024	Not completed
CSR 2019.1.2	Appropriations – payment of €700,000,000 to recipients	Q3 2026		Not completed	
CSR 2019.1.4		Q3 2026		Not completed	
CSR 2020.2.8	Centre for Digitalisation and Technology Research at the Federal Armed Forces (dtec.bw)	Signing of the financing agreement for the fast-track programme between the Federal Government and Deutsche Bahn AG	Q4 2020	Completed	
CSR 2019.1.3		Interim implementation report	Q2 2021	Completed	
CSR 2019.1.4			Successful completion of pilot projects	Q4 2021	Delayed
CSR 2019.1.5		Promotion of the digitalisation of rail by replacing conventional interlocking/Fast-track programme to accelerate the rollout of “Digital Rail in Germany”		Q4 2020	Completed
CSR 2020.2.1				Q4 2020	Completed

CSR subsections	Measure name	Description of milestone/target	Deadline (quarter)	Status in Fenix
CSR 2020.2.5 CSR 2020.2.7 CSR 2019.1.2 CSR 2019.1.4	Teacher devices	Administrative agreement	Q1 2021	Completed
		Payment of at least €475,000,000 for supported projects	Q1 2022	On schedule
		Evaluation of changes in the area of the digital infrastructure and use of digital media in schools	Q4 2025	Not completed
CSR 2020.2.5 CSR 2020.2.7 CSR 2019.1.2 CSR 2019.1.4	Education platform	Entry into force of the funding guideline for prototypes for the education platform and commencement of bid invitation process	Q1 2022	On schedule
		Education platform beta launch	Q3 2023	Not completed
		Final evaluation report with decision on the future of the education platform	Q3 2024	Not completed
CSR 2020.2.5 CSR 2020.2.7 CSR 2020.2.8 CSR 2019.1.2 CSR 2019.1.3 CSR 2019.1.4	Educational centres of excellence	Entry into force of the first funding guidelines and bid invitation for a project executing agency for the overall programme	Q4 2021	Delayed
		Approval of at least 45 research projects	Q3 2022	Delayed
		Entry into force of three additional funding guidelines	Q3 2022	Delayed
		Completion of research projects	Q3 2026	Not completed
CSR 2020.2.5 CSR 2020.2.7 CSR 2019.1.2 CSR 2019.1.4	Modernisation of the educational facilities of the Federal Armed Forces	Project contract signed	Q1 2021	Completed
		Analysis of educational facilities and identification of IT needs	Q1 2022	On schedule
		Completion of the modernisation of 60 educational facilities	Q1 2023	Not completed
CSR 2020.2.7 CSR 2019.1.2 CSR 2019.2.3 CSR 2019.2.6	“Childcare Expansion” special fund – “Childcare Financing” investment programme, 2020/21	Entry into force of the Childcare Financing Act (<i>Kinderbetreuungsfinanzierungsgesetz</i>) and the Federal Financial Assistance Act (<i>Gesetz über Finanzhilfen des Bundes</i>) as well as the Länder-specific implementing regulations	Q4 2020	Completed
		Publication of interim reports as per the Childcare Financing Act	Q4 2023	Not completed
		Completion of all measures	Q4 2025	Not completed
CSR 2019.1.8 CSR 2019.2.1 CSR 2019.2.2 CSR 2019.2.5	Social guarantee 2021	Verification of the average social security contribution rate for 2021	Q4 2021	Completed
CSR 2020.1.1 CSR 2020.2.5 CSR 2020.2.7 CSR 2019.1.2 CSR 2019.1.4 CSR 2019.2.5 CSR 2019.2.6	Apprenticeship support	Entry into force of the revised funding guidelines and the “Safeguarding Training Places” federal programme.	Q2 2021	Completed
		Disbursement of funding for the “Safeguarding Training Places” federal programme.	Q4 2022	Not completed
		Funding notifications for applications for the “Safeguarding Training Places” federal programme	Q4 2022	Not completed
CSR 2020.2.7 CSR 2019.1.2 CSR 2019.2.6	Educational support for pupils who have fallen behind in their education due to the pandemic	Agreement between the Federal Government and the <i>Länder</i> on the provision of educational support for pupils who have fallen behind in their education due to the pandemic	Q2 2021	Completed
		11,000,000 pupils have received educational support	Q3 2022	On schedule

CSR subsections	Measure name	Description of milestone/target	Deadline (quarter)	Status in Fenix
CSR 2019.1.4 CSR 2019.2.4 CSR 2020.2.9	Digital pension overview	Entry into force of the Digital Pension Overview Act (<i>Gesetz Digitale Rentenübersicht</i>)	Q1 2021	Completed
		Completion of the development phase and initial operational phase	Q4 2023	Not completed
		Completion of the implementation of improvements derived from practical experience in the first operational phase	Q1 2026	Not completed
CSR 2020.1.2 CSR 2020.2.9 CSR 2019.1.4	Strengthening of the digital and technical resources of the public health service	Extensive nationwide use of the German Electronic Reporting and Information System for Infection Protection (DEMIS)	Q1 2021	Completed
		Progress of public health authorities towards e-maturity	Q1 2024	Not completed
		Progress of public health authorities towards e-maturity	Q3 2026	Not completed
CSR 2020.1.2 CSR 2020.2.5 CSR 2019.1.1 CSR 2020.1.4	Programme to future-proof hospitals	Applications submitted to the Federal Office for Social Security for at least €2,700,000,000	Q2 2022	On schedule
		Enhanced e-maturity in at least 35% of all hospitals	Q4 2023	Not completed
		Implementation of at least 75% of the relevant digitalisation projects	Q3 2026	Not completed
CSR 2020.1.2 CSR 2020.2.8 CSR 2019.1.3	Special programme to accelerate research and development of urgently needed vaccines against SARS-CoV-2	Approval by the regulatory authority of a first vaccine against SARS-CoV-2	Q4 2020	Completed
		Application for approval of a vaccine against SARS-CoV-2 submitted to the European Medicines Agency by a second supported vaccine candidate	Q3 2021	Not completed
		Payment of at least €712,500,000 for vaccine research supported by this special programme	Q3 2022	On schedule
		End of programme	Q4 2022	Not completed
CSR 2020.2.9 CSR 2019.1.4	European identity ecosystem	Launch of pilot project for digital hotel check-in	Q3 2021	Completed
		Completion of other government-supported use cases in addition to the “hotel check-in” pilot project	Q3 2022	On schedule
		Provision of additional applications beyond the pilots with little or no government support for their implementation	Q4 2024	Not completed
CSR 2020.2.9 CSR 2020.2.11 CSR 2019.1.4	Digitalisation of administration – implementation of the Online Access Act (<i>Onlinezugangsgesetz</i>)	Completion of individual agreements between the lead department and the lead <i>Land</i> .	Q3 2021	Completed
		Online Access Act service bundles go live	Q4 2021	Completed
		Nationwide digitalisation of federal administrative services as one-for-all services	Q4 2022	Not completed
CSR 2020.2.9 CSR 2020.2.11 CSR 2019.1.4	Digitalisation of administration – implementation of the modernisation of registers (<i>Registermodernisierungsgesetz</i>)	Completion of pilot projects to test pilot registers	Q4 2023	Completed
		Completion of the implementation of the uniform architecture for the advancement of the “once-only” principle	Q4 2023	Completed
		Priority connection of user-based registers to the “once-only” target architecture	Q4 2025	Not completed

CSR subsections	Measure name	Description of milestone/target	Deadline (quarter)	Status in Fenix
CSR 2020.1.1 CSR 2020.2.2 CSR 2020.2.6 CSR 2020.2.9 CSR 2020.2.11 CSR 2019.1.1 CSR 2019.1.4 CSR 2019.1.7 CSR 2019.2.5	Joint programme of the Federal Government and the <i>Länder</i> for an efficient administration that benefits citizens and businesses	First progress report for the Conference of Minister Presidents Second progress report for the Conference of Minister Presidents Completion of the measures contained in the progress report	Q2 2021 Q2 2022 Q1 2025	Completed On schedule Not completed
CSR 2020.2.5 CSR 2020.2.7 CSR 2020.2.9 CSR 2020.2.11 CSR 2019.1.1 CSR 2019.1.2 CSR 2019.1.4 CSR 2019.2.6	Expansion of consulting services by PD, a public-sector consulting firm: effective funding management	Start of PD consulting services for selected funding programmes Consultations carried out Development of concepts for the revision of funding programmes Lessons learned: dissemination of information Consultations carried out Roll-out and pilot consulting projects on IT in schools Development of model concepts Advice to school authorities on school IT	Q4 2022 Q3 2024 Q3 2024 Q3 2026 Q3 2026 Q4 2022 Q3 2024 Q3 2024	Not completed Not completed Not completed Not completed Not completed Not completed Not completed
CSR 2020.2.3 CSR 2020.2.11 CSR 2019.1.1 CSR 2019.1.5	Acceleration of planning and approval procedures in the transport sector	Entry into force of the Investment Acceleration Act (<i>Investitionsbeschleunigungsgesetz</i>), the Planning Acceleration Act III (<i>Planungsbeschleunigungsgesetz III</i>), and the Act to Prepare Laws on Measures (<i>Maßnahmengesetzvorbereitungsgesetz</i>) Evaluation of the legislative changes	Q4 2020 Q3 2026	Completed Not completed

Annex III: Table on the implementation of the European Pillar of Social Rights

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
1. Education, training and life-long learning	Act to Strengthen Opportunities to Gain Qualifications and for More Protection in Unemployment Insurance, (Act on Opportunities to Gain Qualifications) (<i>Gesetz zur Stärkung der Chancen für Qualifizierung und für mehr Schutz in der Arbeitslosenversicherung, (Qualifizierungschancengesetz)</i>)	The 2019 Act on Opportunities to Gain Qualifications significantly expanded support for continuing vocational education and training (CVET), particularly for employed workers. The support framework is aimed at all workers whose jobs are at risk of being replaced by advances in technology, are otherwise affected by structural change or who wish to pursue continuing vocational training in a profession affected by skilled labour shortages.
	Act to Promote Vocational Further Training amid Structural Change and to Further Develop Training Support, (Work of Tomorrow Act) (<i>Gesetz zur Förderung der beruflichen Weiterbildung im Strukturwandel und zur Weiterentwicklung der Ausbildungsförderung (Arbeit-von-morgen-Gesetz)</i>)	The Work of Tomorrow Act introduced in 2020 steps up support for workers and companies facing the challenges of digitalisation and structural change. It also establishes a legal entitlement to get a vocational qualification later in life (second chance at qualification).
	Alliance for Initial and Further Training	In the Alliance for Initial and Further Training (currently running from 2019-2022), the Federal Government works tirelessly to link and interconnect the relevant stakeholders and to strengthen initial and further training in Germany. The aim of the Alliance is to ensure that as many people as possible successfully complete vocational training, and to thereby strengthen the dual system of training and education.
	“Safeguarding Training Places” (<i>Ausbildungsplätze sichern</i>) federal programme	The “Safeguarding Training Places” federal programme gives bonuses and grants to support businesses particularly affected by the pandemic in the 2020/2021 and 2021/2022 training years so that they can keep or increase the training places they offer to young people and can continue vocational training programmes that have already commenced.
	“Education Links” (<i>Bildungsketten</i>) initiative	In the “Education Links Leading to Vocational Qualifications” initiative, the Federation, the <i>Länder</i> and the Federal Employment Agency closely coordinate their activities in order to provide the best possible support to young people making the transition from school to training and a career. New agreements with all 16 <i>Länder</i> have been reached, or are in the final stages of negotiation, to continue the Education Links initiative until 2026.
Online career guidance and orientation services	The Federal Employment Agency not only supports young people transitioning from school to the working world through traditional career guidance and career orientation formats but also through video-based guidance and support, a service which has intensified due to the COVID-19 pandemic. In addition, the Federal Employment Agency has a broad range of online services, consisting of various websites in the <i>arbeitsagentur.de</i> online portal, apps and social media. The Federal Employment Agency’s online media provide assistance to young people through all the steps of the vocational orientation process.	

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
	Support for youth employment agencies provided by the “Service Centre for Youth Employment Agencies”	B: In providing support to young people transitioning from school to work, employment agencies, job centres and youth welfare services often work in cross-jurisdictional partnerships, frequently referred to as “youth employment agencies”. The Federal Government supports the continued development of these partnerships, both in terms of their quality and quantity. The Service Centre for Youth Employment Agencies was established at the end of 2019 and advises, informs, supports and interlinks actors working in and with youth employment agencies (www.servicestelle-jba.de).
	National Further Training Strategy	The National Further Training Strategy was formulated in 2019 by the Federation, the <i>Länder</i> , the social partners and the Federal Employment Agency. It seeks to increase participation in further training programmes and create a new culture of further training in Germany. More than three-quarters of the agreed measures and initiatives had been implemented or launched by June 2021 and were documented in an implementation report. The National Further Training Strategy will be continued in the current legislative period.
	“Creating Further Training Alliances” (<i>Aufbau von Weiterbildungsverbänden</i>) federal programme	This funding programme is primarily geared towards SMEs and their employees and aims to create opportunities for increased participation in further training activities. It links up companies, education facilities and advisory centres for this purpose.
	National Online Further Training Platform (NOW)	Developed in tandem with the Federal Employment Agency, the National Further Training Platform is to bring greater transparency to the wide range of stakeholders, offers and funding opportunities available in the area of vocational further training in order to increase participation in further training measures and support digital structural change with tailored learning opportunities and lifelong learning.
	Introduction of a period of (part-time) education and training (planned for 2023)	A period of (part-time) education and training based on the Austrian model is intended to enable workers to receive financial support for further training to suit the labour market. This is to make it possible for people to earn a professional qualification later in life or change career paths, for example, and will require an agreement between the employer and employee. The Federal Employment Agency will examine the eligibility criteria.
	Digital Pact for Senior Citizens	Education and digital sovereignty are central prerequisites for older people to actively take part in society and live self-determined lives. To be able to take advantage of the opportunities for a good life that education and digitalisation offer, older people need access to these services and the necessary skills to use them. The measures are designed to improve opportunities to learn skills nationwide, create synergies and enable participation for older citizens.

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
2. Gender equality	Act to Amend and Modify Rules for the Equal Participation of Women in Executive Positions in the Private Sector and in Public Service (Second Act on the Equal Participation of Women in Executive Positions) (<i>Gesetz zur Ergänzung und Änderung der Regelungen für die gleichberechtigte Teilhabe von Frauen an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (FüPoG II)</i>)	To increase the share of women in executive positions, the Second Act on the Equal Participation of Women in Executive Positions, adopted in 2021, introduced a minimum quota of women on the boards of large German companies, new arrangements for targets and reporting obligations, and new rules for public service, such as the goal of the equal participation of men and women in executive public service positions by 2025.
3. Equal opportunities	ESF federal programme “Strong at Work” (<i>Stark im Beruf</i>) to promote the employment of mothers from a migrant background (2015-2018 and 2019 to mid-2022)	Development of strategies and measures to unlock the employment potential of over 1.2 million economically inactive female migrants with family responsibilities in tandem with the employment authority and economic stakeholders; 32% of female migrants participating in the programme switch to employment (subject to social insurance contributions) or skills development programmes.
	Implementation of the European Child Guarantee (2022-2030)	The programme is to facilitate easier access for disadvantaged children to education, care, healthcare, healthy eating and adequate housing.
	Quality Childcare Act (<i>Gesetz zur Weiterentwicklung der Qualität und zur Teilhabe in der Kindertagesbetreuung (“Gute-KiTa-Gesetz”)</i>)	The Act will further develop the quality of early childhood education and care in child day-care facilities and nurseries and improve participation in child day-care services nationwide. This will help establish equal living conditions for children growing up in Germany and make it easier for parents to reconcile family and work commitments.
	“Childcare financing 2020 – 2021” investment programme	Support for the <i>Länder</i> and municipalities in performing their task of expanding childcare services – particularly in light of the challenges presented by the pandemic. Co-financing by the Federation and the <i>Länder</i> enables the provision of 90,000 additional childcare spaces for children until they start school.
	“Chatter Matters” (<i>Sprach-Kitas</i>) federal programme	Improve language acquisition services in child day-care facilities and the quality of child day-care services.
	“Starting Nursery School” (<i>Kita-Einstieg</i>) federal programme	Develop and test service offerings that prepare and enable children to enter the German system of early childhood education and child care.
	“United for Quality: All-day Participation of Children” (<i>Gemeinsam für Qualität: Kinder beteiligen im Ganztage</i>) ESF Plus programme (planned and subject to programme approval by the European Commission)	Strengthen participation as a prerequisite for good quality; this guarantees the education and participation opportunities of children.
	Legal entitlement to all-day care for primary school children (will be introduced from 1 August 2026)	More all-day services increase the opportunities of children in Germany to participate.

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
	<p>Support with financial assistance of €3.5 billion for investment in infrastructure. Furthermore, permanent contribution by the Federation to regular costs, increasing annually from 2026; €1.3 billion p.a. from 2030</p> <p>“Post-COVID Catch-up Action Programme for Children and Young People” (<i>Aufholen nach Corona für Kinder und Jugendliche</i>)</p> <p>“Akti(F) – Active for Families and Their Children” ESF programme (<i>Akti(F) – Aktiv für Familien und ihre Kinder</i>)</p>	<p>The financial contribution by the Federation to the expansion of all-day care – both in terms of quality and quantity – will further boost the expansion of infrastructure and will play a role in safeguarding and developing the quality of all-day services.</p> <p>With the measures under the Action Programme, children and young people can catch up on and repeat material they missed during the pandemic.</p> <p>The programme aims to improve the lives and social participation of families at risk of poverty and marginalisation.</p>
4. Active support to employment	<p>Act to Strengthen the Participation of People with Disabilities and the Determination of Social Welfare Institutions under State Law (Act to Strengthen Participation) (<i>Gesetz zur Stärkung der Teilhabe von Menschen mit Behinderungen sowie zur landesrechtlichen Bestimmung der Träger der Sozialhilfe (TeilhabeStärkungsgesetz)</i>)</p> <p>Tenth Act Amending the Second Book of the Social Code – Creation of New Participation Opportunities for the Long-term Unemployed on the Regular and Social Labour Market (Inclusion Act) (<i>Zehntes Gesetz zur Änderung des Zweiten Buches Sozialgesetzbuch – Schaffung neuer Teilhabechancen für Langzeitarbeitslose auf dem allgemeinen und sozialen Arbeitsmarkt (TeilhabeChancengesetz)</i>)</p>	<p>Under the provisions of the Act to Strengthen Participation, from 2022 onwards the job centres are to be more involved in rehabilitation matters than before and the care of persons in rehabilitation is to be improved. In future, persons entitled to benefits who are fit for work will be given access in the job centres to social integration services in addition to a rehabilitation procedure to enable lasting integration as well as access to social participation. This includes municipal services such as debt and addiction counselling and the new instrument for labour market participation established with the Inclusion Act (<i>TeilhabeChancengesetz</i>). This is designed to eliminate existing differences in treatment. The framework for active employment promotion under Book II and III of the Social Code is to be expanded and the opportunities for integration into the labour market increased in this way. To coordinate and organise the services of the job centres and rehabilitation providers in a manner that serves the individuals affected, the job centres are involved in participation planning procedures in a binding manner.</p> <p>The Inclusion Act added two new standard instruments to Book II of the Social Code in 2019: “Participation in the labour market” in Section 16i, Book II and “Integration of the long-term unemployed” in Section 16e-new, Book II of the Social Code. The aim of the assistance provided under Section 16i, Book II of the Social Code is to facilitate the social participation of people furthest from the labour market through longer-term publicly funded employment. Complementing this, Section 16e of Book II of the Social Code was developed further and is aimed at people who have been unemployed for long but are not yet as far removed from the labour market as the target group under Section 16i, Book II of the Social Code.</p>

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
6. Wages	Raising of the statutory minimum wage	Since the introduction of the statutory minimum wage in 2015, the Federal Government has raised it several times at the suggestion of a commission of the social partners (Minimum Wage Commission) to the current gross rate of €9.82 per hour and €10.45 from 1 July 2022 onwards. According to the government draft of legislation, adopted by the Bundeskabinett, to increase the protection provided by the statutory minimum wage and to implement changes in the area of marginal employment, the gross minimum wage will be raised, in a one-off adjustment, to €12 per hour with effect from 1 October 2022. Following this increase, the independent Minimum Wage Commission will convene again to discuss any additional increments. As a result, the instrument is refined to ensure that the minimum wage level gives greater consideration to the aspect of social participation in the future.
8. Social dialogue and involvement of workers	<p>The autonomy of labour and management in collective bargaining is guaranteed in the German constitution and gives the social partners in Germany – in their role as parties to collective agreements – very extensive, independent organisational responsibility in labour relations. Germany has strong, representative and independent partner organisations and there is a broad culture of social dialogue. The social partner organisations, together with other associations, are heard in all legislative procedures. For example, during the introduction and implementation of the statutory minimum wage, the Federal Government engaged in a broad dialogue with industry and involved the social partners. In addition, in Germany the independent unions and works council are actively involved in shaping corporate policy and seek to strike a fair balance between the various interests. In Germany, the social partners also share responsibility for decisions made in the area of social insurance, i.e. pension insurance, medical insurance, unemployment insurance, long-term care insurance and accident insurance.</p>	<p>The Federal Government intends to strengthen collective bargaining autonomy, the partners to collective bargaining and collective bargaining coverage, inter alia, by tying the award of public contracts at the federal level to adherence to a representative collective bargaining agreement for the specific industry. Furthermore, additional steps to increase collective bargaining coverage are to be developed in dialogue with the social partners and, in particular, possibilities for further experimental spaces are to be explored.</p>
	<p>Act to Promote Works Council Elections and the Work of Works Councils in a Digital Working World (<i>Gesetz zur Förderung der Betriebsratswahlen und der Betriebsratsarbeit in einer digitalen Arbeitswelt</i>)</p>	<p>The Act to Promote Works Council Elections and the Work of Works Councils in a Digital Working World facilitated the formation of works councils and increased the protection of workers involved in the works councils. The Act also strengthens the co-determination rights of works councils with regard to the use of artificial intelligence and the organisation of mobile work in the companies and makes the work of the works councils easier.</p>

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
9. Work-life balance	Further development of care-giving leave and family care	The Federal Government intends to further develop care-giving leave and family care and give care-giving family members and related persons more freedom in organising their time and also introduce an earnings replacement benefit similar to the parental allowance.
	Reform of parental allowance	The parental allowance reform helps parents reconcile family life and professional commitments even more effectively – particularly by providing more part-time opportunities and a more flexible partnership bonus that promotes both parents working part-time simultaneously. The new provisions of the “Second Act to Amend the Federal Parental Allowance and Parental Leave Act” (<i>Zweites Gesetz zur Änderung des Bundeselterngeld- und Elternzeitgesetzes</i>) apply for all parents whose children are born after 1 September 2021.
	Additional measures	Other plans of the Federal Government include improvements to the parental allowance, such as an additional exclusive partner month or the introduction of a paid two-week leave of absence for the partner (male or female) following the birth of a child. Furthermore protection against dismissal in connection with parental leave is to be extended by three months following the parent’s return to work.
13. Unemployment Benefits	Act to Strengthen Opportunities to Gain Qualifications and for More Protection in Unemployment Insurance (Act on Opportunities to Gain Qualifications) <i>Gesetz zur Stärkung der Chancen für Qualifizierung und für mehr Schutz in der Arbeitslosenversicherung (Qualifizierungschancengesetz)</i> of 18 December 2018	Under the Act on Opportunities to Gain Qualifications, protection under the unemployment insurance system has been increased for workers who repeatedly work in jobs for a short period: while they have paid into the insurance system, in many cases their insurance periods have not been long enough to be able to claim unemployment benefit. For this reason, the Federal Government has relaxed access conditions to unemployment benefit by extending the overall qualifying period – within which an individual must complete the necessary minimum insurance period of 12 months – from two years to 30 months with effect from 1 January 2020.
14. Minimum Income	Social Protection Package I of 27 March 2020	With the Act Facilitating Access to Social Security Benefits and on the Deployment and Security of Social Service Providers in the Context of SARS-CoV-2 (Social Protection Package) (<i>Gesetz für den erleichterten Zugang zu sozialer Sicherung und zum Einsatz und zur Absicherung sozialer Dienstleister aufgrund des Coronavirus SARS-CoV-2</i>) of 27 March 2020, the Federal Government took immediate measures to quickly and effectively address the serious negative consequences of the COVID-19 pandemic. The Social Protection Package enabled fast and unbureaucratic access to benefits under Book II and Book XII of the Social Code. In doing so, only considerable wealth was taken into consideration and the actual costs for accommodation and heating were regarded as reasonable costs for six months.
	Social Protection Package II of 20 May 2020	The Social Protection Package II ensured that needy pupils and needy children in day care could still receive lunch under the Education Pact even when schools and day care facilities were closed due to the pandemic. This also applies to people entitled to benefits in sheltered workshops for people with disabilities and similar offerings.

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
	Social Protection Package III of 10 March 2021	The Social Protection Package III extended measures of the first social protection packages. Furthermore, adults entitled to benefits under the basic social security benefits systems who claimed benefits in May 2021 automatically received a one-off financial support payment of €150 per person for the first half of 2021.
15. Old age income and pensions	Introduction of an individually calculated supplement to the basic pension for persons compulsorily insured in the statutory pension insurance system for an extended period with below-average earnings during their working life.	Around 1.3 million pensioners will receive an individual basic pension supplement to their statutory pension. Around 70% of all cases are women. Work on reviewing all pensioners to determine their entitlement to a basic pension is expected to be completed at the end of 2022 such that solid data on the impact of the basic pension supplement will be available from 2023 at the earliest. Under the provisions of the Basic Pension Act (<i>Grundrentengesetz</i>), the Federal Government will examine, by 2025, whether the goals formulated with the introduction of the basic pension supplement have been reached.
17. Inclusion of people with disabilities	Implementation of European Directive (EU) 2019/882 with the Act to Improve Accessibility (<i>Barrierefreiheitsstärkungsgesetz, (BFSG)</i>) and the Statutory Ordinance on the Act to Improve Accessibility (<i>Rechtsverordnung zum BFSG</i>)	The Act to Improve Accessibility was announced in July 2021 and transposes the European Accessibility Directive into German law. For the first time, private-sector economic actors are required to produce and offer accessible products and/or to provide accessible services. An environment with more accessible products and services enables a more inclusive society and makes it easier for people with disabilities to lead an independent life. The Statutory Ordinance on the Act to Improve Accessibility implements Annex I of the Directive and provides details of the accessibility requirements to be met by products and services.
	Regulation governing the access of people with disabilities accompanied by an assistance dog to public and private mobile or immovable installations or facilities in the Equality for Persons with Disabilities Act (<i>Behindertengleichstellungsgesetz (BGG)</i>)	The legal situation regarding access with assistance dogs or guide dogs, which has so far been shaped solely by the interpretation of existing general legal provisions by case law, is to be codified and developed further with the present legislative proposal. Owners, proprietors and operators of mobile or immovable installations and facilities may not refuse people with disabilities access to their installations and facilities that are typically open to the general public and users on the grounds that they are accompanied by an assistance dog or guide dog; it essentially amounts to an obligation to tolerate the presence of the assistance/guide dog. This therefore allows people with disabilities to be accompanied by an assistance dog or guide dog to facilities and installations typically accessible to the general public. The bill also legislatively takes account of the right to accessibility of facilities and services open to or provided for the public, as defined under Article 9(2)(b) and the right to personal mobility under Article 20(b) of the UNCRPD.
	“Innovative Ways to Participate in the Working World – rehapro” (<i>Innovative Wege zur Teilhabe am Arbeitsleben – rehapro</i>) federal programme (to implement Section 11, Book IX of the Social Code); 102 pilot projects currently being trialled to strengthen rehabilitation	Innovative services and organisational measures under the rehapro federal programme are to maintain or restore the employability of people with health conditions more effectively than before. Furthermore, innovative approaches are to improve the collaboration of stakeholders in the field of medical and professional rehabilitation.

Pillar principle	List of main contributing measures	Estimated qualitative impact of the measures
	<p>Revision of the Act to Improve Accessibility, the Equality for Persons with Disabilities Act and the General Equal Treatment Act.</p> <p>“Accessibility” (<i>Barrierefreiheit</i>) federal programme</p> <p>Establishment of single points of contact for employers (Section 185a, Book IX of the Social Code)</p>	<p>Germany is to be an accessible, barrier-free country in all areas of public and private life, but particularly with regard to mobility (e.g. at railway operator Deutsche Bahn), housing, health and in the digital field. For this, the Act to Improve Accessibility, the Equality for Persons with Disabilities Act and the General Equal Treatment Act are to be revised and developed further. For example, private-sector providers of products and services are to be required to remove barriers within an appropriate transitional period or – if this is impossible or unreasonable – to make adequate arrangements.</p> <p>Improved accessibility in Germany is a central goal of the Federal Government. The “Accessibility” federal programme is a particular instrument to achieve this goal. It is centred around the four focal areas of mobility, housing, health and digital matters. The implementation of the federal programme is currently being examined.</p> <p>The job of the single points of contact is to provide information and advice to employers regarding the training, recruitment and employment of people with severe disabilities and to assist them in applying for funding and support services. By promoting the willingness of employers to employ people with disabilities, the single points of contact are to contribute to the integration of people with disabilities into the labour market.</p>
18. Long-term care	Introduction of a generalist nursing profession training programme (since 1 January 2020)	There is a strong and growing demand for well-trained nursing staff also in the area of long-term care. Training to become a nursing specialist in Germany has therefore been completely reorganised by the Nursing Professions Act (<i>Pflegeberufegesetz</i>). The aim was to establish a modern nursing training programme that supports transfer opportunities/mobility, to deliver further improvements in the quality of long-term care and to make the nursing and care professions more attractive.
19. Housing and assistance for the homeless	EhAP Plus funding guideline/programme “Inclusion Helps against the Marginalisation of the Most Disadvantaged” as part of the ESF Plus federal programme for 2021-27 (planned successor of the EHAP 2014-2020 which expires mid-2022, subject to approval by the European Commission)	<p>The aim of the EhAP Plus programme is to improve the lives and social integration of the target groups by providing advice (also on referral) and support in accessing local and/or regional support services available in both urban and rural areas.</p> <p>The target groups are:</p> <ul style="list-style-type: none"> • Particularly disadvantaged EU citizens who have recently moved to Germany, including children under 18 (particularly from (south-)eastern Europe); • Homeless persons or people at risk of homelessness, including children under 18
20. Access to essential services	EhAP Plus funding guideline/programme “Inclusion Helps against the Marginalisation of the Most Disadvantaged” as part of the ESF Plus federal programme for 2021-27 (planned successor of the EHAP 2014-2020 which expires mid-2022, subject to approval by the European Commission)	<p>The aim of the EhAP Plus programme is to improve the lives and social integration of the target groups by providing advice (also on referral) and support in accessing local and/or regional support services available in both urban and rural areas.</p> <p>The target groups are:</p> <ul style="list-style-type: none"> • Particularly disadvantaged EU citizens who have recently moved to Germany, including children under 18 (particularly from (south-)eastern Europe); • Homeless persons or people at risk of homelessness, including children under 18



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