

SYSTEM OF GOVERNMENT: Parliamentary

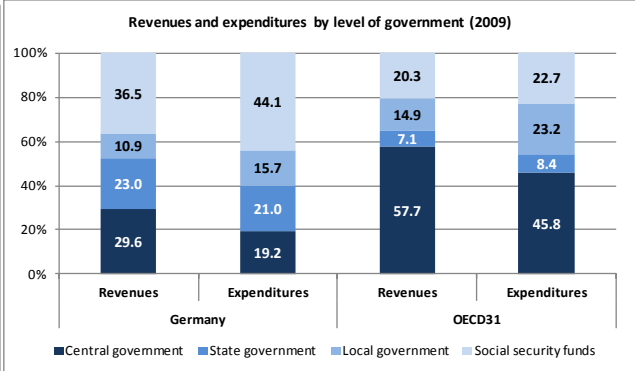
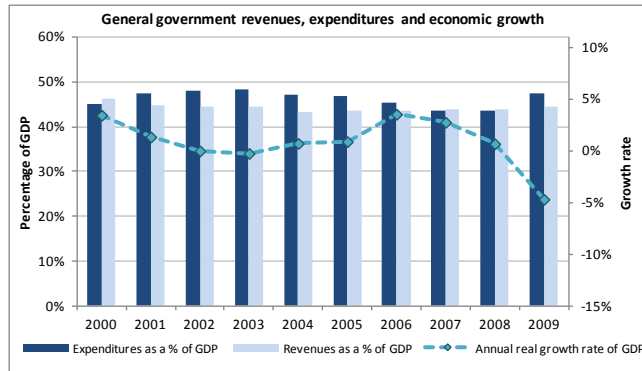
- No. of ministries: 14 (2010)
- No. of governments over last 20 years: 7
- No. of coalitions over last 20 years: 7

STATE STRUCTURE: Federal (16 Länder)

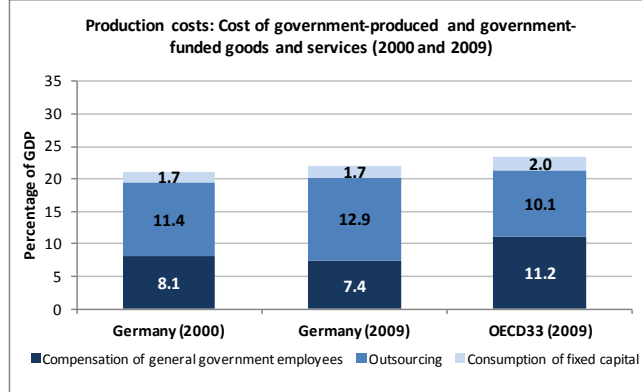
LEGISLATURE:

- Bundesrat: members of state governments
- Bundestag: elected using Semi-Proportional Representation

Government expenditures and revenues have averaged about 45% of GDP over the past decade. Germany balanced its budget in the two years prior to the economic crisis, but the fiscal balance became negative due to stimulus measures and automatic stabilisers. Among OECD countries, German social security funds account for a relatively large proportion of total revenues and expenditures, mainly due to their responsibilities in the health care sector. *Länder* and municipalities play a large role in service delivery.

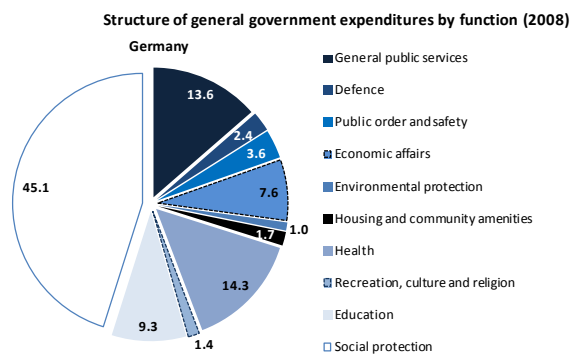


Source: OECD National Accounts and Economic Outlook 89. [Revenues] [Expenditures] [Revenues by level of government] [Expenditures by level of government]



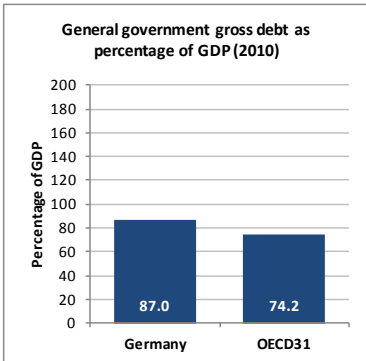
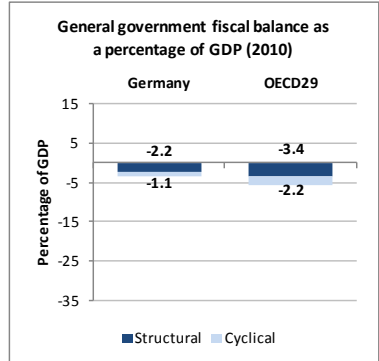
Source: OECD National Accounts. [Production costs]

About 21.9% of the economy was devoted to producing public goods and services in 2009, just less than the OECD33 average of 23.3%. Compared to other OECD countries, the private sector is involved to a larger extent in the provision of public goods and services (and this share grew between 2000 and 2009), although a large share of this is related to payments provided for health services.



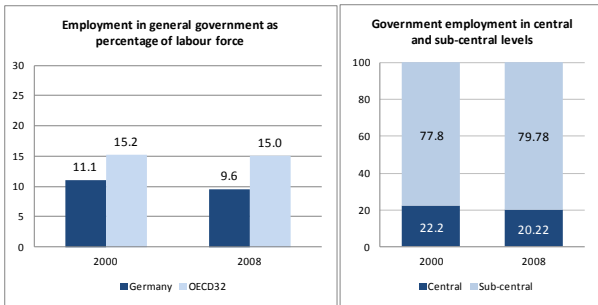
Source: OECD National Accounts. [Expenditures by function]

The German government devotes a similar share of resources to health and general public services as in other OECD countries but spends a much larger proportion on social protection programmes (45.1% compared to 33.5%). Almost half of expenditures on social protection are for old age pensions. This is balanced by devoting fewer resources to education and economic affairs (which includes expenditures on transport, communications, mining and agriculture).



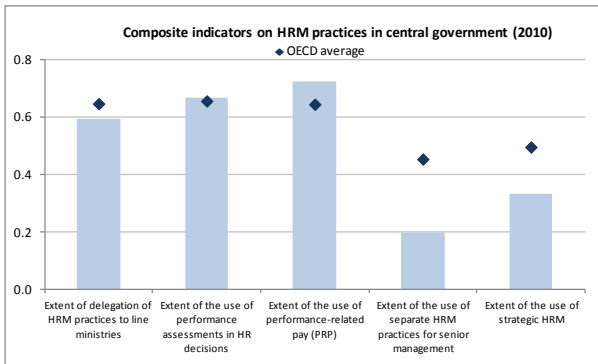
The German government operated at a deficit in 2010, but at 3.3% of GDP, this was much better than the OECD average. Gross debt has increased sizeably in recent years to account for 87.0% of GDP in 2010 (OECD definition differs from Maastricht criteria). Starting in 2011, a new fiscal rule (the debt-brake rule) will limit the federal government's structural deficit and require the *Länder* to balance their budgets in structural terms from 2020 onwards. To support this path, the consolidation programme aims to reduce or readjust benefits (social security, unemployment, parental and housing), and to introduce new taxes on nuclear fuel and banks.

Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [Fiscal balance] [Debt]



From 2000 to 2008, the share of public employment in the labour force dropped from 11.1% to 9.6% in Germany, well below the OECD average of 15% and near the lower end of the spectrum covered by OECD countries, which ranges from 6.7% to 29.3%. Taking into account the pending structural deficit, the Federal government plans to increase staff cuts from 1.5% to 1.9% annually beginning in 2011. Public employment in Germany is highly decentralised: nearly 80% percent of staff worked at the sub-central levels of government in 2008.

Source: International Labour Organisation. [\[General government employment\]](#) [\[Distribution by level\]](#)



In general, the HRM system in the German federal government performs very closely to the OECD average in most reviewed areas. Most HRM functions are delegated to line ministries except pay setting. A performance culture is evidenced by the extensive use of performance-based assessments and performance-related pay. In the German federal government, senior civil servants are not managed separately, and the rules applying to this group are only slightly different from other civil servants. There is room for improvement regarding the strategic use of HRM in managing government organisations.

Source: OECD 2010 Strategic HRM Survey. [\[Delegation\]](#) [\[Performance assessment\]](#) [\[PRP\]](#) [\[Senior management\]](#) [\[Strategic HRM\]](#)

Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	No	Yes	Yes	Yes	97%
Selection & evaluation criteria	No	Yes	Yes	No	97%
Tender documents	No	Yes	Yes	Yes	82%
Contract award	No	Yes	Yes	No	100%
Justification for award	No	No	No	No	59%
Tracking procurement spending	No	No	No	No	32%

Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".

Achieving greater transparency in public procurement is important; especially considering that Germany spent on average an estimated 13% of GDP in 2008.





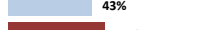







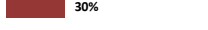
While Germany does not have a central website specifically dedicated to procurement, there is a special section on www.bund.de that pools information on public tenders, with links to more detailed information available at the contracting entity websites. Potential applicants can register to receive information from contracting entities, including tender documents and selection and evaluation criteria. Some public procurement information is also published in domestic electronic or printed journals.

Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public.

Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

Functions of the oversight body		Percentage of OECD countries responding "yes"	GERMANY
Consulted as part of process of developing new regulation	2005	 73%	Yes
	2008	 82%	Yes
Reports on progress made on reform by individual ministries	2005	 43%	Yes
	2008	 56%	Yes
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005	 43%	Yes
	2008	 50%	Yes
Conducts its own regulatory impact analysis	2005	 43%	Yes
	2008	 47%	Yes
Anticipating compliance and enforcement			
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005	 57%	No
	2008	 70%	Yes
Guidance for regulators on compliance and enforcement	2005	 37%	No
	2008	 47%	No
Existence of policy on risk-based enforcement	2005	N.A.	N.A.
	2008	 30%	No

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

In Germany there is no single central oversight body responsible for all aspects of regulatory management as in some other OECD countries. Several federal ministries carry important responsibilities on different parts of the agenda for better regulation.

The federal Chancellery acts as a coordinator and negotiating platform for the federal ministries. In particular it coordinates the programme for administrative burden reduction on businesses, through the Committee of Permanent Secretaries and a dedicated unit (Geschäftsstelle für Bürokratieabbau). In addition, an external advisory body, the National Regulatory Control Council, gives advice on the quality of assessments of administrative burdens. The federal Ministry of Interior plays a key role in the regulatory making process. It has overall responsibility for monitoring compliance with the rules of procedures for the preparation of draft legislation. This includes a check that the relevant impact assessments have been carried out. Preparation of draft legislation also requires consultation of the federal Ministry of Justice (on legal quality), of the federal Ministry of Economy and Technology (on the impact assessment regarding the costs to enterprises), and the federal Ministry of Finance (on budgetary implications).

In Germany most federal legislation is implemented by the *Länder*, and enforcement mechanisms vary across *Länder*. There is no explicit risk-based policy on enforcement.

Source: OECD 2008 Survey on Regulatory Management; OECD (2010), *Better Regulation in Europe – Germany*, OECD Publishing, Paris.
[\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

E-GOVERNMENT

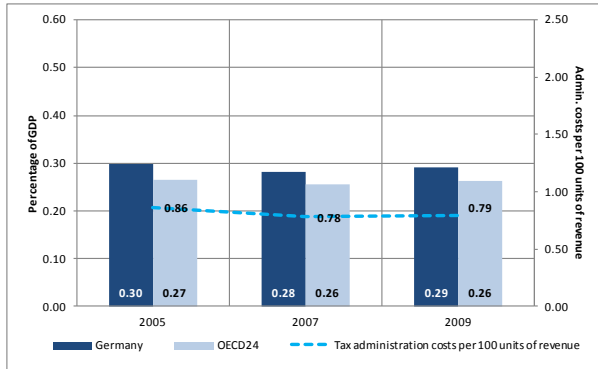
E-Government building blocks and e-procurement, 2010

e-enabling laws and policies	Germany	OECD25
Recognition & use of digital signature	..	100%
Electronic filing within the public sector	..	88%
Administering PPPs for e-government projects	..	64%
Services offered on single-entry procurement website		
Tender searches	No single-entry site	62%
Tracking of outcomes of contracts	No single-entry site	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable		

Germany does not have a singly-entry procurement website but publishes some procurement information (such as laws and policies on public procurement and general information for potential bidders) on other websites. No data are available for Germany regarding the government's e-government laws and policies.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

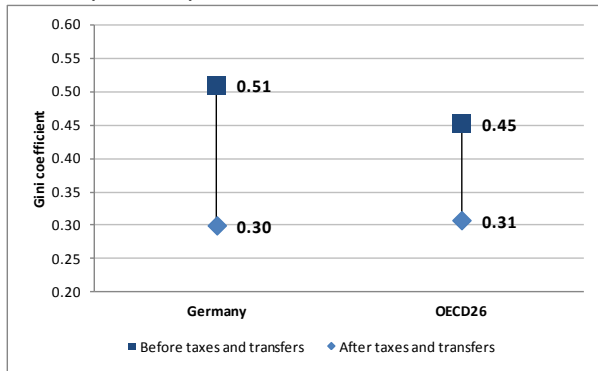
Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. Over time, a decreasing trend could reflect greater efficiency in terms of lowered costs and/or improved tax compliance. In Germany, the administration costs of collecting 100 units of revenue have increased only slightly from 2007 to 2009, but remaining lower than 2005 levels. Total revenue body expenditure has remained relatively stable during this period. Germany has a highly decentralised system of tax administration where federal taxes are administered by sixteen separate regional Lander Governments.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

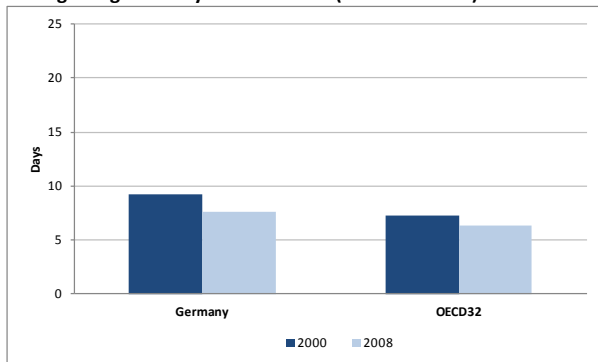
Differences in income inequality pre- and post-tax and government transfers (mid-2000s)



One method of assessing the effect of government tax and transfer policies on income inequality is by assessing a country’s Gini coefficient before and after taxes and transfers. The effect of government redistributive policies on income inequality is higher in Germany than the OECD average, Germany achieving a 0.21 point reduction in the Gini coefficient following its tax and transfer policies, compared to an average 0.14 point reduction in OECD countries. Nonetheless, labour market changes and changes in household structures have however been a main driver of rising inequality in Germany.

Source: OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD Publishing, Paris. [\[Differences in inequality\]](#)

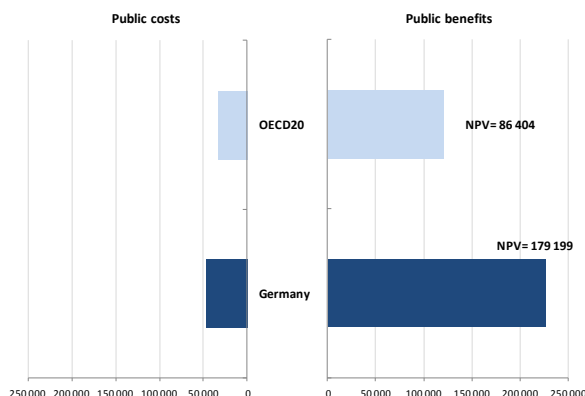
Average length of stay for acute care (2000 and 2008)



The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in hospital for curative care. Similar to other OECD countries, the ALOS decreased from 9.2 days in 2000 to 7.6 days in 2008 in Germany. This decrease is higher than that of the OECD average, where the reduction was about one day over the same period. Over time, reductions in ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilising less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs. Too short a length of stay however could cause an adverse effect on health outcomes.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

Public net present value for male obtaining tertiary education as part of initial education (2006), USD PPP



Both government and society gain economic benefits from increased schooling. Obtaining a tertiary education helps people enter the labour market and earn more, thereby increasing government tax revenues. A more educated and employed population can also reduce the government obligations for benefits and social assistance. At around USD 179 200, Germany’s public net present value (NPV) for a man obtaining tertiary education is the highest in the OECD area. This measure represents the public economic returns to education after having accounted for the costs of this education. In the case of Germany, the NPV is almost four times the net public investment in tertiary education, providing a strong incentive to expand higher education.

Source: OECD (2010), Education at a Glance 2010: OECD Indicators, OECD Publishing, Paris. [\[Public NPV of education\]](#)

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available in Annex E at: www.oecd.org/gov/indicators/govata glance.

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay (PRP) index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

Differences in income inequality pre- and post-tax and government transfers: The values of the Gini coefficient range between 0 in the case of “perfect equality” (*i.e.* each share of the population gets the same share of income) and 1 in the case of “perfect inequality” (*i.e.* all income goes to the individual with the highest income). Redistribution is measured by comparing Gini coefficients for market income (*i.e.* gross of public cash transfers and household taxes) and for disposable income (*i.e.* net of transfers and taxes).

Public net present value for male obtaining tertiary education: Tertiary education refers to levels 5 and 6 in the International Standard Classification of Education (ISCED 97). Public costs include lost income tax receipts during the schooling years and public expenditures related to tertiary education. Public benefits include additional tax and social contribution receipts associated with higher earnings, and savings from transfers (housing benefits and social assistance) that the public sector does not have to pay above a certain level of earnings. The discount rate is set at 3%, which largely reflects the typical interest on an investment in long-term government bonds in an OECD country.