

Position of the Commission Services on the development of Partnership Agreement and programmes in Germany for the period 2014-2020

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INTRODUCTION

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. For the latter, the CSF funds¹ can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

To ensure that the CSF funds deliver long-lasting, environmentally justifiable economic and social impacts, the Commission has proposed a new approach to the use of the funds in its proposal for the **2014-2020 Multiannual Financial Framework**². Strong alignment with policy priorities of the Europe 2020 agenda, macroeconomic and ex-ante conditionality, thematic concentration and performance incentives are expected to result in more effective spending. It is an approach that underlines the need for strong prioritisation and results and away from a culture of entitlement. The CSF funds will thus provide an important source of public investment and serve as a catalyst for growth and jobs by leveraging physical and human capital investment while they serve as an effective means to support the implementation of the **Country Specific Recommendations** issued in the context of the European Semester. This approach is in line with the European Council's call of 29 June 2012 regarding the use of the Union's budget³.

CSF Funds should aim at jointly fostering **competitiveness, convergence and cooperation**, by setting the right country-specific investment priorities. A general refocus of spending towards research and innovation, support to SMEs, quality education and training, inclusive labour markets fostering quality employment and social cohesion, delivering the highest productivity gains, mainstreaming of climate change objectives and shifting to a resource-efficient low carbon economy is necessary. In order to do so, planning and implementation of CSF funds have to break through artificial bureaucratic boundaries in the next programming period and develop a strong **integrated approach** for mobilizing synergies and achieving optimal impact both within countries and across borders. The Europe 2020 objectives must be mainstreamed across the different CSF Funds, each of them bringing their contribution to smart, sustainable and inclusive growth. Moreover, CSF Funds have a key role to play in supporting financial instruments that can **leverage private investment** and thus multiply the effects of public finance. In short, we need a carefully targeted and results oriented use of CSF funds that maximises their combined impact, both within and across borders.

The purpose of this position paper is to set out **the framework for** dialogue between the Commission services and Germany on **the preparation of the Partnership Agreement and Programmes** which will start in autumn 2012. The paper sets out the key country specific challenges and presents the Commission services' preliminary views on the main funding priorities in Germany for growth enhancing public expenditure. It calls for optimizing the use of CSF Funds by establishing a strong link to productivity and competitiveness enhancing reforms, leveraging private resources and boosting potential high growth sectors, while emphasizing the need to preserve solidarity within the Union

¹The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)

² COM (2011) 500 final, COM (2011) 398 final and COM (2012) 388 final.

³ Conclusions of the European Council of 29th June 2012 (EUCO 76/12), http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf

and ensuring the sustainable use of natural resources for future generations. There is also a need to concentrate future EU spending on priority areas to maximise the results to be obtained, rather than spreading funding too thinly. EU funding should also be used to fund EU level priorities and to ensure that Germany can draw full benefits from its EU membership. Therefore the Commission services propose to group and limit EU funding to the key challenges outlined in this position paper. National public spending can not only be used to co-finance but also to finance investments which are complementary and linked to EU funded projects in particular at regional and local level.

The starting point of the Commission services' considerations are the assessment of Germany's progress towards its Europe 2020 targets in its Staff Working Document on the 2012 National Reform Programme and Stability Programme⁴, underpinned by the country-specific recommendations addressed by the Council last 10 July 2012, and country-specific development challenges. The position paper takes account of the lessons learnt during the 2007-2013 programming period and the Commission's legislative proposals for 2014-2020.

In a context of fiscal discipline, this position paper encourages Germany and its regions to develop and implement medium-term strategies capable of facing the challenges ahead, notably globalisation and demographic change, while helping preserve the European social model. Moreover, it provides for a flexible framework for Germany and its regions to react and refocus European, national and local resources on creating growth and employment so that fiscal sustainability and growth-friendly policies go hand-in-hand, also dealing with structural problems in Germany and its regions and across its national borders in its territorial and geographical context, including the EU Strategies for the Baltic Sea and Danube Regions, in order to have maximum impact.

Finally it invites Germany and its regions to exploit to the maximum potential synergies between the CSF Funds and with other sources of EU funding in a strategic and integrated approach. This includes developing cooperation perspectives with neighbouring countries and regions as widely as possible.

1. MAIN CHALLENGES

In 2011, the German economy grew strongly, with the real gross domestic product (GDP) increasing by 3.0% (after 4.2% in 2010). This was more than twice the average growth since reunification (1.3%). According to the Commission services' spring 2012 forecast, real GDP is set to expand by 0.7% in 2012, followed by 1.7 % in 2013. The situation in the labour market should continue to improve and the unemployment rate is expected to drop from 5.9% in 2011 to 5.5% in 2012 and 5.3% in 2013.⁵

Nevertheless, the economic performance of the various German Länder varies greatly and regional disparities remain important. The less developed regions are generally located in Eastern Germany. The level of GDP per head is between 84.2% and 87.8%⁶ of the EU average in Mecklenburg-Vorpommern, Brandenburg, Thüringen, Sachsen-Anhalt and Sachsen while Berlin and district Leipzig have a GDP per head corresponding to more than 90% of the EU average. Richer regions are mostly found in Western Germany (except district Lüneburg in Niedersachsen) where several regions are among the richest

⁴ Relevant documents are available on Europe2020 website: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

⁵ European Commission (2012), European economic forecast – Spring 2012, European Economy 1/2012

⁶ Eurostat data 2009

in the Union. GDP per head is more than 134% of the EU average in Bayern, Hessen and Bremen while Hamburg has a GDP per head corresponding to 188% of the EU average.

In 2011, the employment rate was 76.3%, much higher than the EU average and relatively close to the national target of increasing it to 77% by 2020. Important regional disparities are observed with regards to labour market participation.⁷ Also, unemployment figures show a clear divide between the south and the north-east with unemployment rates of 3.8% in Bayern or 4.0% in Baden-Württemberg, compared to 12.6% in Mecklenburg-Vorpommern and 13.2% in Berlin (data 2011).

Eastern German regions experienced a remarkable economic development over the past two decades. Consequently, they will no longer be among the less developed regions of the Union in the next Cohesion Policy programming period. However, there remain considerable challenges in East Germany, especially regarding demographic trends, the still existing innovation lag, the low number of entrepreneurs, the lack of private capital and of foreign direct investment. Labour productivity remains significantly lower compared to West Germany or the EU average and the stock of fixed capital is still low in relation to the working-age population. The modernization and integration of the Eastern German economy - where unemployment can exceed 20% in some municipalities - continues to be a costly long-term process, with significant annual transfers from west to east (about EUR 9 billion in 2010).

Europe 2020 targets, national targets and current situation

Europe 2020 headline targets	Current situation in Germany	National 2020 target in the NRP
3% of the EU's GDP to be invested in research and development	Gross domestic R&D expenditure: 2.82 % in 2010.	R&D target: 3 % of GDP
20% greenhouse gas (GHG) emissions reduction compared to 1990 ⁸	-17% (2020 projections compared to 2005) ⁹ -5% (2010 emissions compared to 2005) ⁹	-14% (national binding target for non- Emissions Trading Systems sectors compared to 2005)
20% of energy from renewables	Share of renewable energy in gross final energy consumption: 11.0 % in 2010 (Eurostat) and 11.3% (National RES ¹⁰ Progress report). Germany has already achieved its 2011/2012 interim renewable energy target.	Renewable energy target: 18% of renewable energy in gross final energy consumption
20% increase in energy efficiency ¹¹ –reduction of energy consumption in Mtoe	NA	Energy efficiency — reduction in primary energy consumption by 2020 (in Mtoe): 38.30 Mtoe
75% of the population aged 20-64 should be employed	Employment rate: 76.3 % in 2011.	Employment rate: 77 %
Reducing early school leaving to less than 10%	Early leavers from education and training (percentage of the population aged 18-24 with at most lower secondary education and	Early school leaving target: < 10 %

⁷ The employment rate is for example 68.8% in Berlin and 69.8% in Bremen. It is much higher in regions like Baden-Württemberg (78.2%), Bayern (78.1%), or Thüringen (76.0%) (data 2010).

⁸ 30% if the conditions are right

⁹ Based on existing measures. Commission report *Progress towards achieving the Kyoto Objectives* COM(2012) 626, 24.10.2012

¹⁰ Renewable Energy sources

¹¹ Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in Article 3(3) of the energy efficiency Directive. This will be available only by 30 April.

	not in further education or training): 11.5 % in 2011. Significant achievement gap between migrants and natives (23.4% vs. 10.2%).	
At least 40% of 30-34 year-olds completing tertiary or equivalent education	Tertiary educational attainment: 30.7% in 2011 on the basis of ISCED ¹² 5 and 6. Including the additional qualifications included by Germany in its national target, the performance in 2011 was 42.4%.	Tertiary (or equivalent) education target: 42 % (Germany also includes qualifications in its national attainment target that it considers as 'equivalent' to tertiary attainment, technically classified at ISCED 4 levels).
Reducing the number of people in or at risk of poverty or social exclusion by at least 20 million (compared with 2008 levels)	People at risk of poverty or social exclusion: 19.7% of the population in 2010, i.e. 15.9 million people. Target: 15% reduction in the number of long-term unemployed compared with 2008, i.e. reduction by 240,000 long-term unemployed.	Target for the reduction in the number of people at risk of poverty or social exclusion: 20% reduction in the number of long-term unemployed by 2020 compared with 2008, i.e. reduction by 320 000 long-term unemployed.

Germany's most pressing challenges are related to the regional competitiveness and demographic change, the labour market, the transformation of the energy system and the sustainable use of natural resources.

Regional competitiveness and demographic change

Germany is a highly competitive economy. Among the EU-27, the country ranks 3rd with respect to the World Economic Forum Global Competitiveness Index. According to the Commission's Small Business Act (SBA) country fact sheets, Germany is also ahead of the EU-average in many of the SME policy areas as defined by the SBA, performing in a top group of EU-Member States providing favourable conditions for small businesses. Nevertheless, Germany is traditionally lagging behind the EU average regarding entrepreneurial activity¹³.

The Innovation Union Scoreboard 2010 classified Germany among the innovation leaders in the EU. With 2.82 % in 2010, Germany is already closely approaching the Europe 2020 R&D target of 3 %. Human resources in science and technology or employment in high-technology sectors are all above the EU average.

However, there are significant differences between German regions, innovation activities being generally much lower in Eastern Germany (with the exception of Berlin) compared to Western Germany. While R&D expenditure represent up to 4.8% of GDP in Baden-Württemberg and 3.1% in Bayern, it amounts to less than 1.32% in Sachsen-Anhalt, Brandenburg and also in Saarland and Schleswig-Holstein.¹⁴ In all Eastern German Länder the share of R&D investments of the private sector is significantly lower than the public investments in the universities and public research institutes. Maintaining and boosting the innovation performance of the regions will require a significant increase of private R&D investments.

In 2011, the broadband coverage in Germany was above the EU average: 78% of the households and 88% of the enterprises had connections against a respective 67% and 87% of the EU average. However, numerous 'white spot' areas without broadband still exist, many in parts of Eastern Germany (e. g. in Mecklenburg-Vorpommern 67% and in Brandenburg 66% households with broadband access).

¹² UNESCO developed the International Standard Classification of Education (ISCED) to facilitate comparisons of education statistics and indicators across countries on the basis of uniform and internationally agreed definitions

¹³ DG Enterprise & Industry, SBA Fact Sheet 2012, <http://ec.europa.eu/enterprise/policies/sme>

¹⁴ Data 2009, Quelle Stifterverband Wissenschaftsstatistik, VGR d. L., September 2011

Germany also faces significant demographic challenges to sustained long-term growth with different regional trends. Population is projected to further shrink in Eastern Germany and to stagnate or grow in Western German regions. According to the latest population projection by EUROSTAT (2010), all Eastern German regions - with the exception of Berlin – belong to the group of European NUTS 2 regions where the ratio of population aged 65+ years to the population aged 15 to 64 is the highest (above 45%). This trend is not only based upon low fertility rates and the ageing of the middle-aged population implying a massive decrease of the working age population following the trend in developed countries. It also reflects a high rate of migration from Eastern to Western German regions, particularly for young female inhabitants.

The expected decline of inhabitants and the changing age structure constitute a serious challenge for Eastern German Länder, with significant consequences for revenues and expenditures of the local authorities (Länder and municipalities). The decline of population in Eastern Germany ranges from 3.9% in Brandenburg to 9.8% in Sachsen-Anhalt between 2000 and 2010. The German Federal Statistical Office forecasts the population to decrease in Western Germany by 18% and in Eastern Germany by 36% between 2010 and 2060. The sub regional impact is significant, particularly in rural and coastal areas which face the challenge of availability and level of small scale infrastructure and public services.

In view of these demographic trends and the diminishing labour force, an important long-term challenge will also be to avoid systematic skill shortages in industry, services and academia.

Enhance labour market potential, social inclusion and raise educational achievement

Germany has set a national **EU2020 employment target** of 77% and two national sub-targets, for women (73 %) and older people (60 %). In terms of employment rates, Germany is performing better than the EU average and seems to be on track towards the three national targets as the employment rates have further improved in 2011 (total: 76.3 %, female: 71.1 %, older workers: 59.9 %).

In spite of the general good performance of the German labour market, certain groups face particular challenges. Women face one of the highest gender pay gaps in the EU and account for a very high percentage of the part-time working labour force. The employment rate of non-EU citizens is dramatically low and integrating low-skilled, older workers and the remaining long-term unemployed into the labour market is difficult. In addition, especially the increase in atypical work and growing wage inequalities contribute to a high number of people at risk of poverty and social exclusion.

The impact of the demographic change on the labour market and growth risks being drastic. The active labour force is projected **to shrink from 45 million in 2010 to 41 million in 2020 and to 27 million in 2050**.¹⁵ Already today, shortage of skilled workers is emerging in various sectors and regions. High skilled professions, such as engineers and IT-professionals, continue to be particularly in demand. SMEs are generally more affected than large enterprises. This development would significantly reduce the economic and labour market potential of Germany and thus endanger its competitiveness and growth perspectives. Regional competition for skilled labour is likely to increase considerably in light of demographic developments. In addition, emerging structural and regional skills mismatches need to be tackled, especially in the

¹⁵ Without migration and with stable participation rate – Source: Perspektive 2025 – Fachkräfte für Deutschland, Bundesagentur für Arbeit

light of the decreasing size of cohorts. Furthermore, Germany needs to activate untapped labour market potential of women and certain groups, including older people, people with disabilities, people with a migration background and low-skilled workers in order to counteract emerging labour supply bottlenecks.

Problems persist in particular for the following groups:

The **employment rate of women in full-time equivalents** stood at only 50.9% in 2010 and is **low** especially for women in West and South Germany.¹⁶ The gap in work intensity (share of part-time work) between women and men is one of the highest in the EU which appear to be related to significant fiscal disincentives for second earners as well as a limited availability of full-time, flexible and high-quality childcare facilities, all-day schools and long-term care services. Women are highly concentrated in low-wage employment, while being under-represented in decision-making and management positions. The high incidence of part-time work among women, together with other factors such as the different professional and sectoral choices made by men and women and differences in work patterns, contribute to a **persistently high gender pay gap** in Germany. In view of an ever ageing population and forecasted skill shortages, acting as bottlenecks to growth, Germany cannot afford to leave women's labour market potential unused.

As concerns the roughly 15.7 million people with a **migration background** in Germany, (2010; representing around 20% of the population)¹⁷ they are **twice as often affected by unemployment** as people without a migration background.¹⁸ The employment rate as well as the upward mobility of non-EU citizens is dramatically low (e.g. 25.4 % for women in 2010). People with a migration background have bigger problems in search for vocational training and they seem to drop out more often from training. In 2010, the percentage of persons with migration background without a vocational training qualification stood at 31.6 % compared to 14.9 % in the total population.

The risk of social exclusion is particularly growing for the segment of the population that is long-term unemployed, as their integration is getting increasingly difficult and they are most severely affected by the risk of poverty.¹⁹ Against the backdrop of the considerable cuts in the budget of the public employment service and in light of the recent reform of the labour market instruments – including cuts in the federal funding of activation and integration programmes and instruments for the long-term unemployed – it is important that efficient and effective services especially for long-term unemployed are maintained and that a deterioration of their integration opportunities is avoided. Active labour market policy needs to ensure that the long-term unemployed receive the right placement services and other support to avoid the risks posed by an increase in inactivity and also to prevent skill erosion. 50% of all long-term unemployed do not have a vocational qualification and 40% are over 50 years old.

¹⁶ The lack of supporting infrastructure frequently accompanies this low employment rate of women.

¹⁷ Die Beauftragte der Bundesregierung für Migration, Flüchtlinge und Integration (2011): Zweiter Integrationsindikatorenbericht, Dezember 2011

¹⁸ Network of socio-economic experts in the anti-discrimination field, July 2010 - Migration data used distinguish between Germans and foreigners only, so that considerable efforts are still necessary to collect appropriate data. While the Federal Employment Agency continues to collect only data of Germans and foreigners, data on the basis of Microcensus allow differentiating according to migration backgrounds.

¹⁹ The groups affected most severely by the risk of poverty or social exclusion are the unemployed (81.5%), lone parents (51.3%), inactive people (38.3%), migrants from non-EU/EFTA countries (30.3%) and people in atypical employment (part time, temporary and agency work).

In addition, in-work poverty is increasingly a problem in Germany (2005: 4.8 %; 2010: 7.2 %) ²⁰ and exceeds the respective EU averages for temporary workers and single parents ²¹. Given the increased retirement age due to the pension reform on the one hand and the potential increase in old-age-poverty on the other, employability and employment opportunities for older workers have to be improved. The provision of sufficient activation and integration measures for people at risk of poverty and social exclusion is therefore further needed.

Given the particularly **high influence of socio-economic background on education achievements**, Germany needs to speed up its efforts to improve educational outcomes among socially disadvantaged groups. Socially disadvantaged groups, including young people with a migrant background, face a much higher risk of early drop-out from education and training than their peers. Besides low education outcomes, they often face structural barriers, such as discrimination or difficulties with the recognition of qualifications and experience acquired abroad. It is therefore a challenge to improve educational outcomes, especially of disadvantaged young people.

Transformation of the energy system and strengthening sustainable use of natural resources

Germany's "Energiewende", adopted in the early summer of 2011, does not only provide for nuclear phase-out but also for a reduction in the use of fossil fuels and a reinforced expansion of renewable energy sources. For the achievement of both the shorter term renewable energy target (as following from the RES Directive) as well as the longer-term targets of 80% share of RES in electricity consumption by 2050 (as following from the National Energy Concept), the question of system integration of a higher share of variable generation sources (wind and solar) will have to be tackled. Therefore, there is a need to invest into smart distribution grids which flexibly and efficiently steer supply and demand on the electricity markets as well as in decentralized storage and flexible and decentralised generation capacities of innovative character. There is also a need to continue to invest in innovative renewable energy technologies with a potential for the cost-efficient achievement of the targets.

Risks and opportunities of climate change will have **different impacts on the different regions in Germany**, given that there are important differences in their geographical concernment and adaptation capacity. Therefore, necessary adaptation measures have to take into account regional differences and should be decided and implemented at the most appropriate level, in line with the subsidiarity principle. In many cases, this will be the local or regional level. Ten Länder have already presented regional climate change adaptation strategies and measures, and the remaining six are currently developing their regional strategies ²².

Air pollution is still a serious problem in many German cities and areas of high population density, even if the average concentration of ground-level ozone is lower than the EU average (8.5 days of ozone concentration excess against 11.8). Particulate Matter (PM) 10 daily concentration levels, as well as concentrations of Nitrogen Oxides and ground-level ozone exceed the limits in many zones, thus affecting large part of the population, notably in the agglomerations. Coordination of urban and any territorial development with objectives related to air quality and atmospheric pollution is necessary

²⁰ The in-work poverty rate for temporary workers in Germany is almost three times higher than for permanent workers (15.9% vs. 5.8%). The in-work poverty rate for temporary workers and for single parents in Germany are well above the respective EU-averages (see Employment and social developments in Europe 2011).

²¹ According to EU-SILC 2009, the figures explicitly refer to at risk of poverty or social exclusion.

²² See <http://climate-adapt.eea.europa.eu/countries/germany>

as well as investments and operations reducing air pollutants from the building and transport sector and from agriculture.

Biodiversity, water, soil, air, forests are the main environmental challenges relevant to rural development. German farming is largely intensive; there are almost no regions which are used predominantly for extensive agriculture. Combined with land abandonment, this leads to biodiversity reduction, limitation of the natural soil functions, pressures on ground and surface waters, ammonia emission (the Gothenburg Protocol requires Germany to reduce also ammonia emissions by 5% by 2020). As for fisheries, Germany still faces the challenges of achieving economic profitability and environmental sustainability and of taking full advantage of blue growth to coastal development.

2. PRIORITIES FOR FUNDING

The CSF Funds will be one of the important instruments to tackle the main challenges for Germany's regions and to implement the Europe 2020 strategy. Each fund should give priority, when relevant, to policy areas addressed in the country-specific recommendations and in the national reform programmes. It should also take account of the need for cross-border linkages and broader transnational approaches. For rural development and fisheries, priorities for funding will also contribute to the Common Agricultural and Common Fisheries Policies. Targeted funding should harness growth in Germany's blue economy, in line with the Guidelines for the German Maritime Policy until 2020. To this end the intervention from the CSF Funds, both country-specific and addressing cooperation, needs to be concentrated on a limited number of priorities. Experience shows that thematic concentration allows for an increase in effectiveness of public interventions by reaching a critical mass with a real impact on the socio-economic situation of a country and its regions. Prioritisation is of particular importance in times of fiscal consolidation.

Three complementary and mutually reinforcing funding priorities are proposed hereunder in line with country-specific challenges²³. They reflect the importance of funding needs and potential contribution to growth and jobs. There is no ranking in the presentation of the funding priorities.

These are the priorities the Commission services would like to co-finance in Germany for the next programming period 2014-20. Sufficient flexibility is built into the new programming architecture to respond to new challenges and unexpected events, which allow for reprogramming on justified grounds.

2.1 Reducing regional disparities in competitiveness taking account of demographic change

Considering the federal structure and differences in regional development in Germany as well as the relatively limited resources of the CSF Funds, the Commission services consider that the investments from the CSF funds should be linked with the main development needs and potentials at the regional level and they should be concentrated. Local- or regional-specific strengths should be addressed in order to avoid fragmentation and waste of valuable resources for successful economic re-structuring.

²³ The thematic objectives and investment priorities in the proposed regulations and their link to the funding areas are outlined in Annex.

Increasing R&I investment to address regional disparities in competitiveness

The priority in this area should be the creation of an innovation-friendly business environment in order to support the shift towards an innovation-driven economy in particular to address regional disparities. Main elements include strengthening private research and innovation (R&I) activities and improving knowledge transfer between public and private sectors (also across borders). The CSF funds should be allocated **according to regional and specific needs**. The potential for growth in the maritime economic sectors should be further explored, as identified in the Blue Growth initiative.²⁴

For considerable time, the support of regional and (EU-wide) interregional networks is a common tool, to foster economic development in Germany, in particular in Eastern Germany. The Commission services recommend intensifying policy support for regional networking. This is important because the simple co-location of potential partners in (close) proximity (e.g. firms, universities, R&D organizations, governmental institutions, trade associations) might be insufficient for the transfer of knowledge/technology.

Enhancing business innovation (incl. eco-innovation) and competitiveness, including in agriculture and fisheries and improving access to finance for SMEs

Support from CSF Funds should become more targeted, stimulating investment in innovation, focussing on SMEs – the main source of employment creation in the German economy. CSF funds should address substantial regional disparities in competitiveness and enhance sustainability of SMEs, including those operating in rural and border areas and of businesses in the agriculture, fisheries and aquaculture sectors. Particularly agricultural productivity increasingly needs to be supported through research, knowledge transfer and promoting cooperation and innovation (including through the European Innovation Partnership on agricultural productivity and sustainability).

The CSF funds should invest in eco innovation, new types of business organisations and greening the economy and resource and energy efficiency, e.g. by putting in place incentives that stimulate companies to measure, benchmark and improve their resource efficiency systematically. It should be ensured that advice and support is available to help SMEs to exploit their potentials for energy savings and efficiency and sustainable use of raw materials.

The CSF funds should focus their interventions on the improvement of SMEs' access to finance by a more intensive use of financial instruments, where an ex-ante assessment has established evidence of market failures or sub-optimal investment situations, as well as the value added of support of such financial instruments through CSF Funds. Measures should also be taken to improve the availability of risk financing for innovation projects, notably for small enterprises, including providing venture capitalists with appropriate exit possibilities.²⁵

Strengthening entrepreneurial potential

Strengthening entrepreneurial potential should be given a greater priority. Making use of complementary support for activities such as consulting, coaching, market access, networking and training can overcome typical SME weaknesses which are linked to the size-related obstacles to access and insertion in markets beyond regional borders.

²⁴ Blue Growth is a long term strategy to unlock the potential of Europe's oceans, seas and coasts. The Blue Growth study "Scenarios and drivers for Sustainable Growth from the Oceans, Seas and Coasts" identifies a number of areas such as blue energy, maritime, coastal and cruise tourism, marine mineral resources, blue biotechnology and aquaculture that could deliver sustainable growth and jobs in the blue economy.

²⁵ OECD Economic Surveys: GERMANY, FEBRUARY 2012, www.oecd.org

The CSF funds should support entrepreneurial potential in SMEs by increasing their own innovation competence, by implementing successful innovation activities and by fostering the exchange/cooperation with other entrepreneurs and education/research organisations (also across borders). Further development of successful actions e. g. "Innovation Assistant/Adviser" to strengthen technological and innovation competence in regional SMEs, especially for smaller firms and SMEs in rural areas should be supported.

Ensuring full coverage and equal access to Information and Communications Technology (ICT) in rural areas

The full coverage of broadband in rural areas is a national challenge in order to ensure job creation and maintain the attractiveness of these areas, especially in the five Eastern Länder. CSF funds should concentrate on investments for closing gaps and improving rural ICT infrastructure in synergy with the Connecting Europe Facility.

Diversifying economic activities on the whole rural territory and promoting small infrastructure in sparsely populated areas

The diversification of economic activities on (especially in mountain areas) and off farms (especially in the five eastern Länder), with the creation of SME is absolutely necessary for the development and competitiveness of rural areas. Concurrently the development of local infrastructure and local basic services in sparsely populated areas is an essential element of any effort to reversing trends of social and economic decline and depopulation and realise the growth potential and promote the sustainability of rural areas.

2.2 Enhance labour market potential, social inclusion and raise educational achievement

In view of demographic trends and an ageing society, increasing the labour market potential for growth and jobs requires tackling all groups in an integrated approach. Education achievements and the availability of skilled labour have a major impact on economic performance. Moreover human capital is lost where education and training systems are unable to compensate well for socio-economic disadvantage. The relative share of CSF Fund investment should therefore increase in the next programming period.

Enhance the employment and income opportunities of long-term unemployed and provide activation and integration measures for people at risk of poverty

Due to the growing problematic of poverty and social exclusion, it should remain a priority of the CSF funds in Germany to provide sufficient activation and integration measures by supporting people furthest from the labour market to upgrade their skills, integrate them into employment and improve their income opportunities, including people with a migration background, people with disabilities and the low-skilled. Furthermore Germany needs to increase the individualized support for long-term unemployed and support the upgrade of basic skills and key competences of disadvantaged people, with a low socio-economic background, above all in disadvantaged areas.

Promote equal opportunities throughout all stages of the education and training system and increase quality as well as educational outcomes, in particular of disadvantaged young people

Given the particularly high influence of socio-economic background on education achievements, Germany needs to speed up its efforts to improve educational outcomes, in particular among socially disadvantaged groups.

CSF funds need to enhance the focus on reducing early school leaving of vulnerable young people, in particular those with a migration background through targeted support and participation in pre-school education, and tackling deficits in the German language at an early age.

Several studies²⁶ confirm that Germany shows a very low level of intergenerational upward educational mobility: Only 20% of 25-34 year-old non-students have attained a higher level of education than their parents (OECD 37%), while 22% of people in this group have even attained only a lower level. To this end, the smooth transition from school to work should be promoted through vocational training, increasing participation and attainment levels by developing new approaches, effectively targeted to the needs of disadvantaged young people, in particular for those with a migration background.

It is equally important to tackle gender stereotypes in education and training and promote less gender-biased career choices as well as reducing drop-out and low-achievers in basic skills among young males in view to closing gender gaps and increasing labour force participation at a later stage.

Address more efficiently shortages of skilled workers

Germany should allocate more resources from the CSF funds to support active and healthy ageing aimed at increasing labour market participation of older people. Employability of older workers needs to be enhanced through participation in effective lifelong learning measures tailored to their needs. Innovative, accessible and elderly-friendly forms of work organization and active ageing cultures have to be developed and promoted within companies to maintain older workers longer in employment.

In view of the demographic trends, an important long-term challenge will be to avoid a systematic skill shortage in various sectors and regions. The CSF funds should play a key role in tapping unused human capital, especially among well qualified women as well as by up-skilling and re-skilling disadvantaged people and supporting their sustainable integration into the labour market.

Support participation in and increase quality of full-time child-care and all-day schools

Given the high correlation between investments in quality early childhood education and care and the subsequent educational performance, enhancing the quality of provision through better training for staff in early childhood education and care by international standards, remains a challenge. The high share of children participating in early childhood education between age 4 and the year of compulsory school (96.2%; EU-average 93.2%) is considered to have a positive effect on later school achievement.

Germany should thus give a higher priority in CSF funding to improve the quality of affordable and flexible care services (such as full-time child care and out-of school care) and thus increase the participation in care facilities. This includes in particular better qualification of the care personal, higher participation rates below the age of three, ongoing efforts with a view to disadvantaged children and the development of new concepts for the educational pre-school and school phase.

²⁶ In most OECD countries, intergenerational upward mobility in education is more common than downward mobility – in other words, the percentage of young adults who achieve a higher level of education than their parents is greater than the percentage that achieves a lower level. However, this is not the case in Germany, where 20% of 25-34 year-old non-students have attained a higher level of education than their parents, and 22% of people in this group have attained a lower level (OECD average: 37% upward mobility, 13% downward mobility). Education at a Glance: OECD Indicators 2012 /GERMANY

With a very high percentage of part-time work often linked to lack of care facilities these measures are crucial in order to achieve a significantly higher share of full-time female labour participation in Germany. A more gender-balanced distribution of unpaid care work would equally strengthen those measures listed above.

Strengthen labour market participation of women, older workers and migrants

For Germany it will be particularly important that it gives higher priority in CSF funding to **enhance gender equality** and facilitate women's reintegration into high quality employment after career breaks due to care duties. Improving the reconciliation between work and private life by promoting innovative ways of work organization and developing innovative solutions for the provision of child care and long-term care services, stays a challenge. Furthermore it is necessary to address the gender segregation in the labour market and the gender pay and pension gap as well as supporting measures like mentoring networks for women.

As concerns people with a migration background, it is important not only to improve educational outcomes but also to overcome other structural barriers, in particular the recognition of qualifications and experience acquired abroad, as well as discrimination. It is equally necessary to improve the effectiveness of measures aiming at keeping older workers longer in employment and tapping their unused potential on the labour market.

The CSF funds should play a role by raising awareness and by implementing actions to dismantle structural barriers for older people, persons with disabilities and people with a migrant background.

2.3 Supporting transformation of the energy system and strengthening sustainable use of natural resources

The new energy strategy and the shift to higher resource efficiency create new opportunities for growth, but it also involves challenges in terms of potentially high costs and the possibility of capacity constraints. In order to contribute to the successful implementation of the energy system transformation, **CSF funds should focus their investments on innovative aspects** taking into account environmental sustainability objectives.

Support for innovation in energy systems, in particular for smart distribution grids

The CSF funds should concentrate their investments on support for research and development, demonstration projects etc. on energy storage and flexible generation capacities and the co-financing of pilot projects on smart distribution grids as well as innovative renewable energy technologies.

Clean ocean energy generation and supply should be promoted, i. a. through investments in grid connections, distribution capacity and the supply chain for ocean energy.

Increase energy efficiency in public buildings

Increasing energy efficiency and energy saving efforts is particularly important, as it contributes to achieving the climate and renewable energy targets while reducing energy consumption, reinforcing the security of supply and creating local jobs. While Germany is already active in this area and has already substantial national/regional programmes, the existing scope for increasing energy efficiency needs to be further exploited²⁷,

²⁷ See Commission SWD assessment DE NRP 2012

developing also integrated solutions for sustainable energy communities and cities in line with the Smart Cities and Communities - European Innovation Partnership²⁸.

Development and implementation of integrated sustainable low-carbon urban, rural and territorial strategies

The CSF funds should support the development and implementation of integrated urban strategies that a. o. support initiatives leading to CO₂-reduction, adaption to climate change, increased energy efficiency and savings.

In order to exploit the full potential and to respond to specific place-based demands, integrated, as appropriate, also decentralised energy concepts are needed which take into account the energy needs and supplies of whole districts, cities and city-regions (going beyond the energy efficiency of each building and including SMEs, smart distribution systems and the local public infrastructure in a holistic approach). Further promotion of **synergies and coherence** among energy, environment, climate and innovation policies and their instruments (also across borders) is necessary in order to increase effectiveness of public funding.²⁹

Low carbon strategies are also a key-element for a sustainable development of rural areas. Various elements contribute to this goal and have to be enhanced: increased efficiency in energy use in agriculture and food processing, environmentally sustainable supply and use of renewable sources of energy and of by-products, wastes, residues and other non-food raw material to promote the bio-economy, reducing nitrous oxide and methane emissions from agriculture, enhancing carbon sequestration and emission reduction in agriculture, aquaculture and forestry.

In rural and coastal areas the Community led local development approach (CLLD) should be promoted to encourage local initiatives and the spreading of innovation for this kind of projects.

Promoting the implementation of measures which improve soil management

Improving soil quality, especially in terms of increased soil organic matter and limited soil erosion is an important objective, especially in the Northern regions with intensive agriculture. This issue should be tackled with support for practices to prevent soil degradation and depletion of soil carbon stock.

Enhancing risk prevention/management and environment protection (namely reduction of the nitrates surpluses, biodiversity, water, forestry, Natura 2000 areas)

Germany faces several challenges (flooding during the recent years, high nitrates density in the North West, non-sustainable forestry practices in certain areas, management of the wide Natura 2000 areas, ambitious biodiversity strategy) which need appropriate action and support from the CSF funds in rural areas.

As for fisheries resources, support to the implementation of the reform of the Common Fisheries Policy (CFP) should ensure their protection while bringing sustainable fishing and fostering the economic development of fishing communities.

²⁸ COM(2012)4701

²⁹ See also OECD Environmental Performance Reviews – Germany 2012.

3. SUCCESS FACTORS FOR EFFECTIVE DELIVERY

Together with financial consolidation **structural reforms** play a key role in enhancing the overall efficiency and thereby the growth potential of the German economy. They are also **key condition** for the successful implementation of the CSF Funds which can only have optimal impact, if an appropriate policy, legal and administrative framework is in place.

Therefore the new Common Provisions Regulation will set out **ex-ante conditionalities** which are **preconditions relating to the effective and efficient use of EU Funds** which should be fulfilled by the time a programme is approved. The Commission Services will formally examine the information provided by Germany in the framework of its assessment of the Partnership Agreement and programmes.

Below, based on the current information available, the Commission Services have identified a non-exhaustive list of ex-ante conditionalities which are likely to be applicable and where gaps in their fulfilment have been identified on the basis of the experience in past programming periods and the relevant country-specific recommendations. Where ex-ante conditionalities are not fulfilled by the time of submitting the Partnership Agreement to the Commission, Germany will need to lay down a series of actions to be taken at national and regional level and a timetable for implementing them. All ex-ante conditionalities need to be fulfilled by the deadline agreed and at the latest within two years of the adoption of the Partnership Agreement or by 31 December 2016.

The German authorities need to take actions to fulfil the pre-conditions for successful spending in each of these areas before the start of the next programming period:

- Develop regional research and innovation strategies for smart specialisation and ensure effective coordination and cooperation between the regions in the development and implementation phase;
- Develop and implement a national strategy for poverty reduction;
- Define appropriate and congruent selection criteria for the implementation of the rural development policy;
- In fisheries, adopt a multiannual national strategic plan for aquaculture, improve data collection for fisheries management (ensuring a smooth shift from direct to shared management) and the implementation of a Union control, inspection and enforcement system.

4. PRIORITIES FOR EUROPEAN TERRITORIAL COOPERATION

The geographical position of Germany implies that it is highly dependent on a cooperative and connected approach to immediate and regional neighbours. Effective solutions in many areas of development require a cooperative approach to challenges and opportunities that looks across the borders.

For the 2014-2020 programming period, goals of ETC programmes should be designed along the following principles, and complementing a similar approach in country-specific programmes: an approach based on a clear understanding of the major challenges of the border regions and programme areas; a critical reflection on experience from previous programming periods, a better awareness of the connectedness of actions taken in the

context of national policies and other Community-funded programmes; a strong sense of partnership, recognising the various needs and priorities across borders.

Areas of relevance for cross-border and transnational actions should be linked with the funding priorities proposed for the country-specific programmes, where there is a commonly agreed approach with its neighbouring countries addressing specific needs.

Germany should enhance the possibilities offered by the interregional programmes (especially successor to INTERREG IVC) to capitalise and integrate innovative networking ideas in country-specific programmes.

The use of European Grouping of Territorial Cooperation when planning and implementing cooperation approaches across borders or in wider regional contexts should be considered, and utilised as appropriate.

Effective macro-regional strategies require the successful mobilisation of EU funding. The objectives of the territorial cooperation programmes as well as future operational programmes of the CSF Funds, should all take into account the priorities of the EU Strategy for the Baltic Sea Region (EUSBSR) and the EU Strategy for the Danube Region (EUSDR). More attention should be paid to the publicity and to the communication of the projects contributing to the strategies, and calls for projects deriving from/or contributing to the strategies should be organised.

In the framework of the EU Strategy for the Baltic Sea Region, the cooperation should be enhanced aligned to three priorities, which already belong to the action fields of the strategy: saving the Baltic Sea, connecting the region and raising prosperity. It involves all programmes, country-specific, regional and cooperation.

There is also a need to anchor the EU Strategy for the Danube Region better in the 2014-2020 Cohesion Policy. The priorities identified in the Strategy match the challenges identified for both Baden Württemberg and Bavaria, such as competitiveness, innovation, technology transfer, renewable energies or energy efficiency. Bringing together strategic partners for the economies of both Länder, the Strategy offers great potential for a stronger economic and societal integration of the Region, potentially improving its competitiveness.

ANNEX

The annex contains the arrangements for effective programming and delivery, assessment of funding needs in relation to thematic objectives and assessment of specific aspects of administrative capacities.

A. ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY

Experience from previous programming periods indicates several factors affecting effectiveness of investment, in particular the need for strategic orientation and concentration, the need to avoid fragmentation of investments and increase European value added. A general shift towards more coherent and innovative approach is necessary in order to demonstrate clearly the impact on attaining the Europe 2020 objectives.

Support needs to be granted in accordance with EU state aid rules. Financing should address real market failures and be limited to the minimum necessary, so that funds are used efficiently, overcompensation is avoided and distortions of competition are limited.

The proposed 2014-2020 legislation for the CSF Funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. Annex I of the Commission's amended proposal for the Common Provisions Regulation includes elements of the Common Strategic Framework and sets out different options for integrated approaches to programming to achieve coordination and synergies during implementation, which Germany is encouraged to explore.³⁰

For rural development, for example, the option to draw up thematic sub-programmes within a rural development programme provides the opportunity to devote closer attention to particular needs. Germany should ensure an effective and efficient control environment and be able to confirm in advance the effective functioning of its control system.

Previous experience in implementation of ERDF allows for formulating the following recommendations:

- The complexity of ERDF operational programmes (OPs) should be reduced and the concentration improved. Broader use of calls (competitions) as a project selection method should be taken into account.
- ERDF should be used for providing appropriate and innovative means of financing in order to achieve the biggest possible effect, **without however substituting national measures.**
- The highest priorities for interventions are in thematic objectives aimed at R&I, SMEs and low carbon economy. Further thematic objectives aimed to climate change, environment and social inclusion could be selected for the support of integrated urban / territorial development.
- There are 17 different management and control systems (MCS) for ERDF 2007-2013 in Germany with 17 Audit Authorities (AA), 17 Certifying Authorities (CA) and 17 Managing Authorities (MA), which function satisfactorily with some exceptions. Main recommendations associated with the MCS:

³⁰ COM (2012) 496 final, 11.9.2012

a) Reduction of the complexity of the systems:

The number of AAs should be reduced, ideally to one AA for Germany (at e.g. the federal finance ministry or federal court of auditors) with a few regional offices. The same could be considered regarding the CA function. Some OPs with MAs delegating their tasks to more than 50 intermediate bodies at up to 3 levels should also consider reducing the number of intermediate bodies.

b) Independence of the Audit Authority:

Ten AAs are located in the same Ministry as MA (and CA), which is not an ideal situation. It is recommended to install AA and MA/CA in separate Ministries to strengthen the independence of the Audit Authority.

As concerns the ESF, the lack of coordination within and among ESF operational programmes and sub-programmes has affected the efficiency and the impact of the ESF in Germany. This situation together with the involvement of a high number of intermediate bodies has also led to serious audit problems in several programmes.

In future, the administrative set-up should take into consideration the following:

The number of sub-programmes and the number of intermediate bodies involved should be reduced in order to make the implementation of the OPs more effective, less shaped by very particular stakeholder interests and clearly aligned to the Europe 2020 targets, objectives and recommendations addressed to Germany.

In order to avoid any overlap in the programme management there should be a clear-cut distinction of competencies between the federal and regional level and a stronger cooperation between both levels. This hence requires a clear definition and division of tasks and a **clear definition of competence in ESF areas between the Länder and the Bund.**

Attempts to simplify the administration notably through the introduction of simplified cost options have not been very successful. One of the reasons was the lack of common understanding on audit requirements among the implementing bodies concerned and the audit authority/external auditors. These options should be re-assessed and more widely used in the period 2014-2020.

Structure of programmes

Taking into account the federal structure of Germany the Commission services assume that operational programmes and Regional Development Plans (RDPs) will be proposed at regional (*Land*) level, with the exception for the ESF where in addition to the regional programmes an OP at federal level will be proposed, as well as territorial cooperation programmes as specific cases. Experience in the current period demonstrates the difficulty for state-cities to manage a separate RDP. There may be some scope for joint programmes across Länder borders.

The structure of the operational programmes should reflect the focus of EU interventions on Europe 2020 objectives. The balance of funding, the number of programmes and the most suitable architecture will be developed in partnership with stakeholders in Germany and in negotiations with the Commission services. Cooperation at all levels and also with neighbouring countries is key to achieving quality of spending, and can be greatly facilitated by frameworks such as the EUSBSR and the EUSDR.

The Structural Funds and EAFRD budgets should be allocated according to regional and specific needs, and not only according to an historical basis.

For the EAFRD a cost/ benefit analysis related to the reduction of the administrative burden should be made on the national framework. A separate programme should be proposed (like in the on-going period) for the national rural development network with a sufficient budget allocation.

The EMFF foresees a single OP per MS, however, this OP could be structured along regional lines to take account of MS administrative and political organization, thus allowing maximum synergies with regional interventions of other funds and improving the efficiency of the delivery system. In this respect it should be stressed that support to the fish catching sector should contribute to a reduction of fishing capacity.

Coordination, complementarity and synergy

Coordination between policies and complementarity of interventions is the key condition for successful implementation of CSF Funds. The management and control systems for 2014-2020 should build on the positive achievements in the period 2007-2013. CSF Funds need to jointly address several thematic objectives. Ministries and Managing Authorities responsible for the implementation of the CSF Funds should work closely together on the preparation, implementation, monitoring and evaluation of the Partnership Agreement and programmes. It is essential that all funds work in an integrated way at the delivery level.

Where relevant, the CSF Funds should exploit potential for synergies with the other EU instruments, such as the Connecting Europe Facility; Horizon 2020, COSME, the European Institute of Innovation and Technology (EIT) and its Knowledge Innovation Communities (KICs) in view of increasing their countries' innovation capacity through a closer integration of the Knowledge Triangle, Marie Skłodowska-Curie Actions, the LIFE programme, Erasmus for All, the Creative Europe Programme, the Programme for Social Change and Innovation, the Internal Security Fund and the Asylum and Migration Fund.

The Partnership Agreement should set out the contribution to the integrated approach for territorial development; including – where appropriate – a planned integrated approach to sustainable urban development. It should identify the cities where sustainable urban development strategies will be implemented or the principles established for their identification.

Complementarities between CSF Funds should be designed at policy level and triggered into practice through specific implementation solutions, including, where relevant, Integrated Territorial Investments (ITI) and Community-led Local Development (CLLD).

Previous experience in Germany has shown that community-led local development should be implemented in conjunction with a strategic approach followed by public policy-making, to ensure that the "bottom-up" definition of local needs takes account of priorities set at a higher level. Germany is invited to explain its approach as regards CLLD across the CSF Funds indicating the main challenges, objectives and priorities, the type of territories, the role of local action groups and of different CSF Funds and coordination mechanisms. It should also indicate the way preparatory support will be made available for local actors.

B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES

The following sections present the Commission services' view on priorities for CSF Funds for Germany. They have been developed on the basis of the Commission Services in depth country analysis³¹ and selected from the 11 thematic objectives, which stem from the Commission proposal for the Common Provisions Regulation³² for CSF Funds adopted by the Commission on 6 October 2011. These 11 thematic objectives translate the Europe 2020 strategy into operational objectives to be supported by the CSF Funds.

The 11 thematic objectives are common for cohesion, rural development and the maritime and fisheries policies; they ensure that interventions under these policies are aligned towards the achievement of joint objectives, those of Europe 2020. They provide a menu of possible funding objectives for the whole of the EU. According to each Member State's specific situation a more focussed selection is then made in agreement with the national authorities. The transnational dimension (linkages, exchange of importance) is also important.

The challenges and funding areas for Germany correspond to the following thematic objectives:

Funding priorities	Related thematic objectives
Reducing regional disparities in competitiveness taking account of demographic change	Strengthening research, technological development and innovation Enhancing access to, and use and quality of, information and communication technologies Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector
Enhance labour market potential, social inclusion and raise educational achievement	Promoting employment and supporting labour mobility Promoting social inclusion and combating poverty Investing in education, skills and lifelong learning
Supporting transformation of the energy system and strengthening sustainable use of natural resources	Supporting the shift towards a low-carbon economy in all sectors Promoting climate change adaptation, risk prevention and management Protecting the environment and promoting resource efficiency

Funding priority: REDUCING REGIONAL DISPARITIES IN COMPETITIVENESS TAKING ACCOUNT OF DEMOGRAPHIC CHANGE

The objectives of the funding priority 'Reducing regional disparities in competitiveness taking account of demographic change' will be achieved primarily by thematic objectives 'Strengthening research, technological development and innovation', 'Enhancing access to, and use and quality of, information and communication technologies'; 'Enhancing the competitiveness of SMEs, the agricultural sector and the fisheries and aquaculture sector' and 'Investing in education, skills and lifelong learning'.

³¹ See SWD for Germany 2012.

³² COM(2011)615 final/2; http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1

Thematic objective: Strengthening research, technological development and innovation

Europe 2020 headline targets	Current situation	National 2020 target in the NRP
3% of the EU's GDP to be invested in R&D	Gross domestic R&D expenditure: 2.82% in 2010.	R&D target: 3% of GDP
Country Specific Recommendation 1 (2012): (...); use available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government (...).		

The thematic objective should be implemented in line with innovation strategy framework for smart specialisation elaborated in close consultation with the private sector and relevant national and regional R&I actors. The different regional research and innovation funding measures are critical to strengthen the German research and innovation system as a whole.

For this thematic objective the funding priority translates into the main following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1) Promoting business R&I investment, in particular in SMEs, product and service development, technology transfer, demand stimulation, networking, clusters and open innovation through smart specialisation.
 - Boost overall expenditure on R&D and innovation in particular via the **stimulation of private investment** following an assessment of regional-specific development needs and potentials. Invest in the development of key enabling and emerging technologies in order to strengthen global competitiveness.
 - For considerable time, the support of regional **and (EU-wide) interregional** networks is a common tool, to foster the economic development in Germany, in particular in **Eastern Germany**. The Commission services recommend intensifying policy support for regional networking.
- 2) Fostering the innovation-friendly environment for innovative business
 - **Eco-innovation:** Invest in innovation for resource and energy efficiency and energy saving, integrated water management, recycling/re-use, and in innovative uses of ecosystem services, biodiversity, carbon sinks and sequestration, eco-innovations in SMEs and innovative forms of resource efficiency such as eco-design. Eco-innovation offers new business opportunities, linking growth with sustainable use of resources. There is huge potential for improving the innovation climate, changing the understanding of businesses in relation to the environment, compliance and eco-innovation and development of novel business models, also when developing integrated solutions for sustainable energy communities and cities.
 - In order to improve the cost-effectiveness of energy-related measures, increase support for development of further cost-efficient renewable energy technologies with a potential to contribute to both the medium as well as longer term objectives for expanding the share of RES.³³
 - Green Infrastructure has a large innovation potential, such as for energy efficiency solutions when applying green roofs and walls. Businesses are ought to

³³ See also Commissions SWD on German NRP 2012.

invest in new solutions for the green economy. Much of application oriented research and support to start-up businesses is still needed to fully exploit the potential for new no-regret solutions through Green Infrastructure.

- 3) Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas
- Setting up operational groups bringing together farmers, researchers and civil society in order to implement innovative projects of common interest and forming part of the European Innovation Partnership.
 - Promoting training for innovative actions.
 - Fostering advisory services to cover special needs like cooperation (very low uptake of the measure in the on-going period), very special nature protection measures/ projects and diversification possibilities.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance and delivery:

- **CSF funds should focus on fewer priorities tailor made to regional demands and create synergies** with other thematic objectives to increase effectiveness of available financial support.
- Use of synergies between cohesion policy instruments and other EU R&D support programmes is essential to build stairways to excellence and encourage border-crossing collaboration in R&D and innovation.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at SMEs, low carbon economy, climate change, environment, human capital development.³⁴

Thematic objective: Enhancing access to, and use and quality of, information and communication technologies

For this thematic objective the funding priority translates into the main priority "Ensuring full coverage and equal access of ICT in rural areas" and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- Investments in the improvement of ICT infrastructure, including sufficient coverage of fast broadband (ongoing challenge parallel to technological developments).
- Using wireless technologies (if possible) in order to make ICT nets available for rural, scarcely populated or topographically difficult areas.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at SMEs and human capital development.³⁵

³⁴ Thematic objectives 1, 3, 4, 5, 6, 8 and 10 according to the draft Regulation

³⁵ Thematic objectives 1, 3, 8 and 10 according to the draft Regulation

Thematic objective: Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector

The thematic objective should be implemented in line with innovation strategy framework for smart specialisation. For this thematic objective the funding priority translates into the main following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1) Increasing productivity through entrepreneurship and innovation, in particular by facilitating the economic exploitation of new ideas and fostering the creation of the new firms
 - Strengthening entrepreneurial potential and support of complementary activities such as consulting, coaching, market access, networking and training.
 - Support SMEs by increasing their own innovation competence, by implementing successful innovation activities and by fostering the exchange/cooperation with other SMEs and education/research organisations. Further develop successful actions e. g. "Innovation Assistant/Adviser" to strengthen technological and innovation competence in regional SMEs.
 - Invest in greening the economy and resource and energy efficiency, e.g. by putting in place incentives that stimulate companies to measure, benchmark and improve their resource efficiency systematically. Ensure that advice and support is available to help SMEs identify and improve their energy efficiency and sustainable use of raw materials. Focus on innovation and R&D.
 - Improving SME access to finance, by a more intensive use of financial instruments, where an ex-ante assessment has established evidence of market failures or sub-optimal investment situations, as well as the value added of support of such financial instruments through Structural Funds.
- 2) Enhancing competitiveness of all types of sustainable agriculture, aquaculture and fish processing and enhancing farm viability and promoting food chain organisation contributing to sustainable growth in line with the Europe 2020 strategy
 - Investing in physical assets, subject to a strict targeting according to a precise analysis of the situation considered and of needs (restructuring of sectors, quality improvement and innovation, animal friendly husbandry, energy efficiency...) of the related rural areas.
 - Supporting producer groups and cooperation between agriculture and processing/food chain, notably for short supply food chain should be developed, especially in "intermediate rural regions" and the use of innovative financial instruments (e.g. guarantee and loan funds) should be promoted.
 - Supporting young farmers, especially in the Southern Länder with mountain areas, in order to boost innovation in the agricultural sector and as a way of dealing with the renewal of generations.
- 3) Enhancing the diversification of economic activities in rural areas to create growth and jobs in line with the Europe 2020 strategy
 - Promoting the diversification of farmers into non-agricultural activities and the setting up of non-agricultural SMEs.
 - Funding the creation, improvement or expansion of all types of small scale infrastructure: especially in the five Eastern Länder, the development of local

infrastructure and local basic services is a key element for the competitiveness of sparsely populated areas and for fighting social and economic decline and depopulation.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, low carbon economy, climate change, environment, human capital development.³⁶

FUNDING PRIORITY: ENHANCE LABOUR MARKET POTENTIAL, SOCIAL INCLUSION AND RAISE EDUCATIONAL ACHIEVEMENT

The objectives of the funding priority "**Enhance labour market potential, social inclusion and raise educational achievement**" will be achieved primarily by thematic objectives "Promoting employment and supporting labour mobility", "Promoting social inclusion and combating poverty" and "Investing in education, skills and lifelong learning".

Thematic objective: Promoting employment and supporting labour mobility

Europe 2020 headline target	Current situation (2011)	National 2020 target in the NRP
75% of the 20-64 year-olds to be employed	76,3%	77%
Country Specific Recommendation n. 3 of 2012: increase the availability of fulltime childcare facilities and all-day schools.		

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1) Equality between men and women and reconciliation between work and private life
 - Reduce labour market segmentation and enhance gender equality on the labour market and facilitate the reconciliation of work and private life.
 - Further raise awareness and mobilize economic and social partners to address gender segmentation, the gender pay and pension gap, as well as unequal distribution of unpaid care work.
 - Increase the number of and improve the access to affordable and flexible care services (such as full-time early childhood education and care, out-of school care and care for dependent persons including the elderly).
 - Enhance support for women with children or single parents and for those with migration backgrounds in order to facilitate the entry into the labour market.
 - Tackle gender stereotypes in education and training systems, promote less gender-biased career choices, and facilitate women's promotion into management positions.
 - Facilitate women's reintegration into high quality employment after career breaks due to care duties.

³⁶ Thematic objectives 1, 4, 5, 6, 8 and 10 according to the draft Regulation

- Promote innovative ways of work organization, including teleworking and flexible working arrangements allowing people to combine informal care duties with work and develop innovative solutions for the provision of child care and long-term care services.
- 2) Sustainable integration of young people not in employment, education or training (NEET) into the labour market
- Facilitate transition from school to work, of disadvantaged youth through a simplified and transparent transition system, and enable the integration into the labour market (in particular for non-German nationals).
 - Improve (early) career orientation and guidance systems in order to better match demand for and supply of apprenticeship places.
 - Increase the qualification levels of disadvantaged young people, notably of young migrants, and develop innovative approaches to equip also low achieving youth with professional qualifications required and recognized on the labour market.
 - Promote permeability between vocational and educational training (VET) and higher education and support progression of individuals to higher skills levels.
- 3) Adaptation of workers, enterprises and entrepreneurs to change
- Enhance the adaptability and employability of workers through targeted training and support services for re-skilling,, also through upgrading the transversal competences of the workforce, such as languages, digital competence and entrepreneurship,
 - Support services for upgrading the basic skills and key competences of the adult population
 - Strengthen the adaptability of workers to change through innovative solutions at the workplace and life-long learning
 - Develop and implement effective lifelong learning strategies for upgrading key competences tailored to the needs of low skilled adults, older workers and socio-economically disadvantaged groups including migrants.
- 4) Active and healthy ageing
- Enhance older workers' employability through enhancing basic skills training and participation in effective lifelong learning measures tailored to their needs.
 - Develop innovative, accessible and elderly-friendly forms of work organization and promote active ageing cultures within companies to maintain older workers longer in employment.
 - Implement innovative actions for active and healthy ageing in the context of the European Innovation Partnership.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, low carbon economy, climate change, environment, human capital development.³⁷

³⁷ Thematic objectives 1, 4, 5, 6, 9 and 10 according to the draft Regulation

Thematic objective: Promoting social inclusion and combating poverty

Europe 2020 headline target	Current situation	National 2020 target in the NRP
Reducing the number of people in or at risk of poverty or social exclusion by at least 20 million (compared with 2008)	19.7% of the population in 2010, i.e. 15.9 million people.	20% reduction in the number of long-term unemployed by 2020 compared with 2008, i.e. reduction by 320000 long-term unemployed
Country Specific Recommendation n. 3 of 2012: maintain appropriate activation and integration measures, in particular for the long-term unemployed		

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1) Active inclusion

- Increase the employability of long-term unemployed through targeted lifelong learning offers and individualized support
- Support initiatives in the social economy and social entrepreneurship.
- Provide sufficient activation and integration measures in the field of employment and social inclusion for people at risk of poverty and social exclusion.
- Support the upgrade of basic skills and key competences of disadvantaged people, especially people with a migration background including Roma, low-skilled and people with a socio-economically disadvantaged background.
- Enhance the employability for low-skilled people, older people, persons with disabilities and people with a migration background including Roma, people threatened by exclusion, above all in disadvantaged areas.
- Facilitate the integration of disadvantaged people into the labour market.

2) Investing in training in rural areas

- Promoting professional training focused on the new European challenges (climate change, energy efficiency, biodiversity...) for farm and forest owners, and other actors in rural areas.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at SMEs and human capital development.³⁸

Thematic objective: Investing in education, skills and lifelong learning

Europe 2020 headline target	Current situation (2011)	National 2020 target in the NRP
Reducing school drop-out rates below 10% at least 40% of 30-34-year-olds completing tertiary or equivalent education	Early school leavers: 11,5% Tertiary Education Attainment : 42,4%	Early school leaving target: < 10 % Tertiary education at 42%
Country Specific Recommendation n. 3 of 2012: Take measures to raise the educational achievement of disadvantaged groups, in particular through ensuring equal opportunities in the education and training system		

³⁸ Thematic objectives 3,8 and 10 according to the draft Regulation

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1) Reducing early school leaving and promoting equal access to good quality early-childhood, primary and secondary education
 - Increase the participation in fulltime childcare facilities and all-day schools.
 - Develop innovative models for fulltime all-day schools.
 - Enhance the quality of early childhood education and care, in particular for 0-3 years old, including measures for quality assurance.
 - Target support for implementing evidence-based, comprehensive and consistent policies to reduce early school leaving encompassing prevention, early intervention and compensation.
 - Improve capacity for educating and recruiting high quality teachers and trainers across the entire education system with a view inter alia to effectively supporting youth at risk and dealing with social diversity.
 - Address obstacles and enhance equal access to quality early childhood education and care for children of disadvantaged families and for those with a migration background, and tackle deficits in the German language at an early age.
 - Raise the educational achievement of disadvantaged groups.

FUNDING PRIORITY: SUPPORTING TRANSFORMATION OF THE ENERGY SYSTEM AND STRENGTHENING SUSTAINABLE USE OF RESOURCES

The objectives of the funding priority '**Supporting transformation of the energy system and strengthening sustainable use of resources**' will be achieved primarily by thematic objectives 'Supporting the shift towards a low-carbon economy in all sectors', 'Protecting the environment and promoting resource efficiency' and 'Promoting climate change adaptation and risk prevention and management'.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Europe 2020 headline targets	Current situation	National 2020 target in the NRP
20% greenhouse gas (GHG) emissions reduction compared to 1990 ³⁹	-17% (2020 projections compared to 2005) ⁴⁰ -5% (2010 emissions compared to 2005) ⁴⁰	-14% (national binding target for non-ETS sectors compared to 2005)
20% of energy from renewables	Share of renewable energy in gross final energy consumption: 11.0 % in 2010 (Eurostat) and 11.3% (National RES Progress report). Germany has already achieved its 2011/2012 interim renewable energy target.	Renewable energy target: 18% of renewable energy in gross final energy consumption

³⁹ 30% if the conditions are right

⁴⁰ Based on existing measures. Commission report *Progress towards achieving the Kyoto Objectives* COM(2012) 626, 24.10.2012

20% increase in energy efficiency ⁴¹ –reduction of energy consumption in Mtoe	NA	Energy efficiency — reduction in primary energy consumption by 2020 (in Mtoe): 38.30 Mtoe
Country Specific Recommendation 4 (2012): Continue efforts to keep the overall economic costs of transforming the energy system to a minimum (...).		

For this thematic objective the funding priority translates into the following main priorities and specific objectives:

1) Developing decentralised smart distribution systems at low voltage levels

- Support **for research and development, pilot lines, demonstration projects** etc. on energy storage and flexible generation capacities and the co-financing of pilot projects on smart distribution grids. In this context, synergies should be sought with the 6th Energy Research Programme (6. *Energieforschungsprogramm* of August 2011) supporting research and development of sustainable energy technologies, including energy storage technologies, grid technologies and integration of renewable energies in the energy supply system.
- The development of innovative and cost-effective solutions for the further deployment of renewable energy generation and supply should be promoted in line with the projections made in the National Renewable Energy Action Plan.
- The generation of clean ocean energy generation and supply should be promoted, i. a. through investments in grid connections, distribution capacity and the supply chain for ocean energy.
- In order to exploit the full potential, **integrated energy concepts** are needed which take into account the energy needs and supplies of whole districts, cities and city-regions (going beyond the energy efficiency of each building and including SMEs, smart distribution systems and the local public infrastructure in a holistic approach).

2) Promoting energy efficiency and saving

- As far as energy efficiency in public buildings is concerned, CSF funds should be used to give practical effect to the objectives of Directive 2010/31/EU of 19 May 2010 on the energy performance of buildings and the new Energy Efficiency Directive (to be adopted in October 2012), **without however substituting national measures**. In particular, they should be used for renovation of the existing building stock and for providing appropriate and innovative means of financing to catalyse investment in energy efficiency and energy saving measures. They could play an important role in the development of national, regional and local energy efficiency funds, instruments, or mechanisms, which deliver such financing possibilities to private property owners, to small and medium-sized enterprises and to energy efficiency service companies.⁴² (In particular based on the experience of urban development funds e.g. JESSICA in Brandenburg).

⁴¹ Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in Article 3(3) of the energy efficiency Directive. This will be available only by 30 April 2013.

⁴² see point 19) of Directive 2010/31/EU

- 3) Promoting low-carbon strategies for rural and coastal areas through reduction of greenhouse gas emissions in the agricultural, forestry, aquaculture and fish processing sectors to support sustainable growth
- Reducing nitrous oxide, methane and ammonia emissions from agriculture through support for lower use of nitrogen fertilisers and pesticides, improved livestock management practices (for the treatment of animal waste) and support for more climate-friendly crop rotation.
 - Develop ecosystem-based approaches to conserve and enhance natural carbon sequestration and emission reduction through agro-forestry systems, climate-friendly management of forests, maintaining grassland and peat lands.
 - Focussing clearly on an economically and ecologically sustainable (water quality, biodiversity, soil) use or production of biomass.
 - Support deployment of low carbon technologies and solutions and increase energy efficiency of fishing ports, aquaculture farms and processing units of fisheries and aquaculture products.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance and delivery:

- Support to investments should be considered through wider use of financial instruments, particularly for investments which generate steady revenues or cost savings. Grants should be used primarily to address market failures or to support innovative technologies and investments which go beyond cost efficient energy performance or which contribute to energy savings and green-house gas reduction emissions above those attainable with normal investments.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, climate change, environment, human capital development.⁴³

The cooperative frameworks of EUSBSR and EUSDR as well as cooperation programmes more generally, could be used to develop exchange of experience, better networking and joint initiatives in respect of these issues, where coordinated and cooperative approaches are particularly key.

Thematic objective: Promoting climate change adaptation, risk prevention and management

Risks and opportunities of climate change will have different impacts on the different regions in Germany, given that there are important differences in their geographical vulnerabilities and adaptive capacities. Therefore, necessary adaptation measures have to take into account regional differences and should be decided and implemented at the Länder level.

For this thematic objective the funding priority translates into the following main priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1) Supporting development of integrated sustainable urban and territorial strategies

⁴³ Thematic objectives 1, 3, 5, 6, 8 and 10 according to the draft Regulation

- Increasing the resilience of infrastructure and services vis-à-vis natural and industrial risks especially in urban areas and areas with a high concentration of businesses, and give preference to innovative and eco-system based approaches;
 - Support to the implementation of national, regional and local adaptation strategies (e.g. knowledge base/systems and tools/risk management) and capacity building programmes directed at different governance levels.
 - Increase cross-border and trans-national cooperation in finding the most suitable adaptation and risk prevention measures.
- 2) Supporting climate change adaptation, risk prevention and management in rural and coastal areas
- Promote the implementation of measures which improve the soil management and increase the percentage of humus in order to ensure sustainable water management, limit erosion and improve CO₂ sequestration, and this through support for practices to prevent soil degradation (low tillage, winter green cover, establishment of agro-forestry systems and new forests).
 - Risk prevention measures have to be reinforced, and a special attention has to be paid to the definition (in due time) of their implementing provisions. Flood prevention plans should be prepared and implemented through adapted investments.
 - Support adequate measures in forests in order to prevent forest fire and enhance restoration as well as water and soil protective functions, especially in mountain areas.
 - Supporting local resistant crop varieties and livestock breeds from the beginning of the programming period.
 - Coastal erosion should be prevented through and integrated management of coastal zones. Also the uncertainties surrounding the impacts of climate change should be mitigated through improved marine and coastal observation systems.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, low carbon economy, environment, human capital development.⁴⁴

Thematic objective: Protecting the environment and promoting resource efficiency

Germany needs to ensure that investments from the CSF funds support the sustainable management and restoration of Natura 2000 areas of high biodiversity value, which provide multiple benefits to society including creation of jobs and training opportunities, mitigation and adaptation to climate change, sustainable tourism and recreation, opportunities for SMEs etc. There will also be a need to ensure full consistency with the prioritised action framework (PAF) to be prepared by Germany to strengthen the integration of Natura 2000 financing into all the CSF funds and LIFE Programme.

Coordination of urban and any territorial development with objectives related to air quality and atmospheric pollution and urban mobility is necessary as well as investments

⁴⁴ Thematic objectives 1, 3, 4, 6, 8 and 10 according to the draft Regulation

and operations to reduce air pollution from the building and transport sector and from agriculture.

In the German programmes a **clear demarcation and coordination of CSF funds interventions** under this thematic objective should be described to ensure complementarities between funds and avoid double or competitive funding.

For this thematic objective the funding priority translates into the following main priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1) Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
 - Improving the situation for endangered species and habitats which contribute to the targets of Europa 2020 Biodiversity strategy.
 - Protection of Natura 2000 areas (15.4 % of the Country's area) and of high nature value farmland (13% of the utilized agricultural area (UAA)).
 - Targeting agrienvironmental-climate measures in order to reduce nitrate and phosphorus surpluses as well as to limit the use of plant protection products especially in specific areas (soil, water). The support to organic farming (5.9 % of the UAA in 2010) should be pursued in relation with appropriate training and use of targeted advisory services in order to achieve the 20% goal of utilised area set by the German authorities.
 - Promoting actions on biodiversity, water and soil protection in forest areas (including support to the setting up of forest producer groups).
- 2) Support for sustainable integrated urban development
 - Support for sustainable integrated urban development, including through actions to reduce air pollution (in particular from transport and commercial and residential heating), sustainable urban drainage, soil desealing measures and rehabilitation of contaminated sites. Develop integrated urban strategies that support initiatives leading to CO₂-reduction, increased energy efficiency and adaption to climate change in line with the Smart Cities and Communities - European Innovation Partnership⁴⁵. Furthermore, better urban planning, construction and use of buildings could reduce substantially energy consumption, greenhouse gas emissions, extracted materials and the use of water. Investments are needed in new and participative forms in urban renewal and development applying the life-cycle approach, aiming at zero-energy and highly material efficiency for at least new buildings.
 - In Germany a high level of compliance has already been reached on urban wastewater treatment. Thus, only activities leading to foster innovation should be supported with CSF funds, e.g. activities leading to a better efficiency in the waste water treatment processes as well as for the removal of emerging substances and micro-pollutants.
 - Promote sustainable urban mobility within integrated urban development strategies. Develop sustainable mobility concepts at peri-urban, urban and metropolitan level.

⁴⁵ COM(2012)4701

- Information and promotion for an increased and effective use of environmental management systems in enterprises, organisations and cities, in particular EMAS⁴⁶.
- 3) Support for sustainable fisheries and integrated maritime policy initiatives
- Implementation of the reformed CFP and development of sustainable fishing communities (improve fisheries data collection for resource conservation purposes, control of fishing activities, ensure the fishing at Maximum Sustainable Yield for all commercial fish species, introduction of a discard ban strategy, invest in eco-innovation such as selective and less impacting fishing gears and other measures that reduce the impact of fisheries and aquaculture on the environment and protected ecosystems).
 - The use of integrated maritime policy tools,⁴⁷ as a means to contribute to sustainable growth and competitiveness in the maritime economies should be encouraged.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, low carbon economy, climate change, social inclusion and human capital development.⁴⁸

The cooperative frameworks of EUSBSR and EUSDR as well as cooperation programmes more generally, could be used to develop exchange of experience, better networking and joint initiatives in respect of these issues, where coordinated and cooperative approaches are particularly key.

C. ADMINISTRATIVE ARRANGEMENTS

The key principle of sound financial management remains the basis for the development of management and control systems in the next programming period. For the CSF Funds Germany is encouraged to reflect on how sound financial management could be further enhanced by the application of simplification, better coordination of funds and programmes and by cutting administrative costs and burden for the beneficiaries - and - for cohesion policy, by the wider use of **e-cohesion** possibilities.

General assessment of administrative capacities

After the reunification, all public administrations at the federal, Länder- and communal levels were fundamentally rebuilt. The further improvement of administrative efficiency is a continuous challenge supported by national funds. A further improvement of administrative efficiency continues to be a challenge but not as urgent as the improvement of competitiveness and employment situations.

Administrative burden

A reduction in administrative burden for beneficiaries should be ensured without endangering a sound management. In this respect, the managing authorities should avoid to design too complicated measures with regard to the high control risks, and avoid

⁴⁶ Eco- Management and Audit Scheme (environmental management and environmental audit system for improving the environmental performance and increasing resource efficiency of companies and organisations)

⁴⁷ Such as maritime spatial planning and integrated coastal zone management, integrated maritime surveillance and marine knowledge.

⁴⁸ Thematic objectives 1, 3, 4, 5, 8, 9 and 10 according to the draft Regulation

measures with a potentially very low number of beneficiaries (administrative burden too high in relation to the amounts at stake).

Actions for the CSF Funds should include:

- Regarding Structural Funds, beneficiaries would benefit from a well-thought system of simplified costs. It has been insufficiently used so far: the flat-rate indirect cost system was and the use of standard scales of unit cost remains limited.
- Uniform and clear guidance should also be provided to the beneficiaries. This guidance should be precise and regularly updated to integrate the lessons learned by deficiencies identified. However, certain stability in the methodology used for justifying the expenses would be advisable. Also, this guidance should be easily accessible by all the beneficiaries.
- The administrative capacity of beneficiaries and the capacity of partners, notably social and environmental partners should be reinforced through appropriate training.
- Regular evaluation on administrative burdens created for beneficiaries. Regular actions for reduction of administrative burdens and dissemination of good practices should be a part of monitoring and reporting on implementation system's processes. National or regional benchmarks could be established and could help in constant improvement of administrative efficiency.
- For cohesion policy, development for each operational programme of a user-friendly e-cohesion platform (on the basis of existing good practices) allowing for a digitalised exchange of information with beneficiaries.

Partnership

Given the high number of actors involved in the implementation of employment, social and education policies and the federal structure in Germany, it should be ensured that there is a proper and wide consultation of all concerned decision-making levels and bodies in the preparation and implementation of the future programmes. Particular attention should be given to the involvement of social partners and NGOs both at federal and regional level.

Although the involvement of NGOs, environmental, economic and social partners is usually satisfactory in the monitoring committees of all German OPs and RDPs, their role has been very different from programme to programme. **Generally partners should be more involved especially at the critical stage of programme development (not only after decisions have already been adopted)** where the voice of partners is not sufficiently heard but also during the programming period and the steering and implementation of programmes. This could strengthen the programme's acceptance at the local and regional level.

Monitoring and evaluation

Monitoring and evaluation system needs to be adjusted to the requirements of the new regulations (in particular performance framework and result orientation). Actions in this field should include:

- From the beginning of the programming period provisions should be taken in order to ensure a sound collection and treatment of data necessary for monitoring and evaluation.

- More harmonised used of indicators allowing for comparability of data and performance between programmes.
- Improvement of the follow up system for recommendations from evaluation studies allowing for their effective implementation.
- Consider sustainable development, environmental protection requirements, resource efficiency, biodiversity, climate change mitigation and adaptation ("**climate proofing**"), disaster resilience and risk prevention and management as horizontal principles in the preparation and implementation of the Partnership Agreement and the programmes. Develop diagnostic means to measure the impact of the programmes and the selection of projects (**eco-conditionality criteria**).
- Due consideration should be given to the introduction and promotion of innovative and integrated management approaches which can help to effectively comply with the overarching aim of "sustainability" at all levels of planning, implementation and monitoring/evaluation of CSF programmes, namely by following governmental recommendations supported by economic stakeholders to use sustainability-oriented management systems as proposed by the German Council on Sustainable Development (*Rat für Nachhaltige Entwicklung*) or comparable schemes successfully applied at international or Länder level.