

Translation

Working together for Germany – With courage and compassion

***Coalition Agreement
between the CDU, CSU and SPD***

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A. Preamble	7
B. Areas of action	11
I. More opportunities for innovation and jobs, prosperity and participation	11
1. Economy and technology	11
1.1 Economic strategy: new growth, more employment	11
1.2 Reviving investment activity	11
1.3 Improved financing for small and medium-sized enterprises (SMEs).....	12
1.4 Business start-up offensive: encouraging independence	13
1.5 More money for research and development	13
1.6 Mobilising venture capital for innovations	13
1.7 Cluster building and high-innovation flagship projects.....	14
1.8 More favourable conditions for the craft and SME sectors	15
1.9 Active foreign trade policy	16
1.10 A competitive Europe, fair competition in Europe	17
2. Labour market	18
2.1 Cutting non-wage labour costs.....	18
2.2 Priority for young people	18
2.3 Stimulating more employment for older employees.....	19
2.4 More employment for the low skilled – examining the introduction of a combined-wage model	21
2.5 Active labour market policy	22
2.6 Basic income for jobseekers (Hartz IV).....	23
2.7 Reforming labour law	26
2.7.1 Further developing protection against dismissal.....	26
2.7.2 Widening the scope of the Posted Workers Act.....	27
2.7.3 Implementation of the EU working time directive.....	27
2.7.4 Guaranteeing and shaping co-determination in enterprises	27
2.8 Measures to combat illegal employment, moonlighting and the black economy.....	28
2.9 Seasonal work.....	28
2.10 European social policy	29
3. Education and training.....	29
3.1 Education is the key to the future.....	29
3.2 Equal opportunities in education: improved childcare, early and individual support	30
3.3 Strengthening training under the dual system - training opportunities for every young person.....	30
3.4 Improving opportunities for transfer between educational pathways.....	31
3.5 Lifelong learning: increasing participation in continuing education – using the growth potential of continuing education	32
3.6 Enabling universities to compete internationally	32
3.7 Other framework conditions which are relevant to research and education	33
4. Research and higher education institutions	34
4.1 R&D expenditure: investing in the future.....	34
4.2 A seamless innovation policy – ensuring innovation-friendly framework conditions	34
4.3 Key areas in cutting-edge technologies and project funding	35
4.4 Strengthening Germany as a location for research	35
4.5 Strengthening technological efficiency, improving the transfer of technology and stimulating research in industry	36
4.6 Strengthening competitiveness in the new Länder	36
4.7 Evaluating the Federal Government's departmental research.....	36
4.8 German science with worldwide appeal.....	37
4.9 Encouraging people to enjoy their own abilities - developing a new culture of innovation	37
5. Energy	37
5.1 Halting the rise in energy prices, stimulating competition	37
5.2 Renewable energies.....	38
5.3 Biofuels and renewable resources	39
5.4 Energy efficiency	39
5.5 Innovation offensive "Energy for Germany"	40
6. Infrastructure – transport, building and housing.....	40
6.1 Upgrading and enhancing the capacity of transport infrastructure; sustaining levels of investment	41
6.2 Simplifying and speeding up transport infrastructure planning	44
6.3 Continuing the reform of the railways.....	44

6.4	Enhancing the competitiveness of the maritime industry and inland navigation	45
6.5	Promoting alternative fuels and powertrains, improving air quality and noise mitigation	45
6.6	Road safety	46
6.7	Urban development as a future challenge	47
6.8	Building and the construction sector as a key industry	48
6.9	Energy-efficient building to help tackle climate change	49
6.10	Housing	49
7.	Environment	49
7.1	Climate protection and energy – a strategy, a programme	50
7.2	Emissions trading	51
7.3	Reorganisation of environmental law	51
7.4	National natural heritage	52
7.5	Transport and immission control	52
7.6	Waste, water	53
7.7	Sustainable development	53
8.	Agriculture	53
8.1	Promoting rural development and German agriculture	53
8.2	A dependable framework for EU agricultural policy	54
8.3	Agricultural trade and a successful outcome to WTO negotiations	55
8.4	Securing the agricultural social security system	55
8.5	Promoting use of renewable resources	56
8.6	Active animal welfare policy	56
8.7	Sustainable forestries and fisheries	57
8.8	Connecting agricultural research	57
8.9	Responsible use of green genetic engineering	57
9.	Better regulation	58
9.1	Reducing the costs of regulation for the public and for industry	58
9.2.	Accelerating and deregulating planning procedures	59
II.	Sustainable fiscal consolidation – a tax system fit for the future	60
1.	Sustainable fiscal consolidation	60
1.1	Current situation	60
1.2	Consolidation objectives	60
1.3	Basic consolidation principles	61
1.4	Consolidation measures	61
2.	Making the tax system fit for the future	64
2.1	Reform of corporate taxation	64
2.2	Sound basis for municipal finances	65
2.3	Income tax reform - main priority to simplify taxation	65
2.4	Owner-occupied homes premium	66
2.5	Inheritance tax	67
2.6	Promotion of the German film industry	67
2.7	Fighting VAT fraud	67
2.8	Tax policy in Europe	67
2.9	Energy taxation	68
3.	Financial markets	68
III.	Pressing ahead with the development of Eastern Germany	70
1.	General principles, consolidating and concretising Solidarity Pact II	70
2.	Making Eastern Germany a more attractive place for business and enhancing the environment for innovation	70
2.1	Evolving the policy to promote economic development	70
2.2	Extending the investment allowance	71
2.3	Continuing the Joint Scheme for the improvement of regional economic structures	71
2.4	Promoting small and medium-sized enterprises and business start-ups	71
2.5	Promoting science and innovation	71
2.6	Developing higher education and research	72
2.7	Sustaining efforts to attract investors	72
3.	Safeguarding EU support for the development of Eastern Germany	72
4.	The labour market and the development of Eastern Germany	72
5.	Youth training and employment	73
6.	Demographic change / health / rural areas	73
6.1	Demographic change and civil society	73
6.2	Ensuring adequate health care provision	74

6.3 Rural areas in the new Länder	74
7. Culture funding	74
8. Upgrading the infrastructure – urban restructuring, German Unity Transport Projects and BBI	75
9. Sports funding	75
10. Siting new federal agencies	75
11. Support for victims of the SED dictatorship	75
12. Limiting the burden imposed by special and supplementary pensions of the former GDR	75
13. Speeding up planning procedures and cutting red tape	75
IV. Making social security reliable and fair.....	77
1. Pensions.....	77
2. Modern occupational accident insurance.....	78
3. Social protection for artists.....	78
4. Reliable social assistance	79
5. Social participation of people with disabilities	79
6. Poverty and Wealth Report.....	79
7. Health	80
7.1 General issues of health policy	80
7.2 Health insurance	82
7.2.1 Guaranteeing sustainable and fair funding	82
7.2.2 Competitiveness and freedom of the health-care system.....	83
7.2.3 Structural reform of the individual service categories	83
7.2.4 Safeguarding current projects	86
8. Long-term care insurance	86
8.1 Safeguarding sustainable and fair funding.....	86
8.2 Improvements to benefits.....	87
V. More effective government.....	89
1. Reforming and modernising Germany's federal system of government.....	89
2. Modern state – efficient administration.....	89
VI. A family-friendly society.....	91
1. Better infrastructure for families	92
2. Family-friendly working conditions	95
3. Financial support.....	96
4. Parent and child law.....	97
5. Equality and women's policy	98
5.1 Equal opportunities in the labour market.....	98
5.2 Combating violence against women	99
5.3 Legal sanctioning of anonymous births.....	99
5.4 Late abortions.....	99
6. Youth	99
6.1 Improving children's and young people's participation.....	99
6.2 Equal opportunities in education	100
6.3 Growing up without violence	100
6.4 Opportunities for disadvantaged young people	101
6.5 Young people for tolerance and democracy	102
6.6 Child and youth welfare.....	102
7. Senior citizens	103
7.1 Identifying and utilising the capacities of senior citizens.....	103
7.2 Helping the elderly.....	104
8. Strengthening civil society.....	105
8.1 Improving the legal framework for civic engagement.....	105
8.2 Voluntary services.....	105
VII. A Germany worth living in	106
1. Consumer policy.....	106
1.1 Strengthening consumers' position	106
1.2 Food safety has priority.....	107
1.3 Healthy diet and more exercise.....	107
2. Culture.....	107
3. Germany – land of sport.....	109
VIII. Security for citizens	111
1. Domestic policy: Germany – a safe and free country	111
1.1 Organising security.....	111
1.2 Managing migration – fostering integration.....	112

1.2.1 Strengthening intercultural skills in child and youth services.....	114
1.2.2 Equal rights for women and girls from a migrant background	114
1.3 European cooperation.....	114
2. Legal policy	115
2.1 People have a right to freedom and security	115
2.2 Legal policy for a social market economy	117
2.3 For self-determination and tolerance	117
2.4 A modern justice system for the rule of law and responsiveness to citizens' needs	118
IX. Germany as a responsible partner in Europe and the world.....	120
1. Europe.....	121
1.1 A citizens' Europe.....	121
1.2 Financial framework	123
1.3 Enlargement	123
2. Transatlantic cooperation and European security policy	124
3. The Bundeswehr as an instrument of national and international security	126
4. Stability, security and cooperation in Europe and the world	128
5. The United Nations.....	130
6. Global issues.....	130
7. Development policy.....	132
C. The working methods of the coalition	135
I. Cooperation between the parties.....	135
II. Cooperation between the parliamentary groups.....	135
III. Federal Government.....	135
1. Work in the Cabinet.....	135
2. Composition of the Cabinet.....	136
3. Distribution of ministries	136

A. Preamble

Working together for Germany – with courage and compassion

Germany faces tremendous challenges. Unemployment, public debt, demographic change and the pressure to adapt to globalisation all require major political efforts to safeguard welfare and prosperity for present and future generations. The CDU, CSU and SPD are facing up to these tasks. We have a shared responsibility to take our country forward. We will use our parliamentary majority to bring about structural reforms in Germany, encourage stakeholders to join in our endeavours, and boost people's confidence in our country's ability to master the challenges arising in future.

Safeguarding prosperity – creating jobs

Reducing unemployment is a core commitment of our government policy. We want to give more people the chance to work. Work does not just safeguard livelihoods; it empowers people to participate and have a stake in society. Getting more people back into jobs will also improve our country's financial health and relieve the burden on our social security systems.

We plan to introduce targeted measures to kick-start our economy. Over the next four years, specific initiatives – with total funding of 25 billion euros – will be launched in five key areas with the aim of boosting innovation, investment, growth and employment and increasing consumer confidence.

By raising the rate of degressive depreciation of capital goods, promoting energy-efficient refurbishment of buildings, and providing tax breaks for the costs of craft services to private households and better support for household-related services, we will ensure that Germany achieves higher growth.

We intend to assist jobseekers by further improving Germany's employment and recruitment services. We are especially committed to helping the young unemployed. Our "50 Plus Initiative" will improve the employment prospects of the over-50s.

We will also improve the prospect of more jobs by further developing the rules on protection against dismissal, reducing non-wage labour costs and promoting business start-ups. We will ease the burden on SMEs by cutting red tape. Business successions will be facilitated by our reform of inheritance tax law.

Pressing ahead with the development of Eastern Germany (Aufbau Ost)

We will continue to drive forward the development programme for Eastern Germany and will help the new Länder to achieve self-sustaining economic growth. To this end, we will continue to promote a high level of investment in Eastern Germany in order to safeguard existing jobs and create new ones. Education, training and research will remain key priorities: the aim is to encourage innovation and improve Eastern Germany's competitiveness as a location for industry.

Restoring the state's scope for action – consolidating public finance

Germany's massive budget deficit and debt service are restricting the state's capacity to act. In order to place our public finances on a sound footing, a concerted effort must be made to consolidate the federal, Land and municipal budgets. We will:

- restructure, reform and invest, and
- in the process, ensure an equitable division of burdens across the board.

We are determined to make savings and abolish subsidies. That is the priority. However, without tax increases, the financial consolidation that is so important for our country cannot be achieved.

Boosting confidence – guaranteeing social security

In Germany, social security is mainly delivered through the social insurance funds. However, demographic change and the impacts of unemployment have greatly increased the burdens on the social insurance schemes. For people to feel secure in a rapidly changing world, they must be confident that the pensions, long-term care and health insurance funds can function effectively. Boosting this confidence is one of the tasks which the Grand Coalition has set itself. We will take the necessary reform steps to safeguard social security now and in future. This means a fair and equitable distribution of burdens between young and old, a higher retirement age to reflect increased life expectancy, and better support for private pension provision for young families in particular. The fundamental risks of life – sickness, old age, the need for long-term care, and unemployment – will continue to be covered by a social security system based on the principle of solidarity.

Safeguarding the future – supporting families and children

A society without children has no future. Not enough children are being born in Germany. We want to encourage families to have more children, and we want a stronger role for the family in society. The family is the arena where people learn to take responsibility for themselves and each other. The family is the bedrock of a liberal society.

We want to support families and make their lives easier. We will provide tax breaks for childcare and introduce a parental allowance. To enable parents to achieve a better work-life balance, we will improve the range of childcare services and expand the provision of full-day care. The family embraces all the generations. The multigenerational family offers the chance to take responsibility for each other. We will develop models which enable several generations to live together and assume responsibility for each other.

Education and science – the key to the future

The brainpower of its people is the key to Germany's future. Education is a core issue, requiring serious and intensive efforts by the Federation, Länder and

municipalities. Education is a prerequisite for participation in society. It is a central issue in the further development of our economy and our country as a whole.

Our resource-poor country can only fulfil its future potential if it leads the field in scientific and technological progress. The state and the business community must therefore spend more on research and development. The private sector, the Federation and the Länder all have a role to play here. Our target – to reach R&D spending of 3% of gross domestic product – is achievable if all these stakeholders work together and support our integrated policies in this field.

Practising sustainability – protecting the environment

The CDU, CSU and SPD are firm advocates of sustainable development. An intact natural environment, clean air and water are prerequisites for a high quality of life. We view environmental protection as the common responsibility of the state, its citizens and the business community. Our policies are based on cooperation and individual responsibility on the part of business and citizens, market forces, and competition, combined with the requisite binding legislation and effective monitoring of compliance. We view an ambitious environmental policy as an integral element of a modern society, making a key contribution to global climate protection. This policy can become a driving force for:

- developing and marketing future-oriented technologies worldwide,
- enhancing energy and resource productivity and thus boosting the competitiveness of the German economy
- creating new and secure jobs for well-qualified workers.

Improving governance in Germany – reforming the federal system

We want to renew our country's federal structures: we intend to disentangle the competencies of the Federation and the Länder, clarify their responsibilities and strengthen the principle of subsidiarity. This will enhance the Federation's capacity to act and react while giving the Länder more policy-making scope. Starting in this electoral term, we want to place the financial relationship between the Federation and the Länder on a new footing.

Guaranteeing security for citizens

Security is the prerequisite for a life in freedom. In our system of government, the state has a responsibility to guarantee this security.

Tolerance and openness are the hallmarks of a liberal society. There is no room for extremism, racism and anti-Semitism.

The CDU, CSU and SPD believe in a state with the capacity to act, which takes its citizens' needs and concerns seriously, consistently enforces law and order, and protects citizens' rights and freedoms. In view of the threat posed by international terrorism, internal and external security is becoming increasingly interlinked. We are responding to this threat with consistent security policies.

Germany – a responsible partner in Europe and the world

The CDU, CSU and SPD are actively promoting Germany's role as an advocate of peaceful conflict resolution. Germany has strong partners in NATO to guarantee its external security. Together with our partners – also in the European Union and the international institutions – we are promoting democracy and human rights worldwide. We consider Europe and the United States of America to be members of the same community of values. For the coalition partners, strengthening the European Union's foreign policy role and deepening relations with the USA are therefore not conflicting but complementary objectives which we need to pursue in our country's national interests.

Together with our partners, we will work to make the globalisation process equitable and combat poverty worldwide.

Working together for Germany's future – exercising responsibility

We want progress for our country. We can achieve this through our joint endeavours. Our government programme now sets the course for this process. We want to convince our citizens that it is worth accompanying us on this journey.

B. Areas of action

I. More opportunities for innovation and jobs, prosperity and participation

1. Economy and technology

1.1 Economic strategy: new growth, more employment

Germany needs three things: economic rehabilitation, reform and investment. Consolidating the budget and fulfilling the Maastricht deficit criteria by 2007 are essential. Further reforms to the social security systems are needed. Consolidation and reform alone, however, are not enough. Germany needs a growth strategy, linked to considerably greater investment. A central goal of the coalition is to create new growth and more employment for Germany.

Germany must respond proactively to the breakneck pace of global structural change. Time is of the essence, the international competition is not standing still. We need to act quickly. Strengthening the foundations of the social market economy is the prerequisite for new growth and more employment in Germany.

For around 10 years economic growth in Germany has been extremely weak. Weak growth is mainly responsible for the appreciable decline in the number of jobs liable to social security contributions.

New growth must therefore be generated and more employment opportunities opened up. Without substantially more growth, it will be impossible to consolidate public finances and the social security systems. Half a percent more growth would create around an extra 2.5 billion euros in tax receipts and around 2.3 billion euros in additional revenue from social insurance contributions. Investment and innovation need to be revived to trigger a new spurt of economic growth; we want to stimulate consumer demand by boosting consumer confidence. This is an absolute economic priority.

Moreover, the CDU, CSU and SPD reached a number of substantive agreements on 10 October 2005 in advance of the negotiations to form a grand coalition (Annex 1).

1.2 Reviving investment activity

If the weak level of investment activity persists, the German economy cannot recover. Reviving investment activity is the key to new economic growth. While the cuts in tax rates in recent years have increased the income of a number of enterprises and their investment ability, the improved earning power has not yet led to adequate domestic investment. The increase in investment capacity must also result in more investment activity. By international comparison we need substantially better terms and conditions with respect to depreciation. Until a reform of corporate taxation comes into effect, more favourable depreciation conditions will be the first step towards

creating specific incentives to boost investment activity. Higher depreciation rates are more crucial at this stage to a rapid revival of investment activity than lower tax rates.

Public-Private Partnerships (PPPs) are a promising way of closing deficits in relation to the delivery of public services. Moves to improve the legal framework had already been set in train during the 15th electoral term with the Act to Accelerate the Establishment of PPPs (*Gesetz zur Beschleunigung der Umsetzung von Öffentlich Privaten Partnerschaften*). The legislation will be amended to continue progress in this direction and abolish further obstacles.

Removing discrimination against PPPs (as contained, for example, in the Hospital Financing Act (*Krankenhausfinanzierungsgesetz*) and the Social Assistance Act (*Sozialhilfegesetz*), the Investment Act (*Investmentgesetz*) and the Private Sector Funding of Trunk Road Construction Act (*Fernstraßenbauprivatfinanzierungsgesetz*)) and creating new legal provisions to ensure that small and medium-sized enterprises, in particular, can also benefit from PPPs are urgent priorities.

1.3 Improved financing for small and medium-sized enterprises (SMEs)

More investment in small and medium-sized enterprises is particularly important since this sector provides around 70% of jobs. As long as the current weak level of investment activity persists, the sector cannot resume its traditional role as the motor of growth and employment. A lack of funding for small and medium-sized enterprises can no longer be allowed to constrict the German economy.

We will therefore launch an SME offensive. We propose in this context to:

- improve depreciation conditions,
- fully maintain the financial support provided by the ERP Special Fund,
- implement Basel II to the advantage of small and medium-sized enterprises, and
- make increased use of new financing instruments.

The equity ratio of small and medium-sized enterprises is becoming an increasingly important factor in relation to credit decisions and financing costs. We will therefore further expand the availability of equity capital and equity-equivalent mezzanine capital for SMEs in general. The existing programmes offered by the KfW-Mittelstandsbank (KfW SME Bank) need to be further adapted to the equity needs of small and medium-sized businesses and new programmes developed as appropriate. Further improvements will be made to the general conditions for private equity and venture capital financing.

In order to improve the financing possibilities for small and medium-sized enterprises, we want to reduce the risk for the lending banks by further strengthening the system of guarantee banks and by altering risk distribution with respect to KfW promotional loans to reflect more strongly the higher risk presented by small businesses.

To simplify bank lending, we will reduce regulation by the financial supervision bodies to the necessary level. The supervision of the credit industry by the Federal Financial Supervisory Authority (BAFin) is to be evaluated early in 2006 on the basis of an

empirical report. The report is to contain an assessment by the market participants and an evaluation of the transition to 100% cost coverage by the banks. The report will be used as a basis to strengthen the legal and technical supervision exercised by the Federal Ministry of Finance and, if appropriate, to introduce cost sharing by the Federal Financial Supervisory Authority in appraisal costs to raise efficiency reserves. The minimum requirements for risk management in credit institutions imposed by the Federal Financial Supervisory Authority (MARisk and MAK) are to be kept as lightweight as possible.

To improve the liquidity of small and medium-sized enterprises, the turnover threshold for VAT liability upon receipt of the invoiced amount rather than at the point in time at which the invoice was issued will be raised. We will make changes to inheritance and gift tax to facilitate business succession.

1.4 Business start-up offensive: encouraging independence

Jobs that are lost as a result of business closures, insolvency and relocations abroad must be replaced by new jobs. The basis for creating new employment are new business start-ups and surges of innovation leading to the development of new products and the opening up of new markets.

A business start-up offensive is needed to help shape a steady and smooth process of structural change and create new employment opportunities. We want to encourage would-be entrepreneurs and to remove the legal obstacles to business start-ups. This applies both to innovative and to conventional new businesses. We need people to have more courage again to become independent. The self-employed rate must rise again to substantially above 10%.

We will create a "one-stop shop" for new businesses, exempt them from duties to provide statistics, and allow them to use simplified profit calculation procedures where turnover does not exceed 500,000 euros, rather than the previous 350,000 euro threshold.

1.5 More money for research and development

We must achieve a competitive advantage in Germany above all through a process of permanent innovation to ensure that while we may be more expensive, we are also that much better. To achieve this aim we must ensure that by 2010 3% of GDP is spent on research and development.

1.6 Mobilising venture capital for innovations

The founders of high-tech companies and young technology businesses need, above all else, venture capital to finance their growth. The venture capital market to finance innovations is conspicuously underdeveloped in Germany. We must therefore make it a priority to create an attractive tax environment for investing in venture capital. Small

and medium-sized technology companies are particularly disadvantaged by the restrictions on offsetting losses for tax purposes and also the lowering of the materiality threshold with respect to shareholdings to 1%.

We will improve the capitalisation of small and medium-sized enterprises in particular and create internationally attractive conditions for venture capital.

The KfW-Förderbank (KfW Promotional Bank) will offer more pre-seed and seed funding. With our partners in the private sector we will expand the funds for business founders and young technology companies (particularly the High-tech Start-up Fund, the ERP Start-up Fund, and the EIF/ERP Dachfonds (Fund of Funds)) and examine new instruments to close the strategic gaps in research funding.

1.7 Cluster building and high-innovation flagship projects

Through the increased interlinking of application-based research and innovative development in relation to new products and processes, supported by adequate venture capital, we will ensure that Germany's outstanding scientific potential is used to create new businesses, new products and new, well-paid jobs. Building clusters to take advantage of geographical proximity optimises technology transfer between the scientific community and industry. To support particularly high-profile clusters we will allocate promotional funding on the basis of competitive invitations to tender. The Federal Ministry of Education and Research and the Federal Ministry of Economics and Technology will work closely together to ensure the dovetailing of basic research with application-based research and development. Application-based research establishments will be encouraged to make the maximum commercial use of their knowledge. The "Partners for Innovation" initiative will be continued.

In an action plan entitled "High-tech Strategy – Germany", we will, among other things, give particular priority to strengthening cutting-edge and cross-cutting technologies such as biotechnology/life sciences, materials research, nanotechnology, microsystem technologies, optical technologies, information and communication technologies (ICT), mechatronics, aerospace, energy and environmental technologies, and we will adopt measures to protect intellectual property rights and to ensure better application of norms and standards by the scientific community and industry.

Particular importance will be attached to strengthening the role of the state as a customer for innovations. We will give assistance to high-innovation SMEs planning to expand their business internationally. The work of the Coordinators of German Aerospace Policy and Maritime Policy will be continued. We will continue to provide the appropriate level of support to the aviation industry in Germany in the area of research, development and technology in order to ensure that German companies have a fair chance against international competitors. In view of the importance of the maritime industry, the coalition undertakes to strengthen the industry's competitiveness by supporting innovation in shipbuilding.

Germany's international competitiveness as a location offering cutting-edge technology is enhanced by selected innovative flagship projects including, for example,

- the GALILEO European satellite navigation system with key mission control and technology centres in Germany,
- the development of conventional high-efficiency power stations with the target of zero emissions,
- the introduction of the electronic health card,
- the further development of fuel cell technology,
- the expansion of rapid rail systems, including at least one Transrapid test track in Germany.

In order to secure the future of Germany as a location for industry and research, the coalition parties will create incentives to establish and expand modern and broadband telecommunication networks. For this purpose the new markets resulting from corresponding investments will be exempted from regulatory interventions for a certain period of time in order to establish the necessary planning certainty for investors. The relevant legislation is to be included in the forthcoming law to amend the Telecommunications Act (*Telekommunikationsgesetz*).

1.8 More favourable conditions for the craft and SME sectors

In order to strengthen the craft and SME sectors and to combat moonlighting, private expenditure on household maintenance and modernisation measures is to be deductible to a limited extent from income tax.

An evaluation of the amended Crafts Code which came into force at the beginning of 2004 will show whether and what corrections are needed. The evaluation is to include the possibility of introducing a minimum qualification for those occupations for which the master craftsman's certificate is no longer required. EU requirements in relation to the directives on services and on the recognition of professional qualifications must not be allowed to undermine the master craftsman's certificate. Increased international cooperation is needed with respect to controls designed to more effectively combat abuses of the legally restricted employment possibilities for craftspeople from Eastern Europe employed in Germany.

The "National Pact for Career Training and Skilled Manpower Development" has proved effective and will therefore be further developed. The range of initial vocational training on offer will be expanded through graded training regulations in order to better reflect the differences in achievement of the young trainees. It has been agreed that each time training regulations for an occupation are updated or new training occupations developed, it will be examined whether introducing a graduated system would be sensible and possible. In the context of the pact, we appeal to the social partners to examine what additional contributions they could make to create more training places.

We will simplify and modernise the complex and unwieldy German public procurement law. In this context we will pay special attention to framing the law to better comply with the needs of SMEs, for example, by dividing orders into lots.

The tourism industry, in which SMEs play an important role, must be further strengthened and better positioned internationally. The German National Tourist Board must be made more effective and continue to receive a high level of support.

We want to improve the legal environment for the craft and SME sectors in those areas where they are evidently disadvantaged. In order to preserve the diversity of Germany's newspaper landscape in the face of far-reaching structural changes, we will examine whether a modernisation of press cartel legislation would give publishers possibilities to secure their economic base and hold their own in competition with other media.

1.9 Active foreign trade policy

Open international markets and free trade are central to Germany's economic development. Through an active foreign trade policy German companies are to be assisted in their efforts to access the world market. Companies which operate internationally safeguard and create future-proof jobs in Germany as well. We therefore support open markets and fair competition in Europe and worldwide. A successful conclusion to the Doha world trade round is in Germany's interest.

Together with the EU we will, therefore, advocate the continued development of multilateral world trade rules. Appropriate consideration must be given in this process to international labour and social standards, such as the ILO core labour standards.

Globalisation and increasing international economic interdependency demand, in addition to WTO rules and regulations, a targeted foreign trade policy on the part of the Federal Government. Foreign trade and development cooperation need to be more closely dovetailed. The aim is to further speed up cooperation between the Federal Foreign Office, the Federal Ministry of Economics and Technology and the Federal Ministry for Economic Cooperation and Development.

Small and medium-sized enterprises, in particular, must be more effectively supported in their efforts to access foreign markets. The instruments to promote foreign trade and investment will be geared to a greater extent to the SME sector, for example, through the provision of special assistance to SMEs to enable them to attend trade fairs in other European countries.

For German companies which sell knowledge-based products, breaches of intellectual property rights represent a growing threat. The Federal Government, in close association with industry and partner countries, is formulating a strategy with concrete measures aimed at improving the enforcement of intellectual property rights worldwide. We want to use international agreements to combat the trend to seal off markets by using, among other things, patent law.

Hermes guarantees are a proven instrument of foreign trade policy and must be continued, in order, above all, to help the technology-oriented export industry gain access to difficult markets in developing and newly industrialising countries. Export credit guarantees and investment guarantees will be geared towards securing the future of Germany as a business location and promoting industry and employment at home. The international guidelines form the basis for state funding of foreign trade. In the area of export controls, licensing procedures will be further speeded up and red

tape cut, while at the same time observing international obligations already entered into.

1.10 A competitive Europe, fair competition in Europe

We emphatically support the Lisbon Strategy, relaunched in March 2005, to create more growth and employment by making the European economy more competitive. The success of the competition strategy depends first and foremost on the Member States and their readiness to undertake reforms. However, we regard the initiative to deregulate existing Community legislation and to improve assessment of the impact of Community legislation as a central contribution on the part of the EU to making Europe more competitive. We will offer further deregulation proposals of our own and contribute to the impact assessment of EU legislation with a view to improving the drafting of EU laws.

The future EU chemicals policy will be a central test of the competition strategy's credibility. The chemical industry plays an important role in Germany's economic output. Germany's role as an important location for the chemical industry must therefore be preserved and strengthened. The proposed REACH regulation needs radical revision to ensure that the safety of chemicals is improved and public health protected, without in the process adding to the cost of manufacturing chemicals or creating bureaucratic obstacles to their use.

We support the further completion of the internal market as an important contribution to more growth and employment. A functioning EU internal market, including in the service sector, is of enormous economic interest to Germany. This will be the criterion which will guide us in the further deliberations on the EU services directive. Within the framework of the general principles of the EC treaty, the Member States must retain the possibility of continuing to enforce high standards of safety and quality in relation to services (for example to protect health, the environment and public safety). As it stands at present, the country of origin principle does not help us to reach this goal. The services directive therefore needs to be revised. We will approve it at European level only if it is socially balanced, ensures access to high quality public goods at fair prices for every citizen and prevents abuses of labour market rules.

Tax dumping in the EU, which creates incentives to relocate outside Germany, must not be allowed since it distorts competition. EU regional assistance funds should be cut for those Member States whose tax ratio, measured against their economic potential, fails to reach a certain minimum as regards corporate taxes. In contrast to minimum tax rates, this leaves the new Member States the freedom to frame their tax law according to national requirements if they are prepared to forgo their full entitlement with respect to EU Structural Funds.

In order to limit the bandwagon effect of subsidies on German jobs and public finances, we will continue to strive within the EU for agreement on abolishing subsidies with respect to business relocations (similar to the agreement reached under the Joint Länder / Federal Government Scheme for "Regional Economic Support"). The aim of this is to mitigate the effect of enormous differences in support levels and reduce the outsourcing of jobs without national value added within the EU

to areas which receive high levels of support. The differential between Objective 1 areas in EU accession countries to neighbouring non-Objective 1 areas must be limited to a maximum of 20 percentage points.

Transitional periods of up to seven years were agreed with the new Member States which acceded in 2004, as well as with Romania and Bulgaria, to limit the free movement of workers. After the end of the first two-year transitional period in 2006 we will make use of the possibility of extending these transitional periods by a further three years and subsequently, in consultation with the EU Commission, advocate a further two-year extension.

2. Labour market

2.1 Cutting non-wage labour costs

The CDU, CSU and SPD will ensure that non-wage labour costs (social insurance contributions) are reduced on a sustainable basis to below 40%.

The contribution to unemployment insurance will consequently be cut on 1 January 2007 from 6.5% to 4.5%. One percentage point of this will be financed by the Federal Employment Agency (*Bundesagentur für Arbeit*) through efficiency gains and increased effectiveness; a further percentage point will be financed by a full percentage point of value added tax.

The contribution to statutory pension insurance will rise simultaneously from 19.5% to 19.9%. For statutory health insurance a broad strategy will be developed in 2006 which will also aim to at least keep contributions to statutory health insurance stable and if possible to reduce them.

2.2 Priority for young people

We need – more urgently than ever – well trained, highly motivated and creative young people to make our country successful in the 21st century, too. We will therefore make young people a priority area of concern. We want to substantially improve the training and job opportunities available to young people and reduce youth unemployment on a lasting basis. Our aim is to ensure that in future no young person is unemployed for longer than three months.

Specifically this means that:

- We will continue the "National Pact for Career Training and Skilled Manpower" in which the Federal Government and employers have committed themselves to offering training places or an appropriate programme of qualification to all young people willing and able to train. In concrete terms this means the provision of 30,000 new training places annually, 25,000 places in industry and the crafts and trades sector providing vocational preparation schemes, and tailored measures provided by the Federal Employment Agency to promote training.

- At the same time we invite the trade unions to take an active part in the training pact and to work together with policymakers and industry to improve conditions on the labour market for young people.
- We will continue to pursue an active labour market policy and shape it to ensure optimum effectiveness. Finding employment for young jobseekers and arranging training for those seeking a training place will remain a central task of the Federal Employment Agency. Measures include, in particular, supporting young people as they enter vocational training, providing assistance during their training, funding vocational training for the disadvantaged and offering specific aid to young people with disabilities. In addition we provide a broad spectrum of services to help young unemployed people find work.
- The Länder have a particular responsibility for initial training in school.
- We will strengthen the support provided to young people by the "Arbeitsgemeinschaften" (associations made up of local employment agencies and agencies responsible for delivering the basic income for jobseekers) and "optierende Kommunen" (municipalities opting to be the sole agency administering the basic income for jobseekers). The new system of basic income for jobseekers is a consistent and proactive strategy targeted in particular at young people of working age who are in need of help. Under the system young jobseekers are assigned a personal contact partner and placement officer. In future the placement officers throughout Germany will have a maximum caseload of 75 young people, enabling them to maintain direct contact with them and to integrate them more successfully into the labour market. The personal placement officer can offer a range of assistance, including debt and addiction counselling. International experience shows that such intensive assistance using personal contact partners can substantially reduce joblessness.
- This intensive assistance is based on the principle of "support and challenge", with the young people being expected to fulfil the obligations set out in an individual occupational integration agreement. Sanctions apply to those who do not fulfil these obligations.

Both elements belong indivisibly together.

2.3 Stimulating more employment for older employees

The CDU, CSU and SPD agree that the employment situation of older employees must be improved. International experience shows that a whole raft of coordinated measures in the area of work, education and health is needed for this purpose. It is also clear that incentives for early retirement need to be abolished, as well as measures put in place to maintain and improve the employability of older unemployed people and to reintegrate them into the workforce. Industry, the social partners, the Länder and the regions must work together to ensure the success of these measures in Germany.

Measures to stimulate employment for and by industry

We will discuss the following topics with business associations and trade unions with a view to reaching binding agreements:

- Qualification and continuing training for older employees.
- Possibilities of working time arrangements tailored to the needs of older employees.
- Creating appropriate working conditions for older employees and maintaining and promoting the employability of older people.
- Examining employment promotion instruments in terms of their effectiveness for older people.

There is agreement that training is essential – where appropriate on the basis of agreements reached by the social partners or at plant level – to upgrade the skills of older employees and hence maintain their employability. The intention is that workplace-related training measures should be financed by the employers, not by those paying contributions to the welfare insurance funds. As a transitional measure, the special regulation with respect to the costs of continuing training for older employees, which is scheduled to end at the end of 2005, will be extended by one year and its effectiveness evaluated.

To encourage older people to stay in work, agreements concluded between the social partners or at plant level must strengthen incentives to this effect including, in particular, age-appropriate working hours' arrangements and gradual transition to retirement ("time sovereignty").

Particular importance is attached to improving the legal framework with respect to the use and protection of long-term working time accounts. Long-term working time accounts are to be legally safeguarded. We will examine the possibility of a regulation on the model of the insolvency insurance used for part-time work for older employees.

The New Quality of Work Initiative (INQA) will be continued. One of the concerns of the initiative is to promote the employability of older workers and to support businesses in the use and expansion of employment opportunities for older people.

In order to be able to reintegrate older workers who have become jobless more successfully into the labour market, the effectiveness of general instruments of labour promotion, in particular as regards the promotion of continuing training, will be examined with industry. The CDU, CSU and SPD are in favour of extending, by an initial two years, the instruments of income guarantees for newly recruited older workers provided for under Section 421j of Book III of the Social Code and responsibility for the contributions to employment promotion applying to older workers under Section 421k of Book III of the Social Code and evaluating their effectiveness. They must be tied to specific quantitative targets.

Joint measures of the Federation and Länder

The CDU, CSU and SPD believe that these proposed measures will already be showing results in the medium term. In many regions in Germany it is therefore

essential for measures to be taken jointly with the Länder to promote socially useful community work for long-term unemployed older people who can no longer be integrated into the labour market in the final phase of their working lives. The first priority should be to use the 30,000 employment opportunities made available by the Federation in the form of three-year supplementary jobs for the long-term unemployed aged 58 and above. If not all these opportunities for community work are taken up by the end of the year, the length of the scheme will be extended; regional imbalances in take-up will be compensated for by a redistribution of funds.

In the event that the 30,000 job opportunities are all taken up, we will propose to the Länder that up to a further 20,000 non-profit jobs be financed jointly.

More jobs in the regions

The regions will receive assistance on the basis of particularly innovative projects to improve the employment situation of older workers. Up to 250 million euros will be made available to 62 regions in Germany for this purpose ("Perspective 50 Plus – Employment Pacts in the Region" Initiative). At the same time further regions will be incorporated in a dense and sustainable network to assist older workers, and a cross-regional exchange and learning process ensured.

A decision on continuing this initiative will be taken at the end of 2007, based on the results of the scheme.

Regulations on fixed-term contracts to be brought into line with European law

The regulations removing restrictions on the use of fixed-term contracts for workers aged 52 and above which are due to expire at the end of 2006 will be made permanent and the regulations brought into line with European law. The fact that this age limit will remain in force creates more legal and planning certainty for companies. The new provision will conform to European regulations, thus encouraging businesses to recruit more older people.

2.4 More employment for the low skilled – examining the introduction of a combined-wage model

Nearly two million, or 39% of, unemployed people in our country are low skilled or have no vocational qualifications. Too few job opportunities are open to this group of citizens. They need better access to the labour market which, unless they undergo further training, often means only low-paid jobs. These low-paid jobs are topped up by various forms of earnings supplement, including supplementary unemployment benefit II, the back-to-work benefit and child supplement. In many cases these individual arrangements do not mesh together properly and hence are not fully effective.

The coalition parties agree that the so-called low-wage sector in itself and its relationship to the total level of social transfers to "communities of need" (i.e. households consisting of the benefit claimant and dependants) needs to be overhauled. We want to ensure that wages are not forced down to a morally indefensible level, while at the same time giving people more opportunities to take on

low-paid jobs. Despite the very different programmes of the parties, there is agreement that the Grand Coalition must put a stop to this undesirable trend.

We will therefore consider introducing a combined-wage model which will make it worthwhile for the low-skilled to take on simple work through a balanced combination of wages and social benefits, while creating new possibilities for additional simple jobs. It is already clear, however, that the CDU, CSU and SPD do not intend through such a measure to subsidise businesses on a lasting basis or create an additional labour market instrument.

The aim is to merge existing programmes and measures to supplement earnings, ranging from supplementary unemployment benefit II to back-to-work benefit and child supplement, to provide an effective overall approach to delivering assistance. For this purpose we will set up a working group to present a systemic analysis of the existing regulations, establish the necessary transparency and evaluate the effectiveness of the measures. The working group will include in its analysis the impact of these measures on the system of taxes and welfare contributions and also examine the effects of the reduced burden of contributions with respect to mini- and midi-jobs. In this connection, the working group will also need to examine the Posted Workers Act (*Entsendegesetz*) and the minimum wage, as well as the impact of the EU services directive.

On the basis of the results presented by the working group, the Federal Government will seek solutions in the course of 2006. At the same time it will work with the social partners to seek ways to establish transparent regulations for the low-wage sector which are compatible with the requirements of the market.

2.5 Active labour market policy

The active labour market policy makes an important contribution to integrating and improving the job opportunities of jobseekers. The CDU, CSU and SPD will continue and further develop the active labour market policy in the future.

It is almost impossible for people to gain an overview of the large number of different support measures in place. There is considerable evidence that individual measures and the, in some cases, substantial sums paid out in unemployment insurance could be better targeted and used more economically and efficiently.

The CDU, CSU and SPD will therefore scrutinise all labour market measures. Those measures which prove effective and help to enhance employability or lead to employment will be continued. Those measures which prove ineffective and inefficient will be scrapped. The review is to be completed by the end of the coming year.

On the basis of this analysis, the active labour market policy as a whole will then be radically realigned to ensure that in future contributors' and taxpayers' money is used as effectively and efficiently as possible.

In detail this means:

- In order to ensure that the evaluation is accurately targeted and meaningful, we will extend a number of active labour market policy measures due to expire until

the end of the coming year. This applies, for example, to commissioning the relevant agencies to take responsibility for employment integration measures.

- In the case of some other measures we will already start to make corrections in the coming year:
 - The number of personnel service agencies (PSAs), for example, will be considerably reduced and the obligation for each regional employment office to set up a personnel service agency scrapped. Only where PSAs work successfully will they continue to be funded by the Federal Employment Agency.
 - In addition, we will extend the business start-up grant ("Me" plc microenterprises) for a limited period up to 30 June 2006. Afterwards a new business start-up instrument for the unemployed, to include a tideover allowance, will be developed and the business start-up grant discontinued. Consideration will be given to whether the new instrument should be an obligatory or a discretionary measure provided by the Federal Employment Agency. In light of all these measures, the CDU, CSU and SPD emphatically declare their intention to support business start-ups by the unemployed as this offers a way for many people to become independent and secure their own livelihood.

The Federal Government is to reach agreement with the Federal Employment Agency to ensure that the Federal Employment Agency fulfils its mandate with respect to employment promotion.

- The CDU, CSU and SPD agree that effective measures must be introduced to combat the recurrent rise in unemployment in the winter months. The collective bargaining partners in the construction industry have established an important basis in this respect. Through the cost-neutral introduction of a seasonal short-term allowance financed from contributions to unemployment insurance, it is hoped, with effect from this winter already, to avoid lay-offs due to weather conditions or lack of orders and corresponding outlay on unemployment benefit during the months of December to March.
- At the same time, we must comply with our international obligations with regard to recording unemployment figures and compile reliable data enabling comparison between countries. We will therefore continue in future to comply with these obligations and maintain the ongoing surveys in accordance with ILO standards. We will evaluate and examine the findings of these new statistics.

2.6 Basic income for jobseekers (Hartz IV)

The CDU, CSU and SPD remain committed to the merging of unemployment assistance and social assistance in the basic income for jobseekers (Hartz IV). Bringing together help for the former recipients of social assistance and unemployment assistance in one system was and remains the right thing to do.

However, such a complex and extensive reform project requires a flexible approach to necessary adjustments and improvements. We will therefore respond to the

experiences gained this year with detailed and specifically tailored changes and optimise the entire Hartz IV process.

- We have agreed to follow the recommendations of the Ombudsrat (appeal council) and bring into line standard subsistence benefits in Eastern and Western Germany. Benefits in the new Länder will rise by 14 euros per month.
- The CDU, CSU and SPD agree that immediate changes to the legal and administrative provisions are needed to optimise the practical implementation of the Hartz IV reforms. Through organisational changes in the Federal Employment Agency it will be ensured that the Federation's interests in implementing the basic income for jobseekers will be safeguarded. In addition to technical changes there will also be changes to benefit law.
- Confidence clause for municipalities opting to be the sole agency administering the basic income for jobseekers: if, at the end of the evaluation in 2008, there is no consensus between the coalition partners on the results and consequences, the legal provision currently in force for municipalities to exercise their option will be extended, on the existing scale, for a further three years after 31 December 2010.
- We will make the definition of "community of need" more precise. In future the "communities of need" formed by parents will in principle include unmarried children who have attained their majority and are under the age of 25.
- In relation to assets which are exempt for the purposes of calculating benefit entitlement, we will alter the emphasis of the regulations in favour of old-age provision. The exempt amounts with respect to old-age provision could in future be raised and the current tax allowances reduced correspondingly.
- Under-25-year-olds who want to move into their own dwelling for the first time will in future only be entitled to benefits if they have the prior consent of the funding agency. By this means we want to prevent "communities of need" being set up solely for the purpose of claiming higher unemployment benefit II.
- We will examine the definition of cohabiting partnerships and the reversal in the burden of proof.
- We will additionally examine whether and, if appropriate, to what extent financial incentives for the funding agencies could be improved if they are successful in helping benefit claimants to find employment.
- Persons whose ability to work is restricted and who cannot find work on the regular labour market must be given prospects. We will examine whether and how conditions can be created to give such people access to jobs which provide them with meaningful opportunities for personal development appropriate to their individual circumstances.
- Nationals of other EU Member States who are in Germany solely for the purposes of seeking work and have not previously worked in Germany will not in future be eligible for unemployment benefit II.
- In future, young people who are in receipt of a grant under the Federal Training Assistance Act (BAföG) or a training allowance are to receive benefits from these

systems which cover their needs so that the amounts in question will no longer have to be topped up with unemployment benefit II.

- The responsibilities of the "Arbeitsgemeinschaften" (associations made up of local employment agencies and agencies responsible for delivering the basic income for jobseekers) and licensed local authority agencies with respect to careers counselling, training and job placement and those who receive benefits in accordance with the provisions of both Book II and Book III of the Social Code will be legally clarified.
- With respect to the child supplement, we will clarify whether the claimant has a right to choose between a tideover supplement to bridge the transition from unemployment assistance to unemployment benefit II and the child supplement.
- We will take energetic and consistent steps to clamp down on benefit fraud, in order to ensure that the readiness to help the really needy in our society in a spirit of solidarity is safeguarded on a long-term basis.

In particular:

- The CDU, CSU and SPD have agreed to create the legal conditions to oblige benefit recipients to take part in a telephone investigation into their current circumstances.
 - The existing possibilities of data comparison are to be used more consistently. We will therefore create the legal basis for making wider use of data comparison in order to identify accounts and deposits held by benefit recipients abroad as well.
 - We will examine, in collaboration with the Länder, the possibility of establishing an external service attached to the "Arbeitsgemeinschaften" and licensed local authority agencies.
 - It is to be made clear to every applicant that the principle of "support and challenge" will be enforced systematically from the beginning of the application process for those claiming the basic income for jobseekers. Those applying for benefits for the first time, therefore, are to receive offers of employment or training immediately after their individual circumstances have been assessed. These measures may also serve to test an individual's willingness to work.
 - Practice has shown that the existing rules on sanctions are too rigid and are difficult to apply appropriately in individual cases. We have therefore agreed to introduce a change to the law in this respect.
 - Large numbers of people currently claim unemployment benefit II although they are incapable of gainful employment. The result is added expenditure for the Federation and health insurance funds. We will therefore give the health insurance funds the right to demand that a claimant's ability to be engaged in gainful employment be assessed.
- Finally, it is our duty to anchor in our population an awareness of the need for personal responsibility, participation in gainful employment and solidarity with those in need of assistance. Since the introduction of the basic income for

jobseekers, an important role in this respect has been assumed by the Ombudsrat (appeal council). We have therefore decided to extend the work of the Council by six months. The Ombudsrat (appeal council) will present its recommendations in a final report on 30 June 2006.

- The CDU, CSU and SPD agree that the review instituted on 1 October 2005 to determine the level of the Federation's contribution to accommodation costs must be continued without delay. The target of cutting the amount paid nationwide by the municipalities under the Fourth Law for Modern Services in the Labour Market (Hartz IV) by 2.5 billion euros is to be retained. Immediately after the new Federal Government has been formed, the necessary consultation with the Länder and the local government associations will be set in train. On this basis – in the wake of the legislative process which has already been initiated – the level of the Federation's share in accommodation and heating costs will be fixed both for 2006 and for 2007. A further – final – review will be completed by 1 October 2007.

In total, the proposed measures and improvements to Hartz IV will bring savings of 3.8 billion euros. We will achieve these savings by making the following changes:

- Introducing a basic right for the state to make parents provide for those aged up to 25 years (0.5 billion euros).
- Limiting funding for young people moving into their own dwelling for the first time (0.1 billion euros).
- Improving administrative processes and organisational structures with respect to Hartz IV (1.2 billion euros).
- Reducing the payment for statutory pension insurance from 78 euros to 40 euros per month (2 billion euros).

2.7 Reforming labour law

2.7.1 Further developing protection against dismissal

The CDU, CSU and SPD will develop the law on protection against dismissal with the aim, firstly, of encouraging more employment and, secondly, of maintaining on a long-term basis the protective function of the regulations for existing employment relationships. At the same time we want to create more transparency and more legal certainty for employees and employers.

We will therefore, on the one hand, abolish the possibility of terminating employment contracts without substantive reason in the first 24 months. We will also give employers the option, with respect to new appointments, of agreeing a waiting period of up to 24 months with a newly recruited employee before making the employment permanent, instead of the statutory standard waiting period of six months. This option will also apply in the case of a re-appointment with the same employer if at least six months have elapsed since the end of the previous employment contract. The founders of new businesses will continue to have the possibility of terminating employment contracts without substantive grounds for up to 48 months in the first four years after starting business. The CDU, CSU and SPD agree, however, that an

addition to the special rule applying to founders of new businesses giving them the possibility of extending the period of exemption from dismissal protection will not be allowed.

By these measures we are simplifying the rules on dismissal protection and helping to reduce the number of cases brought before the employment tribunal, while at the same time creating a reliable contractual basis for employees. Above all, however, these changes to dismissal protection are designed to boost the recruitment of new employees on contracts with no fixed term over fixed-term employment relationships.

2.7.2 Widening the scope of the Posted Workers Act

The CDU, CSU and SPD will extend the Posted Workers Act on the basis of the EU posting of workers directive to the collective bargaining agreements which have been declared generally binding in the building cleaning trade. For the construction industry the existing Posted Workers Act will remain unchanged. The coalition will examine further extensions of the law to other branches of industry if corresponding unwanted social distortions are identified with respect to posted workers and if collective bargaining agreements apply in these branches which previously were declared generally binding under the Collective Bargaining Agreement Act (*Tarifvertragsgesetz*). Since a corresponding collective bargaining agreement that has been declared generally binding already applies to the building cleaning trade, the coalition will immediately undertake to extend the Posted Workers Act to cover this trade.

2.7.3 Implementation of the EU working time directive

The transitional regulation for the Working Time Act (*Arbeitszeitgesetz*), which gives the social partners time to adapt their agreements to the rulings of the European Court of Justice on on-call time and which expires on 1 January 2006, will be extended by one year. Statutory provisions will limit the number of Sundays on which retail shops may open to a maximum of four Sundays in the year.

2.7.4 Guaranteeing and shaping co-determination in enterprises

Cross-border economic activities and structural changes in business enterprises are features of a converging Europe. Securing and shaping the rights of participation of employees at European level has therefore been and remains an important task.

We will strive to ensure that European company law is further developed through the speedy adoption of the directive on the cross-border transfer of the registered office of limited companies. In this process we want to ensure that the participation rights of employees are safeguarded on the basis of the solutions already arrived at with respect to the European Company and the mergers directive.

The successful German model of co-determination must keep pace with global and European challenges. It is the task of the Government Commission on Co-

determination under the chairmanship of Professor Biedenkopf to formulate proposals by the end of 2006 for modernising German co-determination in enterprises to bring it into line with Europe on the basis of existing legislation. We will take up the – consensual – findings of the Commission and, where necessary and appropriate, make changes to our national system of co-determination in enterprises.

2.8 Measures to combat illegal employment, moonlighting and the black economy

Moonlighting, illegal employment and the black economy are not trifling offences; they damage our country. The CDU, CSU and SPD agree that these offences must be prosecuted resolutely and energetically. It is wrong for those who are honest in our society to feel they are being made to look foolish.

We therefore intend to clamp down on the whole area of the black economy. There is considerable potential here to consolidate public finances and also to help reduce non-wage labour costs. We intend to make use of this potential.

- We will continue the work of the Task Force on Illegal Employment and Benefit Fraud under the joint direction of the Federal Ministry of Finance and the Federal Ministry of Labour and Social Affairs. The customs service (illicit employment financial control department) will step up its checks.
- We will pursue a partnership-based dialogue with all new Member States to clear up problems and differences of opinion. Our aim, in particular, is to conclude administrative agreements with the Member States affected in order to improve cross-border controls and cooperation with the authorities.
- The CDU, CSU and SPD agree that cooperation between the Federation and Länder on combating abuse of the freedom of services and establishment must be stepped up.
- Since it is believed that the black economy manifests itself particularly frequently on building sites, in the taxi trade and in the catering trade, the Federal Government will examine the findings of a planned pilot project being conducted in the Berlin-Brandenburg region which obliges employees in these branches of the economy to carry chip cards visibly displayed which identify them as being regularly employed and, if appropriate, introduce the chip cards nationwide.

2.9 Seasonal work

With respect to the licensing of foreign seasonal workers, the Federal Government will extend in modified form the regulation governing the employment of seasonal workers which expires at the end of the year. It is important to continue to ensure in this respect that the farming industry is able to adequately cover its demand for seasonal labour. In view of the persisting high level of unemployment, however, it is our aim to find more employment first and foremost for jobless benefit claimants, including short-term seasonal employment. For this purpose it is necessary, firstly, to

step up the efforts of the job centres and the agencies administering the basic income for jobseekers to place workers in the sectors relying on seasonal work. Secondly, it is necessary to modify the regulation by imposing limits on the number of work permits to be issued for business enterprises to ensure that the inflow of foreign labour is kept within manageable proportions. The volume of seasonal labour from Central and Eastern Europe attained in recent years must be significantly cut and replaced as far as possible by domestic labour.

Under European law seasonal workers from the new EU Member States have become subject, since the accession of these countries, to the social insurance law of their home countries. The registration of seasonal workers and the transfer of contributions by German employers to the social insurance agencies in these countries is still a very complicated process. The Federal Government will push for the development of procedures which reduce red tape to a minimum.

2.10 European social policy

The European social model as part of the Lisbon Strategy must be further developed. For the general public the key factor will be whether it is possible to combine the necessary flexibility with social protection and social security ("flexicurity").

At the present time, in the context of labour market and economic developments in Germany, it appears necessary to retain the transitional periods with respect to restricting the freedom of movement for workers from the ten new accession countries. The transitional periods have protected the German labour market from increased migration. With respect to a possible directive on the access of nationals of third countries to self-employment and dependent employment, it must be ensured that the regulations are flexible and national employment policy is not restricted.

With respect to the forthcoming draft directives in relation to labour law (co-determination in relation to change of registered office, working time, temporary work, equal status, optical radiation), the regulations should have the necessary flexibility and, at the same time, keep in focus the justified interests of the employees. With respect to the negotiations at European level, the Federal Government will strive for fair and viable compromises between all the Member States.

3. Education and training

3.1 Education is the key to the future

Education is the key to individual opportunities in life and to cultural participation, to development and innovation. Universal participation in education and training is the essential precondition for ensuring that no talents remain unused. To achieve this goal, our education system as a whole must become more transparent with more transfer opportunities between different educational and training pathways and must ensure better individual support.

The cohesion and social development of our society, our prosperity and the competitiveness of our industry depend more and more on the importance which is attached to education. Education is the decisive factor, not only for the future of our country, but also for the opportunities of each and every person.

We want Germany to once again generate more prosperity through growth and innovation. We can only achieve this objective if everyone is able to fully develop his or her abilities and talents. Germany needs the formation of responsible elites, drawn from different social backgrounds. A successful education system must promote talents, support people with learning difficulties and eliminate the close linkage between social background and educational success.

3.2 Equal opportunities in education: improved childcare, early and individual support

Education and care for all children from the very start: The decisive factors which influence a child's development are determined at the beginning of his or her life. We are therefore backing improved and individual support for all young children. We consider it essential that children should learn to speak German before they start primary school.

Full-day education and schooling widen the opportunities for fostering all talents and compensate for weaknesses. Furthermore, full-day schemes make it easier for parents to balance a family and a career.

This is why we are supporting the expansion of full-day schooling. Federal budget funds of approximately 4 billion euros for building all-day schools will be callable until the end of the current electoral term under the "Future, Education and Care" funding programme.

We will also continue to play our part in future to ensure that Germany can take part in international comparative studies such as PISA. Anyone who wants to improve his or her performance must know where he or she stands.

We aim to expand educational reporting and to establish it as a constant factor in education policy in cooperation between the Federal Government and the Länder. In addition, we will strengthen empirical educational research within the framework of general research funding in order to gain information which can help the Federal Government and the Länder to expand their respective tasks in the field of education.

3.3 Strengthening training under the dual system - training opportunities for every young person

The dual system of vocational education gives Germany an international competitive advantage. It is a success story that we wish to continue. For the individual, it means a good start to his or her successful vocational and personal development and continues to offer the best protection against unemployment. Vocational training is becoming increasingly important for the competitiveness of German industry. Our objective is that every young person who is willing and capable should be offered training.

155,000, or 17.1%, of all 25-year-olds do not hold upper secondary level qualifications; in other words, they have neither completed vocational training nor have they gained higher education entrance qualifications (*Abitur*). Youth unemployment remains an urgent problem, not only for labour market policy but also for education policy in Germany, and demands a solution.

The Federal Government will do everything in its power to achieve its goal of ensuring that no young person under 25 years of age is unemployed for more than three months. It is also banking on the social responsibility of industry and the latter's interest in the availability of skilled young staff.

We therefore welcome the commitment of companies to establishing additional traineeships. We will expand the National Pact for Career Training and Skilled Manpower Development, and will involve industry and trade unions in this effort. We will also take into account questions of trainability and possibilities of collective bargaining agreements (such as sectoral contributory funding, increase in the number of traineeships).

The Bundestag and the Bundesrat both adopted the reform of the Vocational Training Act (*Berufsbildungsgesetz*), which came into force in April 2005. We intend to study the effect of this reform with our partners in the course of the electoral term.

The range of vocational training will be extended by means of graded training regulations in order to better meet young people's different levels of ability. It has been agreed that the wisdom and feasibility of graded training will be considered whenever training occupations are updated or new occupations introduced.

We will continue to modernise training occupations to meet practical requirements and will improve training structures in the regions, as agreed in the training pact. Furthermore, we will make girls and young women more aware of the wide range of occupations available, particularly in technical occupations.

Targeted measures will be adopted to encourage young people and entrepreneurs with migrant backgrounds to take an active interest in vocational education and training.

Youths and adults without qualifications should be given a "second chance" to either return to education to acquire school-leaving qualifications or to complete vocational training.

We will continue to implement tried and tested measures in the field of introductory training and to improve trainability and training maturity. Furthermore, we will continue measures to prepare young people with poor starting chances for vocational training and to improve their trainability and training maturity and we will provide assistance to support training. The individual needs of young people will be the decisive criterion for the structural reorganisation of training preparation schemes.

In order to ensure that adequate account is taken of the German dual system of vocational training within the European Union and that the system remains competitive, we intend to play an active role in shaping European cooperation in vocational training and to encourage developments in Europe with a view to greater transparency and comparability in vocational education and training. We thereby support the development of a European Qualifications Framework (EQF) as agreed under the Copenhagen Process, a European Credit Transfer System in Vocational Training (ECVET) and the introduction of the Europass.

3.4 Improving opportunities for transfer between educational pathways

We want to improve opportunities for transfer between education sectors. Higher education legislation should, as a general principle, allow people who have

successfully completed vocational training admission to universities and universities of applied sciences.

Initial and continuing vocational training will be comprehensively and systematically interlinked.

3.5 Lifelong learning: increasing participation in continuing education – using the growth potential of continuing education

Rapid technological progress in the knowledge economy demands that the vocational skills and know-how gained during initial training are maintained, adapted and extended. Continuing education is more than an educational principle. Lifelong learning ensures qualifications and protects people from losing their jobs. Moreover, demographic change demands that older employees remain in active employment and keep up to date with the state of the art in their field of employment. The percentage of people involved in continuing education must be increased considerably if receptiveness, willingness to learn and ability to learn are to be improved across the generations.

In the medium term, we intend to make continuing education the fourth pillar of the education system and to establish a continuing education system with standard national framework conditions.

Financial assistance for trainee master craftsmen (Meister-BAföG) has proved successful and will be continued.

We will make the wide range of continuing training programmes more transparent by optimising educational and vocational counselling. We will extend quality assurance in the field of continuing education programmes.

The general public, industry and the individual must be involved in the funding of continuing education in an appropriate manner. We intend to develop a new funding instrument in the form of educational savings plans and to amend the Capital Formation Act (*Vermögensbildungsgesetz*). This will have a neutral effect on the budget.

In particular, we want to assist the socially disadvantaged in order to increase their participation in continuing education.

We are encouraging both sides of industry to set up training-time accounts where employees can collect overtime and days off over extended periods of time. It is the task of the state to ensure appropriate framework conditions. These include, for example, protection for working-time and learning-time accounts in cases of company insolvency.

3.6 Enabling universities to compete internationally

Universities are the foundation of our academic system. They are providing an ever greater proportion of the rising generation in the knowledge-based society with qualifications. Their research results create the basis for innovations. At the interface between education, research and innovation, they play a crucial role in deciding on the jobs of tomorrow, on societal progress and on social security.

Autonomy, excellence, responsibility, freedom and competition are to be the guiding principles for the higher education system of the future.

We want to strengthen competition between institutions of higher education. Together with the Länder, it is our task to bring not only the top ranks of the German higher education system up to world-class level. We also want to ensure quality on a broader level that will guarantee excellent and demand-based training with regard to the significant increase in the number of students which we are expecting.

We want to establish a European Higher Education Area by the year 2010. The Bologna Process is a step in the right direction to help Europe come together in the field of higher education. We want to promote mobility in the European Higher Education Area and facilitate the compatibility of study courses.

Together with the Länder, the institutions of higher education and the science organisations, we want to ensure the success of the Initiative for Excellence to Promote Institutions of Higher Education and the Pact for Research and Innovation.

Our aim continues to be that at least 40% of a year group should study at an institution of higher education. Germany needs more highly qualified people if it is to meet the economic and industrial demands of the future.

The coalition partners take different views on the question of tuition fees.

The structure of Federal Training Assistance (BAföG) as a social benefit to finance a student's livelihood will remain unaltered (no reduction in the grant).

We will expand support for the highly talented.

We want to promote young talent and up-and-coming researchers and to open up career prospects for them. Germany must be able to offer attractive study and working conditions for the best scholars from around the world. We will enhance the opportunities for independent research and early academic independence and, together with the Länder, we will search for ways to open up reliable career paths for young researchers. By doing so, we want to encourage young German researchers to return to Germany and to persuade foreign scientists to settle here. Furthermore, we will strengthen the funding programmes aimed at excellence for young scientists in all disciplines.

Measures must be taken to improve the balance between a family and a career in research and teaching. Opening career opportunities for women in teaching and research remains a central concern of this Federal Government.

3.7 Other framework conditions which are relevant to research and education

Within the framework of the GATS negotiations and in the further negotiations on the EU services directive, we will continue to endeavour to ensure that there remains a clear distinction between the public and private sectors in education, that foreign education providers may not legally claim the financial support available to German providers, that consumer protection regulations and quality assurance are guaranteed and national priorities in education policy upheld.

We want copyright legislation which is favourable to education and science.

4. Research and higher education institutions

We must find answers to the key challenges of the future. Apart from the questions of an ageing population and globalisation, we must also consider the preservation of our natural basis for life. As a highly industrialised country with few natural resources, Germany must concentrate its strength on those areas where it is able to compete. We are thus developing new products, ideas for resource-efficient processes, and future-oriented services in innovative areas with a high value-added element. Research which benefits human beings and the environment produces innovations which secure jobs and improve the quality of life. The preconditions for these developments are high standards in research and development as well as in the use and advance of modern technologies.

The preconditions in Germany are favourable for achieving top results in science and research. We have a good, sometimes even excellent, broad-based higher education and research landscape and innovative companies.

Research needs freedom. This is a great good. Basic research is the basis for innovation. We want to provide scope for young talents, new ideas and experiments. Germany stands for competition for the best brains.

We want an innovations policy which covers the whole value-added chain from basic research to applications. We support the internationalisation of science as a contribution to shaping globalisation processes.

4.1 R&D expenditure: investing in the future

The members of the European Union have set themselves the goal of becoming the most competitive and dynamic knowledge-based economy in the world by 2010. In order to achieve this aim, the share of expenditure on research and development is to rise to at least 3% of GDP. Germany has already reached a share of 2.5%. Investments in education and research are of key importance for Germany's future viability.

We are therefore sticking to the 3% objective and intend to reach it in gradual steps. This requires considerable efforts on the part of the state and business.

4.2 A seamless innovation policy – ensuring innovation-friendly framework conditions

We are committing ourselves to a policy which encourages innovations. All the federal ministries will contribute towards this course of action. We intend to make the stimulation of innovations a decisive criterion for state action in the same way that environmental protection and sustainability are already important factors when making decisions today. Apart from promoting research and technology, the Federal Government will also make framework conditions more innovation-friendly, particularly in the fields of bio- and genetic engineering, information and communication technology, chemistry, medicine/pharmacy, energy and transport.

We will continue to seek a balance between ethical principles and scientific progress.

4.3 Key areas in cutting-edge technologies and project funding

We will work together with science and business to develop innovation strategies for cutting-edge technologies in order to expand Germany's lead in markets and technology or to gain such a lead. Important areas include bio- and genetic engineering, information and communication technology, nanotechnology and microsystems engineering, optical technologies, energy technology, environmental technology and aerospace technology.

Project funding knits together science and business and has proved to be an effective transmission belt between research and practical applications. It encourages the establishment of networks and clusters which provide a mutual stimulus for first-rate scientists and innovative companies.

The Federal Government's project funding is an important instrument for achieving the 3% target. Every euro spent by the state on research and development is matched by more than one euro from industry. We therefore want to ensure an overproportionate increase in the funds available for project funding within the 3% target.

We will consider whether it is useful to introduce a separate research funding law as a legal basis for federal project funding.

We want to ensure that we in Germany also make use of the opportunities offered by new scientific breakthroughs, for example findings in the life sciences on the causes of the most common diseases or of new infectious diseases, and on ways to combat them. We will therefore strengthen clinical research in Germany. Health research provides innovations which enhance the quality of life for both young and old and, at the same time, secure the fundability of the health system. We will continue to attach special importance to funding research on adult stem cells in order to develop the potential of regenerative medicine, whilst at the same time observing ethical borders.

We will strengthen funding for research in the field of sustainability. Germany is making a decisive contribution to preserving our natural basis for life, to securing and exploiting energy resources, to preventing disasters, to protecting the climate, to solving conflicts and to securing peace.

One example of a successful German development is the tsunami early warning system now being used off the coast of Indonesia. The Federal Government is therefore supporting environmental technology, earth observation and regenerative energy technologies as well as security and fusion research.

The humanities and the social and cultural sciences are of great importance in a world of rapid societal and technical change. Their task is to contemplate changes and to affirm tradition and cultural memory. At this level, they make a decisive contribution towards a critical perception of the present and our future opportunities for action. We will therefore strengthen these areas.

4.4 Strengthening Germany as a location for research

We want an efficient scientific and research system that is internationally competitive. To ensure this, university and non-university research will be better networked and the transfer of technology managed through a modern policy of cluster development.

We will implement the Initiative for Excellence agreed between the Federal Government and the Länder as well as the Pact for Research and Innovation, and we will take initial steps towards full economic costing.

We will provide a secure financial basis for the construction of large-scale research facilities which have already been agreed.

4.5 Strengthening technological efficiency, improving the transfer of technology and stimulating research in industry

Germany's technological efficiency is largely due to its small and medium-sized companies. The latter's powers of innovation must be further strengthened if they are to survive in the global competition. We will therefore introduce specific measures to gradually introduce those small and medium-sized companies to research and development which have not worked in the field of innovations in the past. We will further simplify access for small and medium-sized companies to existing support programmes and makes these more transparent.

We will further improve the conditions for growth-oriented business start-ups through an Entrepreneurship Initiative, particularly for spin-off companies in the field of science.

We will create new instruments for improving the transfer of scientific results to products and services.

We will make the conditions for obtaining venture capital competitive by international standards.

We will further develop the "Partners for Innovation" initiative, taking particular account of innovative small and medium-sized companies.

4.6 Strengthening competitiveness in the new Länder

We will aim funding policy for the new Länder consistently towards clusters which can make use of their strengths to generate sustainable economic growth in their respective regions. Such growth centres have an effect outside their own regions and contribute to a positive development in the new Länder. The effectiveness of existing programmes will be checked and developed further. The new Länder, in particular, need effective funding strategies which boost innovative potential in the regions, such as, for example, the internationally recognised programme "Entrepreneurial Regions".

4.7 Evaluating the Federal Government's departmental research

Following the successful evaluation of institutional research funding in the nineties, the Science Council is currently studying the Federal Government's research institutions – its so-called departmental research. The Science Council will present its recommendations on the Federal Government's departmental research in 2006. This will be the basis for improving and developing the system further.

4.8 German science with worldwide appeal

We want to continue to contribute towards building and elaborating the European Knowledge Area. We are seeking to assume a central role in shaping European research policy, particularly through efficient participation in the EU Seventh Research Framework Programme 2007-2013 (FP 7). It is our aim to incorporate priorities at European level which we consider important from a national perspective. We intend to use the German presidency in 2007 to emphasise the importance of education, research and innovation as keys to growth and prosperity in Germany and Europe.

4.9 Encouraging people to enjoy their own abilities - developing a new culture of innovation

We intend to fill more young people in Germany with enthusiasm for science and technology. As an industrial nation, we must encourage an interest in scientific and technical training and study courses as well as an awareness of the elementary significance of research and innovation for society and business. We want to further expand the dialogue between the scientific community and society which began with the Science Years.

5. Energy

5.1 Halting the rise in energy prices, stimulating competition

Energy policy is basic economic, structural and climate protection policy. A secure, cost-effective and environmentally friendly supply of energy is a fundamental condition for a modern and productive national economy. It is closely linked to policies regarding industry, technology, small and medium-sized enterprises and foreign trade. This is why Germany needs an integrated energy policy concept that includes a precautionary strategy with regard to globally dwindling fossil resources.

A sound integrated energy policy concept must be based on a balanced energy mix.

The CDU, CSU and SPD do not share the same opinion on the use of nuclear energy for power generation. For that reason, we cannot change the agreement between the Federal Government and power supply companies of 14 June 2000 or the procedures contained therein or the corresponding regulations of the amended Atomic Energy Act (*Atomgesetz*). The safe operation of nuclear plants is of the highest priority for the CDU, CSU and SPD. In this context, we will continue and expand research on the safe operation of nuclear plants.

The CDU, CSU and SPD acknowledge Germany's responsibility to ensure the safe final disposal of radioactive waste and will tackle this issue in a speedy and result-oriented manner. We intend to solve this question by the end of the current electoral term.

The Federal Government and the Länder cooperate closely in the supervision of the nuclear industry.

An important element of a coherent energy policy is to intensify and expand energy research and to increase its funding. We want to promote innovation and technological development in the energy sector in order to strengthen the competitiveness of our industry, to accelerate the market introduction of modern energy technologies and to contribute to climate protection.

Together with the German hard-coal mining industry, the Länder of North-Rhine Westphalia and the Saarland, we will determine the future of mining subsidies. The subsidies the RAG group (*Ruhrkohle AG*) has been granted until the year 2008 are legally binding. There is no legal entitlement for the time after 2008. We have to consider further cuts to promised subsidies without departing from the path of socially acceptable adjustment. Dismissal into unemployment should be avoided. The potential savings should be used to promote structural change in the mining regions. The RAG group's initial public offering holds new development opportunities. In order to achieve a calculable and fair division of opportunities and risks, the first step must be a scientifically sound inventory of contaminated sites as these must not remain an incalculable risk for public budgets. We will start negotiations with all stakeholders at the beginning of 2006.

5.2 Renewable energies

An important element of our climate protection and energy policies is the ecologically and economically sound expansion of renewable energies. We will therefore:

- pursue ambitious goals for further expansion in Germany, namely
 - increase the share of renewable energies in electricity production to at least 12.5% by 2010 and to at least 20% by 2020,
 - increase the share of renewable energies in total energy consumption to at least 4.2% by 2010 and to at least 10% by 2020 and continue to increase it in line with the National Sustainability Strategy (*Nationale Nachhaltigkeitsstrategie*) after 2020,
 - significantly increase the share of biomass in primary energy consumption in the medium term;
- maintain the basic structure of the Renewable Energy Sources Act (*Eneuerbare-Energien-Gesetz - EEG*) but at the same time review the economic efficiency of individual fees by 2007. In this context we will adjust fees, degression steps and funding periods to the development stages of individual renewable energies and, if necessary, define new priorities;
- concentrate on the repowering of existing wind power installations and on offshore wind energy generation and improve the framework conditions for these activities (e.g. expansion of the power grids);
- make greater use of the market potential of renewable energies in the heat sector through continuing the market incentive programme in its current scope and through further instruments such as a renewable heat use act;
- restructure without delay the hardship clause in the Renewable Energy Sources Act so that power-intensive industries have a reliable and calculable basis (abolition of the 10% capping) and their economic burden is limited to 0.05 cent per kWh;

- create a transparent and reliable calculation method for the apportionment pursuant to the Renewable Energy Sources Act so that energy users are only charged with the effective cost of the electricity fed into the grid;
- pursue existing international activities for the expansion of renewable energies and initiate the creation of an international agency for renewable energies (IRENA);
- intensify the export initiative for renewable energies.

5.3 Biofuels and renewable resources

Fuels and raw materials derived from biomass can contribute significantly to the energy and resource supply and to climate protection. We will therefore:

- further develop the fuel strategy with the objective of increasing the share of biofuels in the total fuel consumption to 5.75% by the year 2010,
- replace the exemption of biofuels from the mineral oil tax by the compulsory addition of biofuels to mineral oil;
- promote the market introduction of synthetic biofuels (BTL) in cooperation with industry by building and operating installations on an industrial scale;
- promote research, development and marketing of renewable raw materials in cooperation with industry.

5.4 Energy efficiency

Increasing the energy efficiency of buildings, equipment, vehicles, power plants and industrial installations bears an enormous potential for economically sound energy conservation. We will therefore:

- steadily increase the energy efficiency of the national economy with the objective of doubling energy productivity by the year 2020 compared with 1990;
- increase funding of the CO₂ Building Modernisation Programme to at least 1.5 billion euros per year, significantly improve its efficiency and attractiveness (for example by switching to investment grants and tax relief measures and by including rental accommodation) and also introduce an energy passport for buildings. Our goal is to increase the energy efficiency of 5% of existing buildings built before 1978 every year;
- promote the modernisation of existing power plants and the expansion of decentralised power plants and highly efficient combined heat and power plants;
- review the funding criteria of the Heat-Power Cogeneration Act (*KWK-Gesetz*) on the basis of the monitoring report to be submitted in a timely manner.
- support the European initiatives to improve energy efficiency and work towards a European top runner programme;
- continue and intensify the dena (German Energy Agency) initiatives for energy conservation in the areas of buildings, electricity use (for example stand-by) and traffic.

5.5 Innovation offensive "Energy for Germany"

We will launch an innovation offensive called "Energy for Germany" to remain a world leader in modern energy technologies. For that purpose, we need adequate energy research. We will therefore:

- gradually increase funding for energy research. This will cover renewable energies and biomass, the use of efficiency technologies on the demand side (industry, products, transport, buildings), centralised and decentralised efficiency technologies for energy production (including storage technologies) and a national innovation programme for hydrogen technologies (including fuel cells);
- arrange with the private sector that it too increases funding for research and the marketing of energy technologies.

Our objective is greater competition among suppliers of electricity and gas. To achieve it, we will attentively follow the effects of the incentives and support the competent authorities in fully using their powers according to cartel law. The instruments of the new energy industry law (with respect to control, laying down fees for grid use and demonopolisation by the regulation authorities) will be consistently applied to determine transmission fees for the use of electricity grids and gas pipelines. We want to counter oligopolies in the German electricity and gas markets by, among other measures, intensifying cross-border competition. For this purpose, it is necessary to create the required transit capacities and, for the German gas market, infrastructures for liquefied natural gas.

In the interests of a cost-effective energy supply we will not raise the eco-tax further. The current eco-tax relief regulations for the industry will be retained. We want to improve the international competitiveness of our manufacturing industry, especially of the energy-intensive sector. For this reason we will make use of all available relief measures and consider ways of improving our competitiveness when transposing the EU Energy Tax Directive.

Important political and economic decisions on energy are increasingly taken at an international level. We will therefore take an active part in the definition of framework conditions in energy policy in the EU and in international organisations, focussing on the innovative ability and the competitiveness of our national economy. We support European strategies for sustainable and affordable energy and resource supply.

6. Infrastructure – transport, building and housing

Our transport policymakers are aware of the responsibility they carry for the economy, employment and the environment in Germany. We intend to implement an integrated and sustainable transport policy in order to lay the foundations for the necessary mobility of people and goods, for economic growth and for the creation of jobs. This will involve primarily the maintenance, modernisation, upgrading, better use, adaptation and linking-up of transport infrastructure.

The capacity of the transport system as a whole has to be increased. Solutions from the field of information and communication technology, the development of which we are promoting, will help us achieve this objective. We will use fiscal instruments to

enhance the innovative capacity, competitiveness and sustainability of the transport sector. As European integration progresses, the improvement of cross-border transport infrastructure will become especially important.

Germany as a logistics hub

We will continue to consolidate Germany's leading position as a logistics hub, which is illustrated by the fact that, to date, around 2.7 million jobs have been created as a result of new logistics chains within the context of growing globalisation. We will promote the creation of an internationally competitive framework to make Germany an even more attractive location for logistics companies and will actively market our logistics assets both at home and abroad.

We will cooperate with the transport industry and shippers to develop, with support from the scientific community, a Freight Transport and Logistics Master Plan, the principal goals of which will be to make the transport system as a whole more efficient for freight transport and to optimise utilisation of transport infrastructure.

We will create an appropriate framework to assist German businesses in developing user-focused services for GALILEO. We will also champion a non-discriminatory European market for transport vehicles and their components.

Optimising our transport system will not be possible unless we make further efforts in transport-specific research and development.

6.1 Upgrading and enhancing the capacity of transport infrastructure; sustaining levels of investment

The traffic forecasts in the Federal Transport Infrastructure Plan (*Bundesverkehrswegeplan*) predict a huge increase in traffic in the years from 1997 to 2015. Over this period, the number of passenger kilometres travelled is set to rise by 20% and the volume of freight moved by 64%.

We will increase the level of investment in transport. This will ensure that roads, railways and waterways are maintained and upgraded as required. To satisfy minimum requirements with regard to the maintenance and upgrading of transport infrastructure, we will budget significantly more funds for investment in federal transport infrastructure in the 16th electoral term and sustain funding at this level. Federal funding of transport infrastructure is not to be interpreted as subsidisation.

Rail transport is absolutely essential if we are to manage future traffic growth in a manner that is economically efficient and environmentally sound. We will continue to enhance the competitiveness and capacity of the railways.

If we wish to maintain and upgrade railway infrastructure and provide the network operator with a sound basis for planning, we have to significantly increase the funds available for railway infrastructure and sustain funding at this higher level.

New financial instruments

The coalition agrees that, in principle, all modes of transport are of equal importance. Funding must be targeted on those areas where there is an urgent need for action and where there are bottlenecks. With regard to the appropriations for roads, railways and waterways, we must retain the flexibility to re-allocate funds if necessary.

Our intention is to stabilise transport investment, thereby creating long-term planning certainty.

Our aim is to mobilise more private sector capital for the construction of transport infrastructure. To complement public sector infrastructure funding, we are adopting innovative approaches to funding using public-private partnerships (PPPs). With the introduction of the heavy goods vehicle tolling scheme, the establishment of the Transport Infrastructure Financing Company and the use of operator models, there now exists in Germany, for the first time ever, a wider range of sources for infrastructure funding. One of the ways of achieving this is by widening the terms of reference of the Transport Infrastructure Financing Company. We are reviewing its credit standing.

The costs of mobility have to remain socially acceptable.

Air transport – a growth industry

We support the air transport industry's "German Air Transport" initiative. The master plan for developing airport infrastructure will continue to be the basis for the future activities of the Federal Government, the Länder and the air transport industry.

Likewise, the Federal Government will evolve the "Airport Concept 2000" in consultation with the Länder.

We consider it to be our duty to evolve German airport infrastructure in order to enhance Germany's competitiveness on the international air transport market. Germany's role as a major air transport hub must not be weakened in global competition.

The capital privatisation of DFS Deutsche Flugsicherung GmbH (the German air navigation services), which has already started, is to be brought to a swift conclusion.

A level playing field in the road haulage sector

To support fair competition, we will ease the burden imposed on the road haulage industry by the HGV tolling scheme in a manner that is non-discriminatory. To this end, we will do everything we can to obtain European Commission approval for the toll rebate scheme, exhausting all legal options if necessary. Pending this approval, the lower toll rate will continue to apply ("toll compromise").

Transport infrastructure planning

We will press ahead with the projects identified in the Federal Transport Infrastructure Plan 2003 and the upgrading acts. Further priorities will be established when the five-year plan is prepared.

We will immediately draft a Federal Waterways Upgrading Act (*Bundeswasserstraßenausbaugesetz*).

We will progress implementation of the trans-European transport network projects, which make a major contribution to European integration.

We will promote innovative projects that are of special European and national interest.

We intend to press ahead with PPPs, and will thus use our best endeavours to ensure that the fixed Fehmarn Belt link is implemented as an international flagship PPP project.

Cycling

Cycling will be promoted in cooperation with the Länder and municipalities by implementing the National Cycling Plan.

Promoting local public transport

Good local public transport ensures that our towns and cities are able to function properly, enhances their liveability and is at the heart of a socially appropriate and environmentally sound range of mobility services. We will continue to provide an adequately high level of funding for local public transport.

State subsidies for local and regional passenger rail services will be used to fund local public transport and to enable it to perform its functions.

We will use the Local Authority Transport Infrastructure Financing Act (GVFG) to promote significant investment for upgrading local public transport and to provide investment assistance to municipalities. This assistance is indispensable and is making a major contribution to ensuring socially acceptable fares and to enhancing the attractiveness of public transport.

In this context, special attention has to be paid to the aspect of safeguarding the livelihood of small and medium-sized enterprises.

Fair conditions of competition, harmonisation

In the EU, the coalition will strongly advocate the comprehensive harmonisation of the conditions of competition and a further opening-up of transport markets in Europe. This will include:

- fully exploiting the scope for harmonisation that exists in Germany, in order to ease the burden on the transport industry;
- systematically pushing ahead with the harmonisation of levy regimes and rules; and
- reducing intermodal and intramodal distortions of competition, especially regarding state aid and derogations.

The coalition will support the European Commission's objectives as set out in the White Paper on the future development of the common transport policy. However, it will also seek to ensure consistent application of the principle of subsidiarity in the drafting and implementation of European legal instruments.

In all spheres of the transport sector, we will press ahead with intermodality, removing the barriers between modes, without placing an unreasonable burden on businesses.

6.2 Simplifying and speeding up transport infrastructure planning

We intend to facilitate and speed up the planning and construction of infrastructure. We will introduce an act to speed up planning procedures (*Planungsbeschleunigungsgesetz*), thereby laying the foundations for streamlining, simplifying and shortening planning processes in a manner that is uniform throughout the country. We will seek to further speed up planning procedures, and in this context we intend to abolish special procedures and bring about a situation in which there are uniform procedures and decisions.

Our experience of speeding up planning procedures in the new Länder has been positive, and we will draw on this experience for the whole of Germany. The lessons we have learned show that simplifying planning is not detrimental to environmental protection and public participation. We want to include suggestions made by the Länder.

Plan approvals will be granted for 10 years, with the option of extending them once for a further five years. We want the Federal Administrative Court to be the only court that hears appeals against priority federal projects, on the basis of the bill submitted by the Federal Government.

This new planning legislation is due to enter into force early in 2006.

6.3 Continuing the reform of the railways

Germany needs modern, high-capacity railway infrastructure and efficient railway undertakings if the rail mode is to perform its important function in an integrated transport policy.

The Federal Government will support Deutsche Bahn AG as it continues its course of consolidation to help enhance its efficiency and competitiveness and to make it more customer-friendly. One of the main aspects here is to bring about a growth in the level of rail traffic. Non-discriminatory network access for Deutsche Bahn's competitors will be ensured.

The reform of the railways will be continued. Decisions on the future course of action in the process of reform and on the organisation of the initial public offering of Deutsche Bahn AG will be taken on the basis of an analysis of the consultancy study to be presented to the Bundestag and with the participation of the appropriate parliamentary committees. In addition to capital market aspects, it will also be necessary to consider transport, financial, budgetary, economic and regulatory aspects, as well as aspects of European law and the Federal Government's obligation to provide infrastructure.

A service level and funding agreement for the existing network will ensure that the network is operational and that high-quality services are provided. The basis for this is the network condition report.

A more binding agreement than in the past will be concluded with Deutsche Bahn on implementation of the Federal Government's obligation to provide infrastructure in the construction of new railway infrastructure and in upgrading the network. This will include effective and transparent monitoring and mechanisms to ensure that the agreement is implemented.

In the European Union, we will use our best endeavours to ensure that national borders no longer constitute an obstacle to rail transport and will advocate cross-border competition.

Passengers' entitlement to compensation in the event of delays, cancellations, etc. in all modes of public transport will be laid down in law following analysis of the consultancy study on consumer protection that has been submitted.

6.4 Enhancing the competitiveness of the maritime industry and inland navigation

The maritime industry is a major factor in guaranteeing German competitiveness on the growing global markets. We intend to cooperate with the coastal Länder, businesses and trade unions to continue the approach adopted at the Maritime Conferences for enhancing the competitiveness of the maritime industry. To this end, it will be necessary, at European level, to remove international distortions of competition and to remedy shortcomings in harmonisation, exploiting all national scope for action in the process.

Competition between European ports is an important step on the road towards effective solutions, and must not be distorted by state aid. Our objective is to upgrade the necessary seaward and landside links to and from German seaports in a targeted and coordinated manner.

We will continue to make Germany a more attractive place for shipping companies. We will preserve the instruments that have proved successful, such as tonnage tax and the withholding of wage tax at source.

The performance of the Maritime Security Centre will be evaluated after three years. This will also involve examining whether the existing approach is appropriate or whether we should seek to establish a "National Coastguard Service".

Safeguarding and preserving the competitiveness of the German inland navigation sector is one of the coalition's key concerns. Inland waterways are a mode of transport that is indisputably safe and environmentally friendly, and the role they play in the transport system as a whole will have to be enhanced significantly in the years ahead.

Well maintained waterways that are part of an integrated transport system are just as important to the inland navigation sector as they are to the efficiency of logistics chains.

We will take the Inland Navigation Forum's plan of action into consideration in our future activities.

The provision of tax incentives under Section 6b of the Income Tax Act (EStG), which was adopted by the Bundestag during the 15th electoral term, is to be embodied in law.

6.5 Promoting alternative fuels and powertrains, improving air quality and noise mitigation

To protect people and the environment and to secure the supply of energy for the transport sector, we will take initiatives to develop fuels and powertrains that have a

promising future, to meet our international climate change obligations and to continue improving air quality and noise mitigation.

Because fossil fuels are finite, we will systematically press ahead with our fuel strategy – developing alternative fuels and innovative powertrain technologies with the aim of reducing our dependence on oil. We are committed to dialogue and cooperation with the industry in order to harness innovative capacity to an even greater extent. To this end, ongoing research activities will be expanded to form a research priority.

We will:

- provide revenue-neutral fiscal incentives for retrofitting motor vehicles with particulate traps and, starting in 2008, increase the tax on vehicles that do not meet this standard;
- introduce a straightforward method for marking vehicles in such a way that cleaner vehicles can be exempted from traffic restrictions, thereby providing an incentive to fit particulate traps;
- increase the toll rate for HGVs with high levels of emissions and reduce it for cleaner HGVs;
- Appropriate incentives are to be developed to encourage a reduction in emissions from light goods vehicles, taking care to ensure that they are not placed at a competitive disadvantage compared with foreign vehicles.

We will amend the Air Traffic Noise Act (*Fluglärmsgesetz*), taking the interests of people who live near airports and of the aviation industry into consideration. To create legal certainty for projects involving airport expansion or the construction of a new airport, it will be necessary to lay down noise limits in law.

This policy is designed to help our towns, cities and regions evolve and to promote trade and industry while preserving the quality of life in residential areas.

6.6 Road safety

We have to continue our successful road safety activities with the same level of commitment as in the past. However, road safety cannot and must not be solely the responsibility of the state: it is also dependent on activities conducted by other stakeholders. This has to be our starting point, and we must encourage these individuals to get involved. In particular, we will provide assistance to people who are especially vulnerable, such as children, young novice drivers and the elderly.

We intend to continue our road safety programme in close cooperation with all partners engaged in road safety activities, intensify research and improve prevention as a whole.

Road safety education and road safety campaigns – in other words, mobility education – are part of the package of measures designed to enhance road safety.

6.7 Urban development as a future challenge

Urban development is an element of a modern structural and economic policy. Urbanity, a multiplicity of uses and vibrancy are the hallmarks of German towns and cities. We will continue to support our towns and cities – including those in rural areas – in their endeavours to tackle demographic and structural change and to conserve the fabric of historic buildings.

Urban development assistance will continue to be a joint task of the Federal Government, Länder and municipalities. The funding programmes will create and safeguard jobs, because the investment made by the public sector will have a multiplier effect on private sector investment. The public and the property industry are to be involved in urban development decisions to a greater extent. To this end, we will seek to strengthen integrated approaches to urban development, especially their interlinking with other plans and measures.

To help towns and cities as well as the housing industry and public utilities in the new Länder to reduce the number of vacant dwellings and to adapt the technical and social infrastructure, we will continue our programme of urban restructuring in the new Länder and, after a mid-term evaluation, will decide how it should be continued beyond 2009.

To regenerate derelict urban sites resulting from the process of economic and military structural change, we will provide assistance to the towns and cities worst affected within the scope of the programme of urban restructuring in the old Länder.

We will consider how the two programmes of urban restructuring can be combined to form one programme in the medium term.

Towns and cities are making extensive use of the "Social City" programme, which targets neighbourhoods with development priority. It will continue to help stabilise urban neighbourhoods and encourage the people who live there to develop initiatives of their own, by involving them in local decision-making. This programme is to be evolved and will focus on the statutory objectives. There is to be improvement in the way in which it is combined with funding available from other government departments.

Our programme to protect the urban architectural heritage has saved the historic town centres in the new Länder from decay and revitalised them. We will continue this programme and consider when we can include the historic towns and cities of the old Länder.

To reduce land take and speed up major planning projects, especially in the spheres of jobs, housing need and infrastructure provision, we will simplify and speed up building and planning law procedures for relevant projects in order to boost inner urban development.

We will preserve and, if necessary, widen the legal framework to ensure that town and city centres remain attractive sites for retail outlets and to strengthen the local economy and widen the diversity of uses. We will continue the "City 21" initiative in cooperation with the Länder, local government associations and retail associations.

To manage demographic change and migration, we intend to launch pilot projects to assist towns and cities in designing neighbourhoods that cater to the needs of

children and families and in converting their infrastructure to make it accessible for the disabled and the elderly.

We intend to help towns and cities in their efforts to link up walking, cycling, public transport and car traffic in urban residential neighbourhoods in such a way that residents enjoy mobility but are not exposed to excessive traffic noise.

6.8 Building and the construction sector as a key industry

The building sector is a key industry for growth and employment. In 2005, the real construction volume is around €220 bn. The construction industry continues to be the most important branch of the economy in Germany. This sector accounts for over 50% of all investment. Public and private sector investment is to be facilitated in order to speed up the modernisation of infrastructure in Germany.

We will continue to improve the legal framework and other conditions governing public-private partnerships (PPPs) in building and civil engineering. The number of pilot projects is to rise and the activities of the existing PPP Task Force will be stepped up. This will enable us to develop uniform contractual structures and to introduce generally accepted rules for an economic assessment within the framework of procurement.

We will assist the construction industry in developing "Construction Industry Vision and Values" as an overall framework for a modern building policy that uses innovation and quality to safeguard investment and jobs with a secure future.

The Federal Government's building research activities will be stepped up and better linked to European networks.

We intend to press ahead with the establishment of a Building Culture Foundation (Federal Building Foundation). Its purpose will be to make the public at large more aware of just what good design and building can do to make towns and cities more vibrant. In addition, we also have to publicise the high level of skill and capabilities of German architects and engineers on the world market.

We will simplify the Fee Schedule for Architects and Engineers (HOAI) and make it more transparent and flexible, as well as incorporating even greater incentives for low-cost and quality-conscious building.

To speed up public sector investment, we will amend public procurement legislation within the framework of the existing system. The EU rules developed for large-scale projects should only be used for major projects, so as not to block the large number of smaller investments that are important for small and medium-sized enterprises. The Contracting Regulations for Construction Works (VOB) and Services (VOL) enable the public sector to conduct efficient and economical procurement. For this reason, the simplification of public procurement legislation must target qualitative aspects and cater to the needs of small and medium-sized enterprises, while retaining the Contracting Regulations for Construction Works.

We will press ahead with the reform of the Federal Building Administration. The objective is to continue optimising it while preserving the unity of the building administration for civil and military projects. We will retain the core technical competencies of the building administration and focus them on construction management tasks.

6.9 Energy-efficient building to help tackle climate change

We want to reduce the consumption of resources in the building sector and lower service costs, in order to help tackle climate change while providing an impetus for more employment. One priority will be the maintenance of the structural fabric and modernisation of the housing stock to adapt it to people's changed housing requirements and to reduce energy consumption.

We intend to increase the number of contracting projects on federal property. We will launch a programme to improve the energy efficiency of public buildings owned by the Federal Government. In addition, we intend to make greater use of the proceeds from the sale of surplus public sector property for the purpose of carrying out the necessary modernisation of the remaining properties, thereby preserving the value of federal property assets.

6.10 Housing

Owner-occupied housing, rented accommodation and cooperative housing will remain the three pillars of housing provision.

Housing benefit will continue to play a role in ensuring that housing is provided for lower income groups. Housing benefit is a welfare benefit, not a subsidy. The Federal Government and Länder will speedily review housing benefit legislation with the aim of significantly simplifying it.

Our policy objective will remain the creation of home ownership for families with children. An active family policy, in the interests of the sustainability of our society, must support people's desire to have children by providing a supply of housing that caters to the needs of families. To this end, we will work together with the KfW Promotional Bank to identify how the granting of lower-priority mortgages can be simplified and the loans made less expensive. This will also make it easier for tenants to purchase their dwellings.

Home ownership is to be better integrated into state-sponsored retirement provision.

We will evolve cooperative housing on the basis of the recommendations made by the Group of Experts on Housing Cooperatives.

We will carefully analyze the internationalisation of the housing industry as regards its impact on society, urban development and the construction industry.

7. Environment

The CDU, CSU and SPD are guided by the principle of sustainable development. An intact natural environment, pure air and clean waters are a prerequisite for a high standard of living. We consider environmental protection to be a joint task for the government, citizens and industry. We trust in cooperation and a combination of direct responsibility of private enterprises and citizens, in market forces and competition and in the necessary binding legal norms and their effective enforcement. An ambitious national environmental policy can contribute decisively to the modernisation of our society. It can be a driving force for

- the development and global marketing of future technologies,

- improving energy and resource productivity and thus the competitiveness of the German economy,
- creating new skilled and secure jobs.

We are facing great challenges resulting from the dangers of climate change and the foreseeable price and distribution conflicts concerning energy and raw materials. Therefore Germany and Europe need a new approach combining the objectives of successful economic development and effective climate and environmental protection with the social needs of people - the sustainable economy of the 21st century.

The most important element thereof is the dual strategy to increase energy and resource efficiency and to expand the use of renewable energies and regenerative raw materials. In the context of a broad energy mix, this is the most promising path towards strengthening the international competitiveness of German industry, reducing the burden on consumers and companies caused by rising energy and raw material prices and at the same time protecting the earth's atmosphere and the environment.

7.1 Climate protection and energy – a strategy, a programme

Germany will continue to play its leading role in climate protection. Our goal is to restrict the increase in the global temperature to a climate-compatible level of 2°C as compared with pre-industrial levels. We therefore intend to:

- further develop our national climate protection programme and introduce additional measures to ensure Germany reaches its Kyoto target for 2008 to 2012;
- support the establishment of an international climate protection regime for the post 2012 period by 2009, building on the Kyoto Protocol;
- support the inclusion of other industrialised countries and economically advanced newly industrialised countries in a new climate protection regime and the adoption of corresponding commitments by these countries in line with their capabilities;
- propose that within the framework of international climate protection negotiations the EU commits itself to a 30% reduction in its greenhouse gas emissions by 2020 compared with 1990 levels. On this condition, Germany is willing to strive for an even greater reduction in its emissions;
- evaluate the climate protection agreement concluded with industry in 2000;
- strive for a partnership on climate and innovation with German industry and civil society, which opens future markets worldwide for small and medium-sized enterprises in particular;
- promote a new partnership between industrialised and developing countries, based on the G8 initiative, that is geared towards an ambitious modernisation of energy supply for greater energy efficiency and the increased use of renewable energies. This partnership should supplement a binding climate protection regime, but in no way replace it;
- beyond this, strive for an international afforestation programme in order to make use of the carbon sequestration ability of forests.

7.2 Emissions trading

Emissions trading is an important instrument of climate protection. We will make it ecologically and economically more efficient and therefore:

- draw up the National Allocation Plan for the period 2008 to 2012, building on the targets as defined in the Allocation Act (*Zuteilungsgesetz*) 2005/2007, avoid windfall profits and give special consideration to the international competitiveness of the energy-consuming industry;
- make the allocation system more transparent and less bureaucratic and, where this is possible under European law, exempt small installations;
- enhance the opportunities of German industry on foreign markets by making it easier to use international climate protection projects according to the Kyoto Protocol (such as JI and CDM);
- support the EU Commission in studying how to integrate air traffic appropriately into the emissions trading;
- promote the participation of other industrialised countries and large newly industrialised countries in worldwide emissions trading;
- ensure that there will be incentives for the construction of efficient and environmentally friendly power stations in the second allocation period.

We want to lower the expense burden for industry through CO₂ emissions trading. To this end, we will, if necessary, support a revision of the EU Emissions Trading Directive. In the update of the National Allocation Plan 2 (2008-2012) we will give special consideration to the international competitiveness of the energy-consuming industry. The allocation system must become more transparent and less bureaucratic and other industrialised countries and large newly industrialised countries must be included in emissions trading. In order to increase the flexibility of the CO₂ emissions trading, it is necessary to speedily implement the flexible Kyoto mechanisms (such as JI and CDM).

7.3 Reorganisation of environmental law

In European and German environmental law, we focus on achieving a high level of protection of health and the environment with regulations that are as unbureaucratic and cost-effective as possible and on strengthening our industry's innovative ability and competitiveness. This also holds true for the current negotiations concerning the registration, evaluation and authorisation of chemicals (REACH).

An act to speed up planning procedures will create the necessary conditions for streamlining, simplifying and shortening planning processes nationwide without undermining environmental protection or participation of civil society. We want to build on the positive experiences gathered in planning acceleration in the new Länder which show that this is possible.

Our current environmental law has developed over time and is highly fragmented both with regard to subject matter and between the Federal Government and the Länder. This does not meet the requirements of an integrated environmental policy:

- We want to simplify German environmental legislation and compile it in an environmental code.
- We want to replace the different licensing procedures with an integrated project authorisation in the context of an environmental code.
- The Federal Government will launch an initiative in Brussels for the necessary internal harmonisation and simplification of European environmental law.
- WTO and other trade agreements must not be given priority over agreements on the protection of the environment.

We will create the prerequisites for such a reorganisation of German environmental law in the context of the reform of the German constitution, the Basic Law (reform of the federal system of government).

7.4 National natural heritage

Our country has a rich natural heritage. We want to preserve it for future generations. We need a new partnership between nature conservation, sustainable agriculture and eco-tourism. We will therefore:

- transfer free of charge about 80,000 to 125,000 hectares of nationally representative nature conservation areas in federal possession (including the "green belt") to a federal foundation (preferably the DBU – German Federal Foundation for the Environment) or to the Länder; an immediate freeze on sales will be prescribed to secure the natural heritage in the short term.
- strive for a reduction in the spread of land use to 30 hectares/day by 2020 in line with the National Sustainability Strategy (*Nationale Nachhaltigkeitsstrategie*) and develop financial incentive instruments for land resource management;
- improve nature conservation by introducing a national strategy and combine it with sustainable use;
- take a common-sense approach to the implementation of the Natura 2000 Directive in the framework of European law;
- ensure, where reasonable, the protection of semi-natural habitats by applying cooperative solutions, in particular contract-based nature conservation measures. Where necessary, we will apply legal measures;
- preserve and develop our rivers and alluvial meadows in their function as arteries of landscape and as important elements of preventive flood control.

7.5 Transport and immission control

In order to reduce fuel consumption of vehicles and CO₂ emissions of the total road traffic, we will

- create effective incentives for the introduction of high-efficiency engines by linking the vehicle tax to CO₂ and pollutant emissions;
- support the commitment of ACEA (European Automobile Manufacturers' Association) to limit the average CO₂ emission of new vehicles to 140g per km by 2008. We propose that the use of biofuel can be included, up to a certain percentage, in the additional reduction to 120g CO₂ per km proposed for 2012;

- promote the development of alternative fuels and innovative engine technologies in cooperation with industry with the objective of a move away from oil.

We want to reverse the trend regarding noise exposure of the population, especially from traffic noise. We will therefore draw up a noise reduction programme for existing federal trunk roads and railway tracks. At national level, we consider amending the Air Traffic Noise Act (*Fluglärmsgesetz*) to be a priority.

7.6 Waste, water

The CDU, CSU and SPD will give new impetus to an environmentally friendly closed substance cycle at the European and national levels. We need a uniformly high level of environmental protection in Europe with ambitious standards for waste management in order to put an end to environmental dumping by cheap waste management.

We will further develop waste management towards a sustainable and resource-saving materials management, building on the instrument of product responsibility as regulated in the Closed Substance Cycle and Waste Management Act (*Kreislaufwirtschafts- und Abfallgesetz*).

Municipalities will continue to be able to decide independently on the organisation of water supply as well as waste and wastewater management. We intend to maintain the tax privileges for wastewater and waste management.

The Federal Government and the Länder will implement the European Water Framework Directive in close cooperation and strive jointly for a harmonised approach at the European level. The protection of water bodies and the preservation of their ecological functions laid down in the directive have to be taken into consideration when building and maintaining federal waterways.

7.7 Sustainable development

Promoting sustainable development is our goal and the standard by which our actions will be measured, at the national, European and international levels. We will pursue and further develop the National Sustainability Strategy. We will also maintain proven institutions, such as the Committee of State Secretaries for Sustainable Development (*Staatssekretärsausschuss für Nachhaltige Entwicklung*) in the Federal Chancellery, the Council for Sustainable Development (*Rat für Nachhaltige Entwicklung*) and the Parliamentary Advisory Council (*Parlamentarischer Beirat*).

8. Agriculture

8.1 Promoting rural development and German agriculture

We want Germany's farming, forestry, fisheries and food sectors to thrive and improve their competitive standing. These sectors yield great added value, secure

jobs in largely rural regions and play a vital role in securing the supply of food, raw materials and energy, in maintaining and conserving the cultural landscape, and in stabilising rural communities and economies.

This vital role must be underpinned with fair and dependable governance. We will boost the competitive standing of these sectors and reduce bureaucracy. As an economic sector based on medium-sized enterprise, farming and other segments of the agricultural economy secure around four million jobs and generate some seven per cent of gross domestic product.

All farming enterprises must be afforded equal market opportunities independent of their size, production profile and legal form. We reject size-based capping.

In terms of reducing bureaucracy, we emphatically support the EU Commission's plans to produce an action plan for 2006 and will implement the National Action Plan for German Agriculture: Fostering Innovation and Reducing Bureaucracy. In drawing up the plan, the Federal Government will set up a working group headed by the Federal Ministry of Food, Agriculture and Consumer Protection and comprising representatives from the governing parliamentary groups in the German Bundestag and the sixteen Land governments.

The Federal Government will consider the competitive standing of Germany's farming and food industries in all budgetary and taxation decisions.

We will secure and enhance added value and employment in rural regions. This is best achieved with a cross-sectoral approach. The Federal Government will present a German Rural Development Strategy and make it the focus of in-depth dialogue.

The "Joint Task for the Improvement of Agricultural Structures and Coastal Protection" must continue, with the ultimate aim of boosting both conventional and organic farming.

In all future administration and privatisation of former state-owned land in Eastern Germany, we will consider the agricultural structures and needs of the region.

We call for the telecommunications sector to step up efforts to provide a modern communications infrastructure for our rural regions.

8.2 A dependable framework for EU agricultural policy

The last decade has seen fundamental reforms in EU agricultural policy. The Federal Government welcomes this new approach.

In the interests of German agriculture and consumer protection, we call for fair market conditions in all regions within the European Union. This includes EU-wide harmonisation, at the highest possible level, of standards for consumer and environment protection and animal welfare. The competitive standing of Germany's farming and food industries must be taken into account in all decisions made at EU level and in their national implementation. The locational advantages gained by

German agriculture in process and product quality will not be compromised and must be further enhanced.

For reasons of planning certainty and dependability, the Federal Government upholds the unanimous decision reached by the European heads of government and state in October 2002 on financing the first pillar of EU agricultural policy. Second-pillar financing must be adequately safeguarded and balanced development of the two pillars must be secured.

8.3 Agricultural trade and a successful outcome to WTO negotiations

We want a positive outcome from the Doha Development Rounds. With its agricultural reform in July 2003 and the July 2004 Package of Framework Agreements, the EU has performed much of the groundwork and has thus increased the chances for success.

The WTO negotiations must be brought to a successful conclusion in all sectors simultaneously. Liberalisation of agricultural trade should not be the sole outcome. For farming, the aim of the negotiations is to reduce distortion of agricultural trade worldwide so as to give developing countries a larger share of the global market. In principle, this requires the abolition of all forms of export subsidies. At the same time, we intend to improve market access for developing countries' products, among other things by cutting customs duties.

In the current round of WTO negotiations, we aim to create opportunities for the European agricultural model with its high farming standards. Given that in many cases compliance goes unrewarded by the markets, we call for the retention of the non-trade distorting "green box" subsidies. Adequate external protection must, however, be guaranteed. We thus intend to make Europe's high standards of animal welfare, nature conservation, environmental protection and food safety an integral component of the negotiations.

8.4 Securing the agricultural social security system

The independent system of agricultural social security can only be maintained and secured over time if its systems are modernised and its contributions and services made equitable, aligned with other welfare systems and gradually linked to generic social security systems.

Given the increasing structural changes in farming and, in a more general context, the planned reform of Germany's social security systems, the coalition parties have agreed the following:

- Retention of the Agricultural Social Security Reform Act (*Agrarsozialreformgesetz*) of 1995, which ensures that contributions paid into the Farmer's Pension Fund are based on the same ratio of contributions to benefits applied under the state pension scheme.

- Further development and reform of current legislation on farmers' health and accident insurance to make contribution payments both adequate and equitable throughout the farming sector. Provision of federal funding must take account of the structural conditions specific to farming.
- Analysis of the structural reform agreed in 2001 and modernisation of organisational structures.

8.5 Promoting use of renewable resources

We see huge potential for the use of renewable resources in agriculture. The Renewable Energy Sources Act (*EEG*) along with activities in research and development and in the marketing of renewable energy sources have opened up opportunities that give farmers a range of major new perspectives. Further opportunities come in the form of feeding biogas into the energy supply grid and notably in the use of renewable resources. The Federal Government will ensure that the use of renewable resources in industrial processes, energy production and the production of goods is further exploited as a key development opportunity for agriculture in particular and thus for sustained value creation in rural areas. We will actively foster interdisciplinary research in this area.

8.6 Active animal welfare policy

With animal welfare enshrined as a national policy aim in the German Basic Law, we have both an obligation and a framework for engagement in proactive animal welfare policy.

We will lobby at EU level for adoption of high animal welfare standards that accord with this aim and thus where possible do away with the need for supplementary regulation at national level. We aim to reduce the incidence of live animal transports, shorten journey times and improve livestock transport conditions.

Development of available alternatives to animal testing must be stepped up at both national and European level. We thus advocate alternative methods to ensure that animal testing is no longer a necessary component of substance risk assessment.

Using a practice-focused testing and approval process for mass-produced housing facilities for humane livestock husbandry, we will effect fundamental and lasting improvements in husbandry conditions.

We uphold the ban on keeping laying hens in battery cages and will allow animal keepers to adopt other forms of humane husbandry alongside floor housing and free-range production. Due consideration will be given to the findings of the report on the impact on animal welfare of current housing and husbandry systems to be published by the EU Commission at the beginning of 2006.

The Federal Government will present a draft pig husbandry ordinance in the near future in compliance with the pertinent Bundesrat resolution.

8.7 Sustainable forestries and fisheries

The Federal Forest Act (*Bundeswaldgesetz*) has proven effective overall. The Act's provisions on sustainable forest management will, however, be revised for greater clarity and measures will be taken to overcome the structural disadvantages faced by non-state forestries. The Wood Charter will be implemented. The Federal Government welcomes certification of sustainably managed forests and will continue to use wood procured solely from certified stocks. Both the Federal Forest Act and the Federal Hunting Act (*Bundesjagdgesetz*) are to remain a federal responsibility.

The Federal Government sees a need for further development in fisheries as a growth sector.

In the ongoing development of European Fisheries Policy, the Federal Government will strive to subject natural fish stocks management to the principle of sustainability and in particular to subject industrial fisheries to stronger regulation that is subordinate to management strategies applicable to all other fisheries, and will promote further development of catch technologies towards maximum selectivity.

We will work to ensure that the ban on commercial whaling is upheld.

8.8 Connecting agricultural research

German agriculture relies on home-grown agricultural research that produces effective results. We will thus work with the research community and the Länder to develop and implement an overall plan to secure agricultural, food and consumer research over time, to adapt available resources to meet the challenges ahead, and to make them more efficient and better connected.

8.9 Responsible use of green genetic engineering

Biotechnology is a key future sector in research and industry and is already established worldwide. Protecting people and the environment, as called for by the precautionary principle, remains the primary objective of German genetic engineering legislation. Freedom of choice for farmers and consumers and the coexistence of differing management practices must be safeguarded. Genetic engineering law will provide the framework for further development and use of biotechnology in all areas of everyday life and industry.

We will implement the EU Deliberate Release Directive in a timely manner and will amend Germany's Genetic Engineering Act (*Gentechnikgesetz*). The legislation will be structured in such a way as to promote research into and use of genetic engineering in Germany. In doing so, it is vital that legal definitions (particularly release and placing on the market) be clearly worded. The Federal Government will strive to ensure that the industrial sectors involved establish a compensation fund to cover any loss or damage that may arise despite their compliance with all precautionary obligations and best practices. The longer-term goal is an insurance-based solution.

9. Better regulation

9.1 Reducing the costs of regulation for the public and for industry

The desire to ease the burden on individuals, businesses and the administration alike of the strains caused by overregulation and the attendant burdens of regulatory requirements and costs is an important concern of the coalition.

To this end, the new Federal Government will introduce the Small Company Act as an immediate measure to amend current legislation. This Act will free companies from excessive regulation which is especially growth-inhibiting and will afford SMEs, and start-ups in particular, more breathing space. The most pressing issues here include reducing obligations with regard to statistics, certification, documentation and accounting; simplifying and accelerating planning and approval procedures; reducing double and multi-audits; harmonising thresholds such as those in tax and accounting rules; limiting the obligation of businesses to appoint officers for certain areas; simplifying the requirements on small businesses as regards company medical service and security; and easing the regulatory requirements in existing support programmes.

The past has shown that any attempt at regulatory reform by abolishing individual legislative provisions alone is not enough to eliminate red tape and ease the resulting financial burdens on SMEs in particular. In this, the fact that no method has as yet been adopted in Germany by which present costs of regulation can be measured reliably and the impact of any new regulation assessed with certainty has proven to be a significant obstacle.

However, experiences in other countries, particularly in the Netherlands, have shown that such an assessment is possible. Only once this information is in place can the reduction in the costs of regulation be measured. The Federal Government will implement the recommendations of the European Union and of the OECD, and introduce without delay the Standard Cost Model, which has enabled many European countries to provide an objective analysis of the effect of regulation on business. The Federal Government will then arrange for such an impact assessment of existing federal laws to be carried out. Once the results have been obtained, the Federal Government will define a specific goal in terms of reducing regulatory costs by the end of the electoral term.

This process will be accompanied by the appointment of the Council for the Review of Legal Norms (*Normenkontroll-Rat*), a panel of independent experts advising the Federal Chancellery and tasked, inter alia, with assessing legislative proposals of the Federal Government and the coalition parliamentary groups in terms of their necessity and with respect to the related cost. In addition, the Council has the right to single out laws which, in its view, are superfluous or run contrary to other principles of good regulation, and to submit a reasoned opinion on the issue to the Cabinet. The chair of the Council may present this body's views directly to the Federal Chancellor or, alternatively, to the Head of the Federal Chancellery.

In line with the recommendations of the European Commission's "Mandelkern Report", the Federal Government will monitor legislation at the European level from

the earliest stages of its preparation with the same attentiveness it applies to the transposition of European legislation into national law. In future, the introductory page to every bill transposing European law into national law will set out in detail the relation between the individual provisions and EU rules, and provide information on the extent to which other Member States have transposed the relevant provisions into national law.

9.2. Accelerating and deregulating planning procedures

We intend to facilitate and speed up the planning and construction of infrastructure. We will introduce an act to speed up planning procedures, thereby laying the foundations for streamlining, simplifying and shortening planning procedures in a uniform manner throughout the country. Our experience of speeding up planning procedures in the new Länder has been positive, and we will draw on this experience for the whole of Germany. The lessons we have learned show that simplifying planning is not detrimental to environment protection and public participation. We want to include suggestions made by the Länder.

Plan approvals will be granted for 10 years, with the option of extending them once for a further five years. We want the Federal Administrative Court to be the only court that hears appeals against priority federal projects, on the basis of the bill submitted by the Federal Government. The new planning legislation is due to come into force early in 2006. To ensure that this does not lead to regulatory gaps with regard to the existing legislation to speed up transport infrastructure planning procedures, the present act is to be extended until the successor act enters into force.

II. Sustainable fiscal consolidation – a tax system fit for the future

Since the mid-1990s, the financial position of the federal, Länder, municipal and social security budgets has been persistently worsening. Public finances are now in an extremely grave state. In some budgets, current expenditure drastically exceeds regular revenues. The resulting need to consolidate is enormous and cannot be addressed over the short term.

Germany needs a national effort at all levels in order to boost economic growth and to eliminate the structural shortfalls in the public budgets by way of joint consolidation efforts and structural reforms. Delaying the necessary attempts to put public finances in order will only accentuate even further the need for consolidation. One of the key challenges of fiscal and budgetary policy, not least with a view to securing intergenerational equity, is to ensure the sustainability and quality of public finances.

Budgetary policy cannot operate independent of macroeconomic developments. Nevertheless, experience in other countries has shown that radical budget consolidation can help steer an economy back towards more growth, as it boosts investor and consumer confidence in the continuity of future tax, fiscal and budgetary policy.

1. Sustainable fiscal consolidation

1.1 Current situation

The general government deficit in 2005 equals 4% of gross domestic product. The structural gap in the federal budget between current expenditure and current revenue means that €35 billion will have to be saved each year in order to comply with Article 115 of the Basic Law and with the deficit criterion of the European Stability and Growth Pact.

The situation is grave, and the pressure to consolidate high if we are to leave the coming generations with sustainable public finances. For decades now, the illusion has been created that government can meet all new and ever-broader expectations. The dynamics of expanding government competences and spending have set in motion a debt spiral which must now be halted. For this reason, we are embarking on a new structural beginning in budgetary and fiscal policy.

1.2 Consolidation objectives

Given the highly unfavourable starting point, it will be impossible – however courageous consolidation efforts may be – to remain within the limits set out in Article 115 of the Basic Law or to comply with the Maastricht criteria in the coming year without simultaneously endangering economic recovery. From 2007, we will meet the following targets:

- Not only in preparing, but also in executing the federal budget, we will bring net borrowing below the limit set out in Article 115 of the Basic Law.
- The rules of the European Stability and Growth Pact will be adhered to, and the resulting consolidation effects on public finances respected. This means, first of all, adherence to the Pact's three per cent deficit limit in 2007, at the latest. Secondly, we will continue our consolidation course in the subsequent years, and we expect similar efforts over the medium term from the Länder, the municipalities and the social insurance funds, with a view to securing a balanced budget.
- In light of their shared responsibility for the escalating government debt, the Federation, the Länder and the municipalities have a duty to contribute to efforts to adhere once again to the European Stability and Growth Pact. We will agree the necessary savings and consolidation steps to be taken at each level of government within a pact to be concluded with the Länder.

1.3 Basic consolidation principles

In order to reach the targets we have set, the following basic consolidation principles will guide us throughout the electoral term:

- Our budgetary policy will consistently reflect a desire to economise. As a result, we will not be able to go on as before. Every area of expenditure is under review. All new projects with fiscal consequences, and burdens on the revenue and expenditure side, will be assessed in terms of their necessity and affordability, and will, as a matter of principle, be offset by redefining priorities for the respective policy area. All measures contained in this coalition agreement are conditional upon the availability of funds.
- The general principle applies that revenue and expenditure in the federal budget and the other public funds, including the social insurance funds, will be budgeted prudently on the basis of conservatively-estimated macroeconomic indicators.
- In consolidating the budget, the expenditure side will first be looked at to assess all cost-saving possibilities. The next step will be to increase revenue by eliminating tax planning possibilities, reducing tax privileges and, where necessary, raising taxes.

1.4 Consolidation measures

The promotion of economic growth goes hand-in-hand with a resolute consolidation of public budgets. Indeed, the weak growth of recent years has clearly illustrated the financial problems low economic growth can cause both public budgets and social security systems. Conversely, higher growth and lower unemployment play a crucial role in reducing government debt and in ensuring the sustainability of the social security systems.

- With a view to bolstering innovation, investment, growth, employment and consumer confidence, we intend to lend a specific impetus worth some 25 billion

euros to five central areas over the coming electoral term. Approximately half of the extra spending will be financed by a Fund for the Future, which will draw on the mobilisation of federally-owned assets. In addition, we intend to boost employment by reducing non-wage labour costs on a sustainable basis to below 40%. To this end, we will reduce the contribution rate to unemployment insurance by two percentage points.

- We will dedicate an extra 6 billion euros towards the promotion of innovative sectors, such as biotechnology, genetic engineering, information and communication technology, nanotechnology and microsystems engineering, optical technologies, energy technologies, and environmental and space technology. We will strengthen the international competitiveness of German research with the Initiative for Excellence to enhance academic research and with the Pact for Research and Innovation. We plan to increase spending on research and development to at least 3% of GDP by 2010. Much effort will be needed from the Federation, the Länder and the private sector if this target is to be reached.
- As part of a far-reaching reform of corporate taxation, we will reintroduce up to 31 December 2007 the more favourable, pre-2000 depreciation rules in order to lend an immediate impetus to investment. Together with the other actors concerned, we will substantially increase the funds available for the CO2 Building Modernisation Programme to boost the construction and trades sector while simultaneously helping to protect the environment. In addition, we will continue the investment grants in the new Länder, directing them towards projects which foster growth and create jobs. In the new Länder, the practice of imposing VAT liability from the point at which an invoiced amount is received rather than at the point of issue of the invoice will be extended beyond 2006. In the old Länder, the turnover ceiling for such VAT liability will be doubled from 125,000 to 250,000 euros as of 2006. The measures aimed at bolstering economic activity amount in total to 6.5 billion euros.
- Investment in transport infrastructure will be increased markedly and will be maintained at a high level. The investment volume will rise in the coming electoral term by 4.3 billion euros. This will help to make the transport network more efficient, to be expanded as needs dictate and to be designed to meet the requirements of the future. A basis will thus be created for Germany to secure and extend its position as one of the leading industrial nations.
- Germany needs more children. The welfare of families and children and the goal of enabling more people to fulfil their desire for children are the most important societal concerns in the coming years for the Federal Government. Thus, we will introduce from 2007 a parental allowance package worth 3 billion euros, under which parents of newborns will receive income-related support payments. One parent will receive, for a period of one year, an amount equal to 67% of the last net income, up to a monthly ceiling of 1,800 euros. The needs of low-wage families will be accounted for by way of a guaranteed minimum amount, thus ensuring social equity. The parental allowance, together with improved childcare, will allow current and future parents to fulfil their desires for a family, and thus make an important contribution towards solving the urgent societal, economic and social problems we are facing.

- Private households are becoming an ever more important area for new employment opportunities. To this end, we plan as early as next year to provide tax incentives of 5 billion euros for household-related services, private expenditure on maintenance and renovation in the household, and childcare costs. This will create added incentives to generate employment liable to social security contributions. It is not only families, but also the crafts and trades sector as well as service providers who will especially benefit from these two measures.

The state will not be able to provide all the services that would be desirable in the future. Each person will have to bear more individual responsibility. We will shape this change in a socially balanced manner. We need a fresh start in budgetary policy to bolster the confidence of citizens and businesses alike, and thus to promote economic growth.

The required consolidation of 35 billion euros by 2007 will be ensured largely by way of a budget support law. This law will be initiated in tandem with the deliberations on the 2006 federal budget. The goal is also to afford relief to Land and municipal budgets where these are burdened by federal regulations (e.g. standards, overregulation, etc.).

The largest part of federal spending is determined by substantial legal requirements. As a result, consolidation must address expenditure and revenue. To this end, we will focus on the following:

- The Federal Administration will, in a spirit of solidarity and as far as possible, make a contribution to these efforts. The total expenditure of 15 billion euros in this field will be reduced by 1 billion euros yearly.
- Targeted cuts of individual subsidies, which will grow from approx. 1 billion euros in 2007 to some 1.4 billion euros in 2009, are overdue. To this end, corrections to the subsidies for local and regional passenger rail services, to the Joint Länder / Federal Government Scheme for "Regional Economic Support", and in the agricultural sector will have to be made.
- We stand by the merging of unemployment assistance and social assistance for those capable of gainful employment, as well as by the principle of "support and challenge". Nevertheless, the basic income for jobseekers must be adjusted. Spending in this area has skyrocketed this year. We will adjust the benefit system, allowing us to save roughly 3 billion euros in 2006 and approximately 4 billion euros in each of the years thereafter.
- Transfers from the federal budget to the statutory health insurance schemes will be gradually reduced to zero. Transfers to the Federal Employment Agency are not budgeted. The trend of ever-rising transfers from the federal budget to the statutory pension insurance schemes will be stopped.
- In reducing the extent of tax breaks, we are simplifying German tax law and broadening the tax base. This will lead to relief at the federal level in 2007 amounting to 4 billion euros, a figure which is set to grow in the subsequent years.
- In order to allow the nascent recovery sufficient time to take root, we will wait until 2007 before raising the VAT rate by 3 percentage points to 19%. Of this, one percentage point will be available to the Federation to lower non-wage labour

costs. The lower VAT rate of 7% will remain with a view to maintaining social equity.

- The CDU, CSU and SPD agree that, as part of the necessary consolidation efforts, personal income tax for very high earners (above 250,000/500,000 for married couples) should be raised from 1 January 2007. Thus, the tax rate for income above these thresholds will rise to 45%.

Once the corporate tax reform has come into effect on 1 January 2008, this tax rate will apply only to non-commercial income.

For the period from 1 January 2007 to the coming into effect of the reform, transitional provisions will be introduced into current tax law to exempt commercial earnings from this rule.

The success of our consolidation efforts will be measured using the yardstick of the sustainability of public finances, not least with a view to ensuring intergenerational equity. In this context, one of our main tasks will be to comprehensively inform the public about the future burdens imposed by an ageing society, while at the same time indicating the policies to address these changes. Consequently, the Federal Ministry of Finance will again be requested to produce a "Report on the sustainability of public finances" during the coming electoral term.

2. Making the tax system fit for the future

The Federal Government will continue its reform of tax law with a view to simplifying German taxation provisions and rendering them internationally competitive. Given the pressures exerted by international competition, the main priority will be to reform the laws governing corporate taxation. It is only by continuing to improve corporate taxation that we will be able to secure the tax base in Germany, create incentives for investment, and thus generate new jobs and boost economic growth. In addition, we must also thoroughly modernise German tax law, stabilise municipal finances and step up our efforts to combat the abuse of tax rules. In view of the current pressures to consolidate in all of the public budgets, it is unlikely that any net relief can be attained.

2.1 Reform of corporate taxation

Germany must continue in the future to be able to hold its own in international tax competition. During this electoral term, we will therefore introduce, as of 1 January 2008, far-reaching changes to our corporate tax system and set internationally competitive rates of tax. In addition to incorporated enterprises, this reform must include unincorporated companies, as more than 80% of German companies assume this legal form. In doing so, we will be guided by the following objectives in particular:

- To improve Germany's international competitiveness and ensure the compatibility of the measures taken with European legislation
- To keep the reforms largely neutral in terms of legal form and financing

- To limit the opportunities for tax planning
- To improve predictability for companies and public budgets
- To secure the German tax base on a durable basis

We will reach a definitive decision with regard to uniform or dual income taxation. Within this electoral term, we will introduce new rules on the taxation of investment income and private capital gains.

A further essential component of the comprehensive reform of corporate taxation will address the issue of determining profit for tax purposes. We will participate actively in the work being undertaken at the EU level to create a common consolidated corporate tax base in order to develop modern and competitive laws governing tax accounting. We will work at the European level towards more effective rules against unfair tax competition.

In order to promote small and medium-sized enterprises, we will, in the new Länder, extend beyond 2006 the rule allowing VAT to be paid upon receipt of invoiced amounts, and double the turnover ceiling for companies in the old Länder.

In the run-up to an extensive reform of corporate taxation, we will improve the conditions for depreciation for a limited period of time, i.e. until 31 December 2007. This is intended to halt the erosion of the tax base and create incentives for innovative, high-technology investments, which stimulate economic growth.

2.2 Sound basis for municipal finances

Municipal finances must remain on a sound basis in the future.

Any amendments to trade tax rules will be decided in tandem with the reform of corporate taxation. Our goal is a system of municipal taxation of businesses which is based on economic performance and for which the municipalities may impose a tax multiplier, which is easy to administer, secures a steady stream of revenue for all the municipalities, ensures equity between the municipalities, and does not allow the burden of financing to be shifted to those in employment. We will replace trade tax only if we can assess reliably the distributive consequences of any alternative.

Based on the work already carried out in Bavaria and Rhineland-Palatinate, we will introduce new rules to simplify the taxation of real property.

2.3 Income tax reform - main priority to simplify taxation

Taxation based on economic means will remain the prevailing principle of income tax legislation in Germany. This ensures the equitable and fair taxation of every citizen. We will therefore continue to endorse the linear progressive taxation of income.

In this, we agree to simplify income tax legislation in order to create more transparency, efficiency and equity. By simplifying the system, we help make the execution of tax laws easier for citizens, businesses and the administration.

Beginning on 1 January 2006, there will thus be fewer exemptions allowed, and classification and standard deductions will enable us to cut red tape and modernise the entire taxation process. With citizens taking on more individual responsibility, we intend to make the provisions governing donations simpler, more concise and more workable. These measures must reflect a social balance in their realisation.

Bonuses paid for working on Sundays, public holidays and nightshifts will remain exempt from taxation. The exemption of the bonuses from social security contributions will be limited to basic hourly wages of up to 25 euros.

In the interests of promoting growth and employment, we intend to provide more tax incentives for household-related services, private expenditure on maintenance and renovation in the household, and childcare costs. We will limit the deduction to labour costs and thus ensure that the provision is even more focused on the promotion of labour-intensive services and the fight against illegal work.

Existing sources of taxation have to be better exploited and tax provisions implemented rigorously. Together with the Länder, we will work towards the more effective and efficient execution of tax laws in the interests of further optimising tax collection with a view to exhausting available tax sources in a less cost- and resource-intensive manner.

At the European level, we will seek to close remaining loopholes in how interest income is recorded pursuant to the EU Savings Directive.

As a means of reducing the time and effort involved in declaring and assessing taxes, the Federation in tandem with the Länder will substantially extend the scope of the electronic transfer and processing of data. The goal is to make the submission of tax returns by employees wholly unnecessary (pre-prepared tax declarations).

Parallel to the structural reform of corporate taxation planned for 2008, we intend to redraft income tax legislation.

With a view to ensuring an equitable distribution of the wages tax burden between spouses, and in particular in the interests of eliminating disadvantages for women (re-)entering employment, we will modify the tax system to better reflect more flexibility in labour market participation. We will abandon the current system of tax classes reflecting filing status and, instead, introduce a system under which each spouse will pay wages tax corresponding to his or her share in the joint gross wage. In addition to its merits in terms of family and equal opportunities policy, this method of proportioning taxes represents a considerable simplification for married employees, who will now no longer have to opt for a specific filing status. It is also compatible with the new electronic procedure for taxing wages. There will no longer be a need for mandatory assessments. The state will now be able to collect taxes earlier than heretofore. The resulting improved liquidity from tax revenue will have a positive effect on the budget.

2.4 Owner-occupied homes premium

The owner-occupied homes premium will be abolished as of 1 January 2006. Home ownership enjoys a particularly high level of acceptance among citizens as part of

private provisions made for retirement. In acknowledgement of this, we will create the conditions from 1 January 2007 for home ownership, where the owner is occupant, to be better integrated into state-assisted schemes promoting old-age provision. The discrimination compared to other forms of old-age provision will be eliminated in the interests of providing citizens with true freedom of choice.

2.5 Inheritance tax

Each year, the control of numerous companies is passed from one generation to the next. Against this background, we intend to introduce reforms to inheritance tax not later than 1 January 2007, subject to the pending decision of the Federal Constitutional Court.

With a view to protecting jobs, the inheritance tax payable upon transfer of company ownership will be reduced for each year that the company continues in operation. The tax will not be payable at all where the company is kept in operation for at least 10 years following transfer of ownership.

2.6 Promotion of the German film industry

We wish to improve the framework conditions for the German film industry in order to ensure its international competitiveness. We will create, at the latest by 1 July 2006, internationally competitive conditions and incentives, comparable with those in other EU Member States, to attract more private capital to film production in Germany.

2.7 Fighting VAT fraud

We will step up our efforts in the fight against VAT fraud. All administrative possibilities must be exploited if we are to root out this widespread abuse. To this end, we will make use of the possibility accorded by the Commission on Federalism to the Federation of coordinating the audit services and combating tax crime. We will also examine the extent to which the prosecution authorities must be afforded further instruments to identify VAT fraud more effectively. The current system of allowing input tax deduction on transactions between enterprises will be replaced by the reverse-charge mechanism in order to prevent national and international tax fraud and to reduce revenue losses when a company becomes insolvent. At the European level, we intend to work towards the creation of the legal conditions to support this change of system.

2.8 Tax policy in Europe

We will not delay in reviewing and modifying any provisions which might not be compatible with European law with a view to avoiding legal uncertainty when investing in Germany. We will actively participate in drawing up common tax solutions which are effective across national borders for the Member States of the European

Union, as well as within the OECD. We thus intend to continue to work closely with the Commission and the other Member States of the Union. In doing so, we will set particular store by fair tax competition and the adherence to fair taxation practices.

In view of the increasing importance of the European Court of Justice in tax matters, we will, where necessary, defend the standards of German tax law in order to safeguard the principles of international tax law achieved to date, and thus to avoid grave financial consequences to our national budgets.

2.9 Energy taxation

Given its location at the heart of the European single market, Germany has a major interest in driving forward the harmonisation of energy taxation within the EU. In this, we will work towards simple and transparent rules. Due to the high energy price levels, it is important not to impair the international competitiveness of energy-intensive sectors of the economy.

3. Financial markets

One of the most important conditions for higher growth and employment is the international competitiveness of Germany as a financial centre. This forms the basis for efficient financial services for consumers as well as for an adequate and cost-effective supply of capital for industry. The German financial market has enormous potential, and this potential will be further enhanced in the coming electoral term, while continuing to follow the constant evolution of global financial markets. To this end, we want:

- To further improve the financing environment for small and medium-sized enterprises. As such, the promotion of SMEs must be further developed. The need to be able to raise capital in the financial markets has increased for many SMEs. We will seek to promote the level of awareness and the availability of such alternatives to the traditional bank loans. In addition, we will assess the feasibility of establishing a fund for German SMEs (Deutscher Mittelstandsfonds).
- To push the integration of the European single market for financial services to the benefit of all market participants, both consumers and enterprises. A cost-benefit analysis is to be carried out for each legislative proposal in order to determine whether the new measure will create added value, whether it is better to let the market take care of itself, or whether the subsidiarity principle applies. Directives will be transposed into national law on a one-to-one basis, any room for manoeuvre in formulating national law will be used to foster competitiveness. This principle also applies with respect to the implementation of the new European capital adequacy rules (Basel II). For consumers, the better integration of retail markets and payments flows are of utmost importance; we intend to actively support both within the European context.
- To provide explicit support to product innovation and new channels of distribution. To this end, we will seek to create the framework conditions for new asset classes in Germany. This includes:

- introducing Real Estate Investment Trusts (Reits) provided that taxation is ensured at investor level and that they will have positive effects on the real estate market and local conditions,
 - expanding the securitisation market,
 - enhancing the investment opportunities for public-private partnerships,
 - revising the rules for private equity by means of evolving the current Act on equity investment companies (*Unternehmensbeteiligungsgesetz*) into a private equity law.
- A supervisory body for financial markets which, in ensuring the primary goal of financial market stability, applies the current standards fairly and in the same manner in which they are applied in the other EU Member States. The results are to be evaluated in light of the experiences made since the creation of the Federal Financial Supervisory Authority (BaFin) as an integrated supervisory body, and the workflows and organisational structures are to be modified where necessary. The legal and technical supervision of BaFin by the Federal Ministry of Finance is to be strengthened. Stock market supervision will be reformed in agreement with the Länder in the interests of integrated supervision. The integration of national financial supervisory bodies within the European single market must be driven forward, taking national market structures into account. At the international level, the Federal Government will work towards the requisite supervision and transparency of hedge funds.
 - To dismantle excessive regulation. To this end, we will establish an interministerial working group which, in consultation with market participants, will be tasked with drawing up an "Opportunities Paper" on achieving better regulation in the financial sector. Existing laws, regulations and other rules will be assessed as to whether they fulfil their objectives in a cost-effective manner or whether they are still necessary. The first opportunity to conduct such a project is afforded by the planned amendments to the Investment Act (*Investmentgesetz*).
 - To design appropriate rules for investor protection with the informed citizen in mind.
 - To apply the existing corporate governance rules and modify them in light of new requirements as a result of international developments. Both institutional and private investors have a strong interest in the fundamentals and principles according to which companies are organised and managed, in particular with regard to the benchmark of comparability. Ownership structures of companies listed on the stock exchange are to be made more transparent. The modernisation of accounting rules and the mutual recognition of German, European and American accounting standards are vital measures in strengthening Germany's position as a financial centre.

III. Pressing ahead with the development of Eastern Germany

1. General principles, consolidating and concretising Solidarity Pact II

The Federal Government will press ahead with the programme to develop Eastern Germany, thereby helping to achieve self-sustained economic growth in the new Länder. The key objective of this programme is to reduce unemployment. The Federal Government will therefore continue its promotion of investment in Eastern Germany at a high level in order to safeguard existing jobs and create new ones. In addition, special emphasis will be placed on education, training and research, in order to promote innovation and improve the competitiveness of Eastern Germany.

The Federal Government's budgetary situation will not permit any additional assistance for the new Länder. However, existing assistance and assistance that has already been pledged, plus the necessary funding, are secured by Solidarity Pact II, which the new Federal Government is committed to continuing at its current level. The guiding principle behind the use of the Solidarity Pact funds is the targeted enhancement of the potential that exists in Eastern Germany, to ensure that every euro of funding produces the maximum boost to growth and employment.

The coalition parties are thus committed to honouring the funding pledges made by the Federal Government within the framework of Solidarity Pact II (€105 bn in Basket I and €51 bn in Basket II for 2005 to 2019).

Regarding the use of funds in Basket I, the Federal Government will reach agreement with the Länder affected on definitions and the submission of annual progress reports. It will coordinate the policy areas relevant to Basket II with the new Länder, thereby meeting their need for a sound planning basis. It will report annually on the use of the funds, with the first report, covering 2005, to be presented in 2006.

2. Making Eastern Germany a more attractive place for business and enhancing the environment for innovation

2.1 Evolving the policy to promote economic development

The Federal Government, in consultation with the new Länder and industry stakeholders, will evolve its strategy for promoting economic development in Eastern Germany with the objective of placing the economy in Eastern Germany on a broad, sustainable basis and facilitating self-sustained development. However, the individual Länder will continue to be responsible for determining the regional or sectoral focus of their policies to promote economic development. A nuanced strategy will be adopted to dovetail support measures from different policy areas (promotion of innovation and investment, labour market and infrastructure policy). The aim is to raise the economic profiles of the new Länder, which offer advantages in the national and international competition for investors.

The policy to promote economic development, especially cooperation in the field of research and development, is being coordinated in an intensive dialogue between the Federal Government and the new Länder. Industry conferences will be held to support the creation of networks and clusters.

With due regard to the objectives of Solidarity Pact II, the Federal Government will progressively evolve its policy to promote economic development into a system that is tailored to the individual Länder and based on indicators (e.g. unemployment rate, income index, taxable capacity, GDP). The Länder should be put in a position where they are able to use their own instruments and funds to redress regional imbalances. This will not affect the possibilities, especially the promotion of investment, that result from the EU funding criteria for Objective 1 regions.

2.2 Extending the investment allowance

The coalition is committed to continuing the investment allowance scheme and focusing it on investment that is relevant to growth and that will create jobs. To ensure that a gap in funding does not arise, the Federal Government is seeking to draft a bill, coordinated with the Länder and the EU, by the end of March 2006.

2.3 Continuing the Joint Scheme for the improvement of regional economic structures

The Joint Scheme for the improvement of regional economic structures will be retained. Both current and medium-term financial planning envisage continuing it at the same level. Making the programme flexible, for instance to promote cluster management and the commercialisation of innovative products, will be a major element of the evolved strategy.

The Federal Government will discuss an extension of the co-financing options with the new Länder.

2.4 Promoting small and medium-sized enterprises and business start-ups

To meet the needs of the economy and the changes that are taking place, the promotion of small and medium-sized enterprises and business start-ups has to be evolved flexibly and with funding preferences for the new Länder, in order to facilitate the growth of SMEs and increase their chances of survival. The Federal Government will develop, by mid-2006, proposals for facilitating the formation of equity capital, improving the supply of credit and ensuring a sufficiently wide range of venture capital. The funding instruments of the Kreditanstalt für Wiederaufbau (KfW) will be evolved to reflect this.

2.5 Promoting science and innovation

Enhancing the innovative potential is the key to the economic development of Eastern Germany. So far, however, industrial research in the private sector has been significantly underdeveloped. The objectives of the Federal Government's efforts to promote innovation in the new Länder are thus primarily to step up industrial research activities, to forge links between the scientific community and businesses and to promote innovative enterprises, business start-ups and improved access to the capital market. Top priority will be given to developing the research-intensive high-tech locations. To ensure that this remains the case, the Federal Government's funding programmes have to be stabilised and continued at a high level.

To unlock the innovative potential, the coalition will develop funding strategies that make it possible to integrate the assistance provided to enterprises and research institutes.

2.6 Developing higher education and research

Great importance is attached to the further development of the higher education sector and the research community.

When new national research centres are established, the new Länder are to receive their fair share.

To enhance the attractiveness of Eastern Germany as a base for academic, scientific and research activity, we will continue to shoulder joint responsibility for the construction of institutions of higher education, which has a supraregional impact, and for the promotion of research in the new Länder.

2.7 Sustaining efforts to attract investors

The special efforts to attract foreign investors to Eastern Germany will be continued and stepped up.

3. Safeguarding EU support for the development of Eastern Germany

In the negotiations on the 2007-2013 financial framework, the Federal Government will champion the particular interests of the new Länder. Assistance from the EU's structural funds should therefore continue to be focused mainly on the regions eligible for the highest rates of aid (previously Objective 1 regions).

The Federal Government will use its best endeavours to ensure that the state aid regime for regions eligible for the highest rates of aid continues to apply to all regions of Eastern Germany that are currently Objective 1 regions. It will continue to do all it can to ensure that the structural funds' current percentage share of the EU's total budget is retained. The new regime governing Objective 2 assistance must not disadvantage the regions affected.

The Federal Government will seek to ensure that the new Länder can choose the proportions between the structural funds in line with the priorities of their development strategies.

New approaches to co-financing using European and national funds will be considered, especially the option of federal funds being matched fully by the European funds to which an individual Land is entitled, if EU regulations allow this.

Finally, the Federal Government will seek to ensure that due consideration is given to the special problems faced by the Länder bordering the new accession countries.

4. The labour market and the development of Eastern Germany

Given the high level of unemployment, the use of labour market instruments in Eastern Germany continues to be indispensable. The focus is on employment, training and skills schemes to enable people to reintegrate into working life or to ensure that they remain employable. The coalition parties believe that direct wage

subsidies for unskilled work in the new Länder could be the right approach if they help to reduce unemployment among low-skilled workers. A review is being conducted and proposals on concrete implementation of this scheme will be made in the first half of 2006.

Notwithstanding this, a decision will be taken on the necessary changes to the labour market instruments at an early stage, following a thorough analysis of the results of the evaluation. In addition, care must be taken to ensure that the labour market measures do not harm businesses in the region.

When the labour market reforms are implemented, special attention must be given to the specific problems of Eastern Germany as a less favoured region:

- As long as unemployment in Eastern Germany remains disproportionately high, the percentage of federal funds used to get the unemployed back to work (reintegration budget in Book II of the Social Code) must also be disproportionate. The current percentage is to be maintained.
- Measures by the Federal Employment Agency to enhance the employment opportunities for all recipients of "unemployment benefit I" (i.e. those out of work for less than 12 months) will continue to be necessary at a high level in the years ahead. Here, too, the share of the Eastern German Länder must be disproportionately high.

The labour market reforms are to be evolved wherever possible, as provided for in the draft of the Fifth Act amending Book III of the Social Code and other acts. Among other things, extending the temporary labour policy instruments in Book III of the Social Code to the end of 2007 is of particular importance.

5. Youth training and employment

For young people, in particular, training and work means participation in society. Further initiatives have to be taken to provide young people in Eastern Germany with work or training, not just from a social point of view, but also for economic reasons:

- When the labour market reforms are implemented, young people should be taken into consideration as a separate target group.
- As efforts continue to combine unemployment assistance and social assistance, youth welfare services have to be better dovetailed with labour market policies.
- The Vocational Training Pact with industry will be implemented.

The programme of the Federal Government and the Länder for training opportunities in Eastern Germany will continue to be an indispensable part of the Vocational Training Pact.

6. Demographic change / health / rural areas

6.1 Demographic change and civil society

The Federal Government will support the regions of Eastern Germany in actively shaping demographic change. The spectrum will range from assistance to young

people and families to innovative strategies of adaptation in the provision of public services.

To this end, the Federal Government is promoting pilot projects in the new Länder to reverse the exodus of young people and encourage them to return to their home regions. A package of appropriate measures is to be developed from these pilot projects.

The Federal Government believes that social factors can play an important role in preventing young people moving away from the regions. One priority will be the promotion of education, starting with pre-school children. The solutions developed in Eastern Germany will serve as examples of best practice for a modern and family-friendly Germany.

The Federal Government will continue to evolve initiatives that have already been launched to promote tolerance and moral courage.

6.2 Ensuring adequate health care provision

Because of the rapid pace of demographic change in the new Länder, they are increasingly experiencing problems in the supply of medical care, especially in rural areas. This situation calls for a response:

- The continuing expansion of integrated care and medical care centres is to be promoted.
- Appropriate measures will be taken to ensure there are an adequate number of family practitioners.

Measures to compensate for the different risk structure of the statutory health insurers in the old and new Länder are to be consolidated and evolved.

6.3 Rural areas in the new Länder

The potential inherent in the rural regions of Eastern Germany has to be enhanced. The competitiveness of enterprises is to be preserved and developed. To this end, the Joint Task for the Improvement of Agricultural Structures and Coastal Protection will be continued at the current level with the objective of making the schemes to promote businesses and infrastructure in rural areas more flexible. Integrated rural development will also be enhanced within the framework of this joint scheme.

Significant scope for developing the rural areas in the new Länder lies in making even more extensive use of renewable resources for the production of energy and materials. The German Biomass Research Centre will be established in Eastern Germany.

7. Culture funding

The Federal Government's activities to fund culture in the new Länder will be continued.

8. Upgrading the infrastructure – urban restructuring, German Unity Transport Projects and BBI

We intend to bring the German Unity Transport Projects to a conclusion as quickly as possible and close the remaining infrastructure gap that is a result of the division of Germany by means of disproportionate investment in the new Länder. The construction of Berlin-Brandenburg International Airport (BBI) and linking it to the road and rail networks is a project of nationwide importance.

We will press ahead with implementing the projects of the trans-European transport network, and will champion in particular projects that have to be given priority as a result of the enlargement of the EU to the East.

To help towns and cities as well as the housing industry and public utilities in the new Länder to reduce the number of vacant dwellings and to adapt the technical and social infrastructure, we will continue our programme of urban restructuring in the new Länder at a higher level beyond 2009 by combining existing programmes.

9. Sports funding

The coalition parties will continue the special funding programme known as the "Golden Plan for the East" to promote the construction of sports facilities in Eastern Germany.

10. Siting new federal agencies

When new federal agencies are established, they are to be located in the new Länder. The decisions taken by the independent Commission on Federalism will continue to apply. The Federal Government Commissioner for the New Länder is to be involved at an early stage in any decision on where to locate new federal agencies.

11. Support for victims of the SED dictatorship

We intend to take appropriate measures to improve the situation of those who suffered under the SED dictatorship. Possible action includes increasing funding for the Political Prisoners Foundation, introducing a victims' pension scheme or establishing an effective procedure for the recognition of health problems resulting from persecution. The Foundation for the Study of the SED Dictatorship and the Federal Commissioner for the Files of the State Security Service of the former German Democratic Republic will be supported by the adoption of an overall approach.

12. Limiting the burden imposed by special and supplementary pensions of the former GDR

The Federal Government will seek ways of limiting the burden imposed on the new Länder by the special and supplementary pension schemes of the former GDR.

13. Speeding up planning procedures and cutting red tape

There are to be tangible improvements to the framework for investment in Eastern Germany. The suggestions made by regions of Eastern Germany in the federal

competition entitled "Regions of Innovation" on how to simplify procedures are thus to be promptly translated into federal legislation. Federal legislators will allow the new Länder to flesh out federal legislation themselves for a certain time, so that they can better address existing structural problems. To this end, less favoured Länder, which include those of Eastern Germany in particular, will be given the opportunity to derogate from federal law for a limited period. To ensure that this does not lead to a regulatory gap with regard to the forthcoming legislation to speed up transport infrastructure planning procedures, the present act is to be extended until a successor act enters into force.

The Federal Government will do everything it can to ensure that EU legislation does not excessively hamper economic development in the priority assisted areas.

IV. Making social security reliable and fair

1. Pensions

Statutory pension insurance is and will remain the most important pillar of provision for retirement. It must be supplemented by occupational and private pensions to secure people's standard of living throughout old age.

Rising life expectancy and the related demographic shift constitute major challenges for our system of old age security. The current employment and labour market situation is causing a substantial loss in contribution revenue for the social security systems. The pension reforms already adopted have provided the basic answers needed to ensure the financial sustainability of statutory pensions. The extra expenditure arising from longer periods of pension receipt has to be shouldered jointly, and in a well-balanced manner, by the young and the old, by pensioners as well as those paying contributions and taxes. In taking the necessary pension-policy decisions, this approach will be supplemented by the principles of demographic sustainability, intergenerational equity and opportunities for labour market participation.

The financial sustainability of the statutory pension insurance system hinges decisively on a reduction of unemployment levels and the creation of new jobs liable to social security contributions. We therefore need to ensure that the contribution rate remains stable and that the legally prescribed framework in respect of the contribution rate, the income-replacement ratio as well as the envisaged protection levels are observed. Nevertheless, there must be no cuts in pensions.

The present weak development of wages and salaries has created a situation where the attenuation factors included in the pension-adjustment formula for these purposes cannot take full effect. However, to achieve the above-mentioned objective of contribution stability, it is necessary to implement the attenuations in pension adjustments that were not realised in the past.

Increasing life expectancy goes hand in hand with longer periods of pension receipt. This changes the ratio between the period of active life and the period of receiving a pension. In order to ensure long-term stabilisation and achieve the above-mentioned objectives, it is therefore necessary to raise the statutory pension age gradually in the long term, while continuing to pursue the successful measures for increasing the effective retirement age that have already been taken. At the same time, it must be ensured that, in the future too, insured persons who have completed at least 45 years of compulsory contribution payments based on periods of employment, child raising and caring for dependent family members will be able to draw their pension at age 65 without any reductions.

In 2007, we will create the necessary legislative framework to raise the standard pension age to 67, starting in the year 2012. This increase in pension age will be made in steps, depending on the year of birth, and is meant to take full effect for the first age cohort by the year 2035 at the latest. Thus planning security will be ensured for both employees and business.

Raising the pension age requires a sustained improvement in the employment situation of older workers. We therefore intend to improve the legal framework to facilitate a higher participation rate for older workers and to initiate further action in this area.

At the beginning of the next decade, the legislature will have to decide whether the rise in the standard pension age is acceptable, in the light of the then prevailing labour market situation and the economic and social situation of older employees, and whether the statutory measures taken should be upheld.

In the future, even greater emphasis will have to be placed on supplementary retirement provision if the standard of living achieved during working life is to be maintained throughout old age. For this purpose, a comprehensive set of instruments, including tax incentives and bonuses, is available. Support for families with children will be stepped up by increasing the child allowance from 185 euros to 300 euros per year for children born on 1 January 2008 or after.

In 2007, we will examine how widely occupational and private retirement provision is used and how it is expected to expand further. Should we find that the incentives provided by the present instruments are not sufficient to ensure an adequate uptake of supplementary retirement provision, decisions on other suitable measures will have to be taken.

We intend to make not only the social security systems, but also the retirement scheme for civil servants, secure in the long run. We will therefore be extending the measures taken in the statutory pension insurance system to the retirement scheme for civil servants in such a way that the same effect is obtained whilst respecting the differences in the systems.

2. Modern occupational accident insurance

Globalisation and the shift from an industrial to a service society increasingly affect the statutory occupational accident insurance scheme. We will respond to the mandate given by the German Bundestag in the last electoral term and set up a working group of the Federation and the Länder to develop a concept for reform of the statutory occupational accident insurance scheme so as to make it viable for the future. The primary aims are to streamline the organisational structures, to establish efficient accident insurance funds and to draw up better-targeted legislation on benefits. A bill is to be submitted to the legislative bodies by the middle of the electoral term.

3. Social protection for artists

The coalition partners are committed to the social insurance scheme for artists as an important instrument to promote culture and the social protection of artists. We must continue to strengthen the artists' social insurance scheme – also in dialogue with the representatives of artists, journalists and the commercial users liable to contributions. To stabilise the scheme's financing, the group of beneficiaries needs to be

adequately defined and it must be ensured that the obligations arising under the scheme are met.

4. Reliable social assistance

With the benefits it provides, in particular the subsistence allowance, integration assistance for disabled persons, nursing care assistance and basic protection in old age and in the event of reduced earning capacity, social assistance is a catch-all social safety net. Moreover, as a reference system for the benefits, providing basic security for jobseekers, it is also an indispensable pillar of Germany's welfare state. These two social assistance functions must be maintained in the long run so as to ensure that, in emergencies and in cases of need, people will continue to enjoy the necessary protection.

5. Social participation of people with disabilities

We will continue the process of achieving disabled people's full participation in society, which was initiated as part of government policies to promote the interests of the disabled. Society has a responsibility to empower disabled people to live independent and self-determined lives on the basis of self-help. Together with the Länder, municipalities and disabled people's organisations, we will continue to develop the structures for the provision of integration assistance so that an efficient and well-functioning system remains in place in future. In doing so, priority will be given to out-patient over in-patient care, linkage of out- and in-patient services, service delivery from one source, and the introduction of the personal budget. We intend to ensure that the benefits which are designed to promote disabled people's participation in society and working life are comprehensive and delivered on time. This requires effective cooperation between the social insurance funds.

We will adopt more intensive measures to promote the occupational integration of disabled people. We want more of them to have the opportunity to earn their living within the mainstream labour market, rather than in workshops for the disabled. To this end, we will also review the system of allowances paid to employers for hiring disabled workers in order to improve predictability in planning the permanent integration of disabled workers in new jobs. To improve training and employment opportunities for people with disabilities, we will continue the successful "Jobs Without Barriers" initiative developed in association with the social partners and disability organisations.

6. Poverty and Wealth Report

We will continue to produce the Federal Government's Poverty and Wealth Report with the aim of achieving fair participation and equal opportunities and preventing and reducing poverty and social exclusion in the national and European framework.

The research gaps in the reporting of poverty and wealth must be closed, especially in relation to wealth and the future income and asset situation of retired persons.

We will continue the monitoring of social reforms, which was initiated in cooperation with the welfare organisations during the last electoral term.

7. Health

Germany has a modern and efficient health-care system that gives the population access to high-quality health care as well as providing work for some 4.2 million employees and self-employed persons. The health-care system is a dynamic sector of the economy with great innovative potential and plays an important economic role in enhancing Germany's standing as a business location. The system of health care, however, must undergo constant development in the face of major challenges, especially demographic change and progress in medicine and medical technology. Our aims in overseeing this development are to guarantee an efficient health service that can cope with demographic change and go on providing patients with high-quality care and to ensure that the system is funded in accordance with the precepts of solidarity and the satisfaction of needs.

7.1 General issues of health policy

Germany as a location for health-related businesses

Steps will be taken to enhance the advantages offered by Germany as a location for pharmaceutical businesses and the scope for innovation in the pharmaceuticals industry. The work of the *Pharma* task force, focused on objectives such as improving the marketing authorisation system in Germany, boosting clinical research and creating better conditions for biotechnology in Germany, will be continued with due regard to the interests of small and medium-sized pharmaceutical businesses.

The Federal Institute for Drugs and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*) will be restructured into a modern German Agency for Drugs and Medical Devices, which will make it into an internationally competitive marketing authorisation agency. We will act quickly to introduce the necessary legislative proposal.

In the context of an ageing society, a flagship project for concerted action on the treatment of dementia is a necessity. We will engage in the requisite cooperation with all the relevant parties.

Disease prevention, preventive health care and rehabilitation

Prevention will become a separate pillar of the system of health care. A Preventive Health Care Act (*Präventionsgesetz*) is designed to improve, across the board and without unnecessary red tape, cooperation and coordination in the field of preventive care as well as enhancing the quality of the schemes provided by social insurers. To this end, initiatives will be geared to the achievement of prevention targets. The Federation and the Länder must continue to exercise their responsibilities to supplement the efforts of the social insurers.

In the context of the present demographic trends, an overall care and assistance

strategy is required for persons in need of long-term care, people with disabilities and the elderly. Services must be designed to counteract the effects of disabilities, chronic illnesses and invalidity. In this respect, particular importance attaches to medical rehabilitation. Accordingly, greater emphasis must be placed on the principle that prevention and rehabilitation come before long-term care. The fact that people are in need of long-term care must not result in failure to provide essential medical rehabilitation and to enable people with disabilities to participate in the life of society.

We intend to fight widespread diseases such as cancer and cardiovascular disease. To this end we will optimise the present recording systems, link them together and supplement them where necessary in order to guarantee the collection of valid nationwide information.

The post-marketing surveillance of medicinal products, including identification and assessment of their risks will be improved through the creation of a network of national pharmacovigilance centres.

Patients' rights

We will continue the efforts that have been initiated to promote patient participation with a view to developing the rights of patients to receive information and be involved in decisions concerning their treatment as well as to increasing transparency. Measures will be taken to strengthen the legal force of living wills.

Biomedicine

Genetic research on humans will be regulated by law in those areas where the information potential of human genetics makes it necessary to apply particularly stringent safeguards in order to protect personal privacy. This legal regulation will also serve to guarantee the quality of genetic diagnoses.

Protection against infection

The key role of the Robert Koch Institute in the field of health policy, particularly with regard to the increasing potential for serious threats to public health, as illustrated by the SARS outbreak and the danger of a flu pandemic, will be developed with institutional support.

In view of the dramatic increase in the numbers of new HIV cases and AIDS victims worldwide, including a sharp rise in the HIV infection rate in Germany, measures to combat this disease and education campaigns must respond effectively to changes in people's preventive behaviour and to international developments. The anti-HIV/AIDS strategy adopted in July 2005 will be implemented by means of an action plan to be developed together with the Länder, municipalities and associations.

Policy on narcotic drugs and addiction

Government policy on narcotic drugs and addiction will continue to be built on the four tried and tested pillars of prevention, therapy, damage limitation and suppression. The basis for the pursuit of this policy is the Action Plan on Drugs and Addiction. The

guidelines set forth in the EU Drugs Strategy (2005-2012) for the reduction of supply and demand will be systematically applied.

7.2 Health insurance

7.2.1 Guaranteeing sustainable and fair funding

The high quality of our health-care system is internationally recognised and must be maintained for the sake of all those who depend on its efficiency. The health care system generates more employment than any other sector of the German economy, providing more than four million jobs. This is another very important political factor.

Even today, high-quality medical care for everyone has its price. This price is set to increase still further as medical progress and demographic trends continue to push up costs.

Our health-care system can only meet this challenge if its financial basis is strengthened by economic growth and particularly by the preservation and creation of jobs liable to social security contributions.

If the health-care system is to cope with the pressure of rising costs, it will also need to be modernised. We must give the system a competitive character to increase its efficiency.

The coalition also sees one of its greatest challenges in the need to safeguard the long-term viability of our system of health care by means of stable financial structures. The parties have developed different approaches, namely the solidarity-based flat-rate premium proposed by the CDU and CSU and the citizens' insurance, a compulsory basic health-insurance system proposed by the SPD, two ideas that cannot be easily reconciled with each other. We intend to seek a joint solution to this problem in the course of 2006. What is needed is an approach that firmly cements the foundations for a sustainable and efficient health-care system based on solidarity and built to cope with demographic change. In this quest, we will examine with open minds the experiences of other countries and scientific models.

Competition between private health insurers and statutory health-insurance funds, besides being fair, must be designed to preserve the pluralist system and the diversity of insurance schemes. People will remain free to choose a doctor and an insurer.

A growing number of people today have no insurance cover. A modern welfare state must ensure that nobody remains uninsured and that those who have lost their insurance cover are given the opportunity to return to their respective insurance schemes.

In order to widen the choices available to insured persons and to intensify competition among private health insurers, accrued age-related reserves are to be transferable when individuals switch between private insurers. In addition, we will examine whether and how a transfer of accrued age-related reserves can take place

in cases where insured persons switch from a private to a statutory health-insurance scheme.

7.2.2 Competitiveness and freedom of the health-care system

The Statutory Health Insurance Modernisation Act (*Gesetz zur Modernisierung der gesetzlichen Krankenversicherung*), a product of cross-party consensus, has made discernible structural changes to the system of health care through the introduction of competitive incentives. The systematic pursuit of this approach must be continued. This applies to both health insurance and the provision of health services. The aims of the aforementioned Act, in particular

- wider choice and more decision-making rights for insured persons,
- intensified competition to provide the best and most cost-effective service,
- greater transparency regarding supply, services and charging systems, and
- reduction of red tape,

must be more resolutely pursued. In a competitive system of statutory health-insurance funds, the same conditions must apply, as a matter of principle, to all participants.

Scope is to be created for mergers between social-insurance funds of different types with a view to increasing the efficiency of their organisational structures. To this end, the law governing liability will have to be tightened and defined more precisely, and measures will be required to prevent insurers from securing dominant market positions. The function and organisation of the control exercised by associations and joint self-governing bodies must be redefined with a view to ensuring that decisions are taken more quickly and more transparently and that decision-making processes become more reliable. This reorganisation must be accompanied by an adjustment of the existing supervisory powers of the Federation and the Länder.

If health insurance is to become more competitive, it will be absolutely imperative to simplify and further develop the risk-structure compensation scheme so that it is more precisely targeted and reflects morbidity risks more accurately. Suitable criteria for this purpose will be jointly developed, and to this end an adequate set of baseline data needs to be created. We will jointly review the proposals that have already been made on the consideration of morbidity risks.

The domain of health care will be made systematically more competitive through the creation of more flexible framework conditions. Health-insurance funds and health-care providers will be given more scope to negotiate on the extent, price and quality of services, but this flexibility will not erode the service mandate of the Panel Doctors' Associations.

7.2.3 Structural reform of the individual service categories

Medical care

Not only in rural areas of the new Länder is it foreseeable that the shortage of doctors may result in logjams in the provision of out-patient care. For this reason, the obstacles to nationwide medical care must be removed as quickly as possible. Appropriate ways

to liberalise the activity of panel doctors include measures facilitating the employment of panel doctors and the engagement of associates by the latter, greater flexibility for the Länder to plan for future needs or the creation of a framework in which a doctor can provide both out-patient and in-patient medical care.

We will simplify and further develop the remuneration system for doctors in order to continue guaranteeing high-quality care for all persons insured in the statutory health scheme. The aim must be to create a remuneration system which is transparent and in which the present system is gradually replaced by a combination of flat-rate remuneration with the possibility of fee-for-service payments. The complex rules required for the introduction of a new remuneration system must be simplified and formulated in a professional procedure in which morbidity criteria are taken into account. Comparable remuneration systems should be created for out-patient services in hospitals and for established doctors' services in their surgeries.

The duties and responsibilities of the Panel Doctors' Associations will be adapted to new conditions.

We will examine the extent to which the services of paramedical professions can be more fully integrated into care strategies.

An obligation will be established to provide treatment at specific rates of payment for groups of privately insured persons, such as civil servants entitled to government aid in case of sickness and those insured at the standard rate, in respect of both the services of freely chosen doctors in hospitals and out-patient services provided by established doctors at their surgeries. The reduced rates of payment for these services will be laid down in binding form in the statutory scale of fees for doctors (GOÄ) and for dentists (GOZ).

Dental care

The effects of diagnosis-related fixed grants for dentures, including the question of appropriate remuneration for dental laboratory services, must be examined. The statutory scale of dentists' fees must be further developed.

In-patient care

The regulatory framework for in-patient care following the end of the so-called convergence phase (period of gradual adjustment of hospital budgets to the medium level of standard rates per case applicable at Land level) must be completed no later than 2008. In order to avoid undesirable developments, attention should be given to the question whether the method used to calculate the reimbursement rates for the various diagnosis-related groups (DRGs) of patients adequately reflects the costs of care and continuing training. A set of rules will be established within the DRG system for the remuneration of *Belegärzte* – practitioners who, though not hospital employees, are allowed to provide care and treatment for their patients in reserved blocs of hospital beds.

The Statutory Health Insurance Modernisation Act has created scope for flexibly structured contracts in order to eliminate the strict separation of out-patient and in-patient care. In practice, however, such contracts have not taken root. For this

reason, there is a need to assess the extent to which obstacles to the framing of such contracts can be removed.

Special forms of care

In the realm of integrated care, start-up funding will be extended beyond the year 2006 until 1 January 2008. The aims of integrated care must be to cross the divides between medical specialisations and sectors of the economy, to improve the quality of care, to establish transparency of supply and effect and to provide coverage for the entire population.

It is essential to create a uniform framework for all disease-management programmes (DMPs) in order to reduce the volume of red tape involved in the programmes and to take account of multimorbidity. At the same time, we will examine the possibility of requiring all statutory health-insurance funds to implement DMPs in accordance with a uniform quality standard, thereby dispensing with individual certification. The link with the risk-structure compensation scheme will be refashioned once the decision on a refined compensation scheme has been taken.

There is a particular need for improvement in the care and treatment of people in the final stages of their lives. Many people, even patients with serious illnesses, would like to be cared for at home to the very end. The services we offer today take insufficient account of this need. For this reason, the legal provisions governing the services, the contractual rights and obligations and the funding of statutory health and long-term care schemes must include rules designed to guarantee better palliative care.

To take account of demographic changes, care structures and processes must be adjusted to meet the needs of elderly people, with rehabilitation taking precedence over care and out-patient over in-patient treatment.

Health care must be more carefully tailored to the specific characteristics of each age group and of both sexes.

Supply of medicinal products

Deficiencies in the supply of medicinal products must be rectified. It will be illegal to grant rebates in kind to pharmacists. The financial reserves generated by this rationalisation will benefit the statutory health funds by generating a 5% reduction in the price of generic products. In order to prevent compensatory price increases, there will be a two-year freeze on the prices of all medicinal products. If Germany's standing as a location for pharmaceutical companies is to be enhanced, genuine innovations with additional therapeutic benefits are desirable. These must be clearly defined and unmistakably distinguished from pseudo-innovations and will not be subject to the regulations on maximum reimbursement rates for medicinal products. The maximum reimbursement rate system will be adjusted accordingly in order to speed up decision-making processes. Potential savings within the reimbursement groups will be exploited. Greater emphasis will be placed on the individual responsibility of doctors for their own prescribing practice.

Consideration will have to be given to ways in which opiates and other medicines

which have not been administered to a dying patient could be used in hospices and homes after his or her death.

7.2.4 Safeguarding current projects

Work on the introduction of the electronic health card will be systematically pursued. Abuse of the insurance card must be consistently combated.

The Maternity Benefits (Employer's Contribution) Act (*Gesetz über die Arbeitgeberumlage für Mutterschutzleistungen*) will be adopted as soon as possible.

The need to adhere to the timetable for amendment of the statutory time limits relating to integrated health care, refinement of the risk-structure compensation scheme and doctors' remuneration must be taken into consideration.

Where a patient refuses to pay the quarterly consultation fee, court costs will be imposed on the debtor, with neither the service provider nor the insurer incurring any financial burden.

8. Long-term care insurance

Long-term care insurance remains a cornerstone of the social-security system. Coverage of long-term care risks will continue to be guaranteed and will remain based on solidarity and on the ideal of dignified care. Like the other social-security schemes, however, it must rise to the challenges of the future. This applies especially to demographic trends. Like the other insurance schemes, the social long-term care insurance will also be governed by the principle that the working generation must not be overburdened. Self-reliance and initiative must be encouraged and solidarity practised – not only within generations but between generations too. Particular importance attaches to people's willingness to help themselves and to their active involvement in voluntary work.

8.1 Safeguarding sustainable and fair funding

In order to ensure, against the background of current demographic trends, that dependent persons continue to receive, at affordable prices, the services they need in order to be properly and adequately cared for, it is essential to create a demographic reserve fund by introducing funded elements to supplement the pay-as-you-go system.

At the interface between health and long-term care insurance, prevention and rehabilitation services must be significantly improved in order to prevent the need for long-term care. The funding of therapeutic care, on the other hand, will remain a permanent responsibility of the long-term care scheme.

Unlike the health-insurance funds, the statutory and private long-term care schemes provide the same range of services. The assessment basis for insurance contributions and the risk structures, however, are different. Both insurance systems

will continue to offer long-term care insurance. In order to redress an imbalance between their respective risk structures, a financial redistribution will be introduced between the statutory and the private system. This will not involve the depletion of capital stock.

The bill for an Act Safeguarding the Fair and Sustainable Funding of Long-term Care Insurance (*Gesetz zur Sicherung einer nachhaltigen und gerechten Finanzierung der Pflegeversicherung*) will be presented to Parliament by the summer of 2006.

8.2 Improvements to benefits

The benefits and services available under the long-term care scheme have remained unchanged since 1995 and are therefore subject to creeping devaluation. As a result, dependent persons are having to rely more and more on social assistance. Long-term care benefits and services will therefore be indexed.

The wide differentials that currently exist between the various grades of long-term care must be revised with regard to the incentive effect of care benefits and their satisfaction of real needs. The benefits also require adjustment with a view to reinforcing the principle of 'out-patient over in-patient care'.

More consideration will be given to the special assistance and care required by some people, such as dementia sufferers. To make this happen, it will also be necessary in the medium term to revise the concept of long-term care in the light of the latest specialised knowledge.

Numerous regulations, administrative rules, documentary requirements and other bureaucratic impositions make it difficult to run long-term care facilities and out-patient care services. Professional carers spend a good part of their working time on dispensable administrative tasks. Quality-assurance measures must be based primarily on results. The current provisions will therefore be simplified and harmonised accordingly, and the burden of red tape will be reduced. The proposals made at the Round Table on Long-term Care will be incorporated into the new arrangements.

The numerous coordination and demarcation problems between health and long-term care insurance, ranging from the definition of the respective needs profiles to issues of funding and service provision, must be overcome. In particular, it will be necessary to examine how the principle of 'rehabilitation before and during long-term care', including geriatric and geropsychiatric rehabilitation – a principle that has hitherto been insufficiently adhered to – can be more effectively applied through more appropriate targeting of benefits and financial resources.

The use of respite care in cases where care is being provided within the family should be extended.

Suitable measures, such as training in integrated long-term care, must be taken in order to recruit enough professional care workers and safeguard the quality of long-term care.

Alternative residential and assistance schemes should be promoted, along with services of a less skilled or strenuous nature such as the provision of support for family carers.

V. More effective government

1. Reforming and modernising Germany's federal system of government

The Grand Coalition has reached agreement on modernisation of Germany's federal system of government on the basis of the preliminary work performed by the Bundestag and Bundesrat, as outlined in Annex 2.

From the floor of the German Bundestag, bills prepared in consultation with the Länder for an amendment of the Basic Law and for an *Artikelgesetz*, a composite act covering the amendment and enactment of the related legislation, will be tabled and adopted without delay.

In a further reform measure during the 16th electoral term, financial relations between the federal and Land levels will be adapted in the light of new circumstances within and outside Germany, particularly as regards growth and employment policy. To this end, the Federal Government is proposing to the Länder that it identify, at the beginning of 2006, on what conditions and by which means the Basic Law could be amended so as to enhance the self-reliance of the regional and local authorities and ensure that the funding they require for the performance of their tasks is enhanced.

2. Modern state – efficient administration

Our modern state needs an innovative, capable and efficient administration. For this reason we will continue along the path begun with the *Deutschland online* scheme and will reorganise cooperation within the machinery of government on the basis of information technology (IT), thereby systematically reducing administrative costs. Through the introduction of central IT-based procedures for the most important government services for business and the general public (e-government), we intend to play a leading role in bringing about innovative and cost-cutting administration. The Federal Ministry of the Interior, as the department responsible for internal organisation and security, will be in charge of the continuing development of the IT strategy and of IT security.

The law on the protection of personal data needs to be reviewed in the light of technical developments and will have to be revised and further developed in various respects. In performing this task we will also examine whether changes can be made with a view to eliminating superfluous red tape.

We intend to press ahead with the reduction of bureaucracy and of unnecessary regulation. Both at federal level and in the EU, all tasks and administrative processes must be scrutinised so that we can establish whether they are really necessary.

Germany will participate in the new EU-level census scheduled for 2010-2011, which is to be conducted as cost-effectively as possible and at the least possible inconvenience to the citizens of EU Member States.

Germany needs a modern public service that can provide citizens with efficient

administrative services. We intend to go on increasing the emphasis on performance in our service regulations and to create pay regulations that can reward achievement without giving rise to expensive new bureaucracy. The outline paper entitled *New Approaches in the Public Service (Neue Wege im öffentlichen Dienst)* and the Structural Reform Bill should be part of these deliberations.

We intend to continue the development of civil-service law on the basis of the proposals made by the Commission on Federalism.

VI. A family-friendly society

Our aim is to pursue a holistic policy for families, senior citizens, women and youth which promotes and reinforces solidarity between the generations and therefore of society as a whole. We want to encourage families to have more children, and we want a stronger role for the family in society. We want to make it clear that without children, Germany has no future.

Families are key contributors to our society. We intend to strengthen their capacities and individual responsibility, starting with traditional families and extending to patchwork, step- and lone-parent families.

The family embraces all the generations. The multigenerational family, in its modern form, offers the chance to take responsibility for each other.

We want to help empower women and men to fulfil their aspirations. Most of them want to achieve career success and have children. But regardless of the choices made, every lifestyle model deserves the same respect. It is not for politics to dictate how people should live their lives, but to establish a policy framework which enables young people to decide in favour of children and a family as they see fit.

Our family policy starts from the premise that parents deserve more support to enhance their capacities and fulfil their primary responsibility for child-raising. For vulnerable families in particular, this means developing a range of services which offer the children better learning opportunities; it also means equipping mothers and fathers with essential parenting skills.

We want to ensure that no child is lost and that the best possible support is provided to children and their families at the earliest possible stage. We do not want a child's background to determine his or her educational prospects and life chances.

Young people have a right to education, a healthy upbringing, social participation and, above all, protection from physical violence and mental cruelty. We will therefore continue to uphold these and the other objectives set out in the "National Action Plan for a Germany Fit for Children (2005-2010)" and implement them together with children, young people and the organisations which represent them.

Equality policy must be guided by the expectations and life plans of men and women in all areas of life. Women today have better occupational qualifications than ever before. That is why we are working pro-actively to achieve better, non-discriminatory access to decent paid work and career advancement for women. Children must no longer be an obstacle to an occupation and career. We want both women and men to be able to achieve a work-life balance.

In view of the depressingly high rate of unemployment, we believe it is essential to coordinate our family, youth and labour market policies. People in Germany have a right to both distributive and participative justice.

Today, life expectancy is steadily increasing. We see this as an opportunity to draw more extensively on the knowledge and experience of the older generations. We also

want to achieve a significant increase in their labour force participation while boosting the already high percentage of older persons working in the voluntary sector. For those requiring care and assistance, we will redress the balance in the "care triangle" – family, full-time carers and volunteers – to reflect current conditions and fulfil older persons' need to live a self-determined life.

Government policies must be geared towards reasserting and protecting the value of every individual. The state therefore has a particular duty to care for those who cannot help themselves.

In view of Germany's changing demographics, the state – in the interests of future generations – must deploy its resources as efficiently as possible. No generation should demand more of the next generation than it is prepared to contribute itself. In response to ever-greater financial constraints, the state must review its spending on investment and consumption to determine whether it is in line with the principle of sustainability.

1. Better infrastructure for families

We will continue to drive forward the expansion of childcare facilities in Germany. The coalition partners endorse the legal obligation to expand childcare services for the under-threes, established in the Child-Day-Care Expansion Act (TAG), as an essential social policy task for which the Federation also bears responsibility. By 2010, 230,000 additional places will be created.

From 2005, the funding required for this expansion, which TAG calculates as 1.5 billion euros per annum, must be made available as a result of the merger of unemployment benefit and social assistance, which will relieve the municipalities' financial burden by some 2.5 billion euros. It is important to ensure that this reduction is genuinely achieved and is based on valid data. The net reductions in the financial burden borne by the Länder, which must also be based on accurate data, should be passed on to the municipalities.

Early childhood education supplements parental care and provides extra learning opportunities beyond those afforded by the home environment, thus creating the conditions for genuine equality of opportunity in the sphere of education and early learning. It also facilitates parents' individual life planning and is the prerequisite for a work-life balance.

Establishing quality-oriented, needs-related educational and day-care facilities for children in all age groups is therefore a major, urgent and future-oriented priority. In cooperation with the Länder and the municipalities, the new Federal Government will closely monitor the implementation of the expansion goals defined in the TAG. A needs-related range of childcare facilities for the under-threes should be in place by 2010.

A forecast of progress in the expansion of childcare provision, projected to 2010, must be produced in 2008 on the basis of the reports prepared under Section 24a (3) of Book VIII of the Social Code. If this forecast indicates that more than 10% of municipalities cannot guarantee to deliver the range of services specified in Section

24 (2-6) of Book VIII of the Social Code by 1 October 2010, the legal entitlement established under Section 24 (1) of Book VIII of the Social Code will be extended to all children from the second year of life.

Childcare costs must not be an insurmountable barrier to parents who want to send their child to kindergarten, thus enabling them to benefit from good early childhood education. We therefore intend to work with the Länder to identify ways of providing one year of free pre-school education during the last year of kindergarten on a nationwide basis, in line with the system already planned or operating in other countries. In Germany, we want to guarantee early childhood education for all children, with a particular focus on promoting language skills at pre-school level.

Multigenerational homes (MGHs):

The progressive weakening of traditional social support networks (family, neighbours), the increasing reluctance and lack of capacity to take on parental responsibility, the entrenchment of the dividing lines between the generations, and the divisions between those with children and those without, mean that a new community-oriented approach to family development, support and assistance is required. This should take the form of an integrated, combined and accessible system of services extending into the community.

Our aim is therefore to establish neighbourhood-based "focal points" which offer support services for families and generations under one roof and from one source. These homes or centres will be open to the community and will demonstrate intergenerational solidarity in daily life. The homes will develop their own specific range of services such as early learning, care facilities, education and life skills. They will also provide a contact point, network and "hub" for family-oriented services, advice on child-raising and family counselling, health promotion, crisis intervention, and the planning of support services. As part of the delivery of early childhood education, the key focus will be on the following:

- childcare and education services for children and parents (day-care/child-minding, integration and development) with a particular emphasis on early learning, with extra provision in specific areas (e.g. nature, language),
- advisory services (e.g. on child-raising issues, health),
- support in crisis situations (e.g. separation, debt),
- education and development (e.g. development of language skills),
- practical life skills (e.g. home management, cooking, nutrition), which may include support for (re-)integration in the workplace.

At the same time, the centres should also promote intergenerational solidarity by involving the older generations, harnessing their untapped skills and experience and preventing loneliness and isolation.

The centres will offer a sound basis for this process. They will be accessible to the local community, encourage civic engagement, revitalise intergenerational solidarity, foster the development of practical life skills, and target the delivery of professional support to where it is needed most.

The MGHs will be established as drop-in centres. However, they must also interface with the youth welfare agencies' crisis management services; the same applies to linkage with the mainstream school and childcare system.

The centres may be run by the municipalities or the voluntary sector. In either case, agreements must be reached on integrating the services provided by the centres with the public-sector youth welfare bodies in order to ensure reliable and coordinated delivery of basic services.

Existing services will be networked through an Internet-based action platform.

As part of a pilot programme (pioneering model), an MGH should be set up in every county and unitary authority in Germany during this electoral term. Start-up funding should amount to 40,000 euros annually over a five-year period, giving rise to a total budgetary burden of 88 million euros.

"Early Support and Prevention for Children at Risk" Project:

Children who face social and health risks need targeted support from the very beginning. This means that more dependable and better-networked support for socially disadvantaged and affected families must be provided earlier on, in the local community or district. The state's guardianship role and the community's duty of care must be strengthened and social early warning systems developed. Youth welfare, preventive health services and civil-society engagement should be integrated to create a new quality in the early childhood support services provided for families. For socially disadvantaged families in particular, the classic "drop-in" structures which are the basis for a wide range of services must be improved and geared more specifically towards the target group, and new outreach services developed.

With this project, our aims are as follows:

- to improve child protection through the establishment of early warning systems and through early intervention,
- to coordinate health services, youth welfare services and civil-society engagement,
- to strengthen the state's duty of care,
- to reinforce parenting skills and responsibility.

We are providing 10 million euros for the project's implementation over the next five years and will:

- launch, fund, monitor and evaluate pilot programmes,
- establish a service bureau at federal level which will coordinate, monitor and evaluate the activities undertaken in the Länder, e.g. the establishment of parent-child centres; it will also initiate the implementation of appropriate programmes in the Länder, and ensure an exchange of experience,
- alongside the service bureau at federal level, funding will also be provided for the academic monitoring and evaluation of the programme.

We will introduce income tax relief on childcare costs in order to reflect working parents' reduced capacities to pay tax and to comply with the rulings of the Federal Constitutional Court.

Support services for families should be developed as a way of helping parents achieve a work-life balance; they are also a means by which to develop the household-related services segment of the labour market. Promoting the market viability of service agencies and providing tax incentives for those demanding these

services also help to combat illegal work. In this context, the provision of care by qualified child-minders who are fully covered by social insurance plays an especially important role. By improving the framework conditions for child-minding, the aim is to expand this segment as a supplement to formal day-care facilities.

2. Family-friendly working conditions

The welfare of families and children and the goal of enabling more people to fulfil their desire for children should be a matter for society as a whole. Germany needs more children. The "alliances for the family" at federal, Land and local level, which focus on various family-related themes, are the expression of society's concept of a sustainable family policy. We will develop this concept.

At federal level, strong partners from the business community, associations, foundations, academia and politics have launched initiatives within their specific fields of activity with the aim of making Germany family-friendly. The "Family-Friendly Working World" campaign aims to highlight the issue of parenthood, especially among senior managers, and put forward practical recommendations on how companies can help employees achieve a better work-life balance.

A corporate programme has now been launched which prioritises the expansion of in-company and company-run childcare schemes and aims to dismantle bureaucratic obstacles, improve employees' reintegration prospects during and after parental leave, and encourage family-friendly human resources policies, as well as promoting and implementing company-level and collective agreements to achieve a family-friendly working environment.

The federal authorities' role as a model of best practice for a more family-friendly workplace should be highlighted through audits of these authorities.

The "Local Alliances" initiative is now under way within the municipalities. A family-friendly strategy is a locational factor which not only enhances quality of life but also adds value and increases the economic performance of municipalities and regions. The "Local Alliances" bring together the municipalities, the chambers of commerce, associations, the business community and social organisations in a successful partnership to create attractive conditions of life for families. The growing number of companies which are active partners in the alliances will form the target group for the above-mentioned corporate programme. 200 alliances already exist and a further 200 are currently being established, with further expansion planned. The concept should continue to be developed and reviewed to determine its lasting impact on families and business locations.

The "Responsible Child-Raising" initiative – agreed primarily with the Protestant and Catholic churches, the welfare organisations and their respective childcare agencies – enhances the corporate-based alliance with measures to improve parenting skills and encourage value-based child-raising.

The right to work part-time, established under the Act on Part-Time Work and Fixed-Term Employment Contracts (TzBfG), and the right to three years of parental leave will be maintained.

3. Financial support

We want to provide effective and sustainable financial support for families from the moment their children are born; this will take the form of a parental allowance which

- avoids any interruption in income flows by providing a replacement income,
- creates a genuine choice between maternal or paternal care,
- facilitates economic independence for both parents, with appropriate compensation for opportunity costs.

The key elements of this strategy are as follows:

- Parental allowance will take the form of a replacement income amounting to 67% of previous averaged net earned income (to a maximum of 1800 euros per month) and will be paid to the person who has reduced their working hours or given up work in order to care for the child. As an alternative, consideration may be given to using the parents' joint net earned income (in the interests of gender equality) – or, in the case of lone parents, the single parent's net earned income – as the basis for assessment.
- The parental allowance will be topped up by an additional element for parents on low incomes or non-working parents (e.g. a basic amount which depends on the family income). All persons who are bringing up children will receive at least the minimum payment (equivalent to the full amount of the child-raising allowance which was previously payable for six months).
- All persons who were entitled to claim benefits under the previous Federal Child-Raising Allowance Act can now claim parental allowance.
- Welfare benefits will be taken into account when calculating parental allowance. Parental allowance is not deemed to be income for the purpose of calculating housing benefit.
- Parental allowance will be paid for one year, with account being taken of maternity benefit, which is intended to achieve the same objectives. Parents can choose whether to spread the full parental allowance budget over a period of up to two years.
- Parents can opt to split the twelve-month benefit period between them. Two months are reserved for the father and two months for the mother.
- The benefit is funded from taxation, is tax-free and is not subject to social contributions. However, the "exemption with progression" rule applies.
- The current rules on parental leave will remain in force. Part-time activity is permitted while claiming parental allowance. The amount of parental allowance which can be disbursed if the parent takes on paid work during parental leave, and the level of household income at which eligibility for parental allowance may lapse, have yet to be determined.
- The introduction of parental allowance is planned for 2007.

We want to reduce child poverty and are therefore developing the child supplement scheme with effect from 2006. Greater incentives must be provided to encourage parents to move out of unemployment and into jobs and encourage their systematic integration into the workforce. The child supplement meets these needs and will reach its target group provided that it is developed and expanded appropriately, especially since more than 90% of applications currently have to be rejected.

- The children's allowance combats the risk of poverty.
- It increases the incentive to move out of joblessness.
- It promotes employment, not unemployment.
- It avoids any stigmatisation of recipients as "charity cases".
- It requires recipients to end their dependence on benefits within 36 months.
- Despite the higher financial incentives provided to encourage a move out of joblessness, it is affordable and reduces overall expenditure (over the medium term).

We want to increase the number of people entitled to claim the children's allowance in order to reach more children and enable their parents to care for them without claiming unemployment benefit II. This requires greater flexibility in the current marginal areas of the scheme's application, e.g. by offering unemployment benefit II on an optional basis. The application procedures and processing system must also be simplified.

Benefits for families in Germany are currently processed and disbursed by a variety of agencies, which in some cases apply different income definitions and thresholds. These discrepancies make it difficult for families to understand the family benefits system, which often appears bureaucratic and cumbersome.

We want to harmonise the legislation governing the various benefits and integrate the processing systems. The ultimate aim is to facilitate the emergence of a new type of "Family Fund". By concentrating and merging the various transfer benefits for families within a "Family Fund", more transparency can be achieved and the basis created for a fairer and more targeted family benefit system.

Initial studies on the implementation of a "Family Fund" are already available. They must be evaluated and – during the period 2006/2007 – expanded if necessary to include:

- a feasibility study on harmonising income definitions and thresholds,
- clarification of whether "Family Funds" should be established at Land or federal level. In this context, it is important to bear in mind that we do not want any increase in bureaucracy (no new federal authority); simplicity and transparency must be the guiding principles.

4. Parent and child law

As regards shared custody rights and access rights, we want to work with the *Länder* to achieve improvements for the benefit of the child. This includes holding hearings of all parties, especially the child, at an early stage and providing information on counselling services. A further aim is to reduce the duration of legal proceedings, if necessary by tightening deadlines, and providing better training and professional development for judges in the family courts, who should be given appropriate support from the judicial administrations. Innovative procedures, in and out of court, to encourage cooperation between the parties in the enforcement of custody and access rights should be trialled.

5. Equality and women's policy

We intend to reinforce gender competence and in order to achieve the effective implementation of § 2 of the Joint Rules of Procedure of the Federal Ministries (GGO), will ensure that the appropriate and necessary instruments are available for this purpose, e.g. the Gender Competence Centre.

In each electoral term, we will produce a "Report on Gender Equality" which will be followed by a government policy statement in which we highlight the progress made, identify any remaining shortcomings, and outline the lessons learned. This Report will replace all the detailed Federal Government reports on women's and equality policy which have hitherto been produced by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ).

5.1 Equal opportunities in the labour market

We want women and men to have equal access to decent paid work with social security provision. Women's employment rate should be increased to above 60 percent in line with European criteria. We will continue to pursue the objective of "equal pay for equal work and for work of equal value" in accordance with our European commitments.

Women today are better qualified than ever before. We are therefore working proactively to ensure that they benefit from the same career opportunities and equal access to leadership positions in business, academia and research. Based on the second review to be produced during this electoral term, we will then decide whether binding legal instruments are required. We want to raise the lower-than-average rate of self-employment among women to the European average.

The coalition partners agree that the framework conditions for trainees, students, new entrants to the labour market and young people in continuing training who have children must be improved. Besides the provision of financial support, the provisions of university law, for example, should be reviewed in conjunction with the Länder and amended if necessary to ensure that they facilitate a study-life balance.

The coalition partners agree that the impacts of the Hartz laws must be reviewed with specific reference to women and improved if necessary. The principle of gender equality must be taken into account in the development of Book II of the Social Code. The individual funding instruments must benefit women – especially the long-term unemployed and non-claimants – at least in line with women's share of the total unemployment figure and must also take account of their specific needs.

In "communities of need" claiming benefit, we intend to guarantee health insurance and long-term care insurance cover for the non-claimant partner.

All labour market data and unemployment statistics must be produced on a gender-specific basis so that gender-relevant impacts can be identified and evaluated.

5.2 Combating violence against women

The provisions of criminal law which combat the sexual exploitation of the victims of human trafficking, especially by "clients", must be reviewed to determine whether they are effective and should be amended if necessary. Alongside the legal provisions, other measures should be adopted promptly to tackle the problems of human trafficking and forced prostitution.

The Act Regulating the Legal Situation of Prostitutes (*Prostitutionsgesetz*) will be reviewed in light of the available research and amended if necessary.

We will continue to develop the Action Plan to Combat Violence against Women. The Protection against Violence Act (*Gewaltschutzgesetz*) will be evaluated and amended if necessary.

5.3 Legal sanctioning of anonymous births

Experiences with anonymous births should be evaluated and appropriate legislation adopted if necessary.

5.4 Late abortions

In 1992, the Federal Constitutional Court, in its ruling on Germany's abortion laws, imposed an obligation on Germany's legislature to monitor the situation and, if necessary, adopt amendments. We will continue to fulfil this obligation during the 16th electoral term and will ascertain whether, and, if necessary how, the situation relating to late abortions can be improved.

6. Youth

6.1 Improving children's and young people's participation

Involving children and young people in policy-making, planning and future-oriented decision-making processes and activities is essential for the long-term viability of any democratic polity. Projects undertaken at local level are most likely to bear fruit. We will work with youth organisations on the further development of activities designed to increase participation, and we will also raise public awareness of the importance of children's rights and provide targeted information for parents, teachers and education specialists. Early involvement of children and young people in politics is an important building-block in developing political awareness. Children and young people should be able to participate – in an age-appropriate way – in planning activities and projects which affect their interests. To this end, we will work with the Länder and municipalities to promote models of best practice and include this topic in the long-term work undertaken at federal level.

The European Union offers a framework in which to develop new educational, occupational and life chances for young people. National youth policy actors must

therefore be involved in European policy-making, and the European dimension must be taken into account when developing services for children and young people at local, regional and national level. The European Youth Pact offers the best prospects here.

We will work pro-actively to ensure that the funding for the EU's Youth in Action programme for the period 2007-2013 fully reflects the increase in the number of participating countries, the growing importance of European cooperation on youth-related matters, and the wider age limits for young people's participation.

6.2 Equal opportunities in education

The transition and transformation from an industrial society to an information and knowledge-based society can only be managed successfully if education and research policy is put at the very top of the agenda. Policymakers therefore have a responsibility to help develop core qualifications for children, provide the requisite resources and deploy them efficiently. Children's upbringing, care and education in families, day-care facilities and schools provide the framework for our children to grow and flourish in a rapidly changing world. However, the process of educating children and young people is not confined to a formal institutional environment but takes place in many different settings. Youth services, arts education for young people, informal education processes in the peer group and media access – besides the family, school and day-care facilities – are all relevant in this context.

We want all our young people to have the same chances in education.

We intend to review the support provided under the Federal Child and Youth Plan to determine whether it is tailored to the specific situation of young people in Eastern Germany. We want to help improve conditions so that young people can remain in their home region for training and jobs.

We will support a variety of measures – such as Girls' Day and better career counselling – to ensure that the range of careers open to girls and boys is expanded and that special priority is given to overcoming gender stereotypes.

6.3 Growing up without violence

We are adopting vigorous and sustained measures to eradicate child abuse and neglect by improving prevention, especially in cooperation with our European and international partners, and through innovative pilot projects which focus on crime prevention and better victim protection.

The coalition partners are committed to achieving a lasting improvement in the protection afforded to children and young people. In view of the rapid developments taking place in the new media, the present legislation is inadequate to counteract the growing risks posed to young people by some of the new media.

The new regulations in the field of youth protection will be evaluated as quickly as possible – and well before March 2008, which was the agreed date – so that the

necessary lessons can be learned promptly. To this end, we intend to engage without delay in targeted dialogue with the Länder. The following points will be discussed as priority issues:

- the effectiveness of "regulated self-regulation" as a concept,
- age restrictions for films and games/labelling of computer games as suitable for a specific age group,
- reliable monitoring and security standards for automatic video dispensers,
- a ban on "killer games".

We will work actively at European and international level to develop and ensure compliance with minimum standards for the Internet.

The state's guardianship role and the community's duty of care towards children affected by violence and neglect have been reinforced by the reform of the Child and Youth Welfare Act (KJHG). The Federation will support the practical implementation of the Act through appropriate activities.

In cooperation with consumer protection organisations, we are encouraging credit institutions to undertake voluntary commitments to prevent young people from sliding into debt and also to provide guidance and support for indebted young people. Successful cooperation must aim to achieve a noticeable reduction in the debt burden of young people in Germany.

6.4 Opportunities for disadvantaged young people

The Federal Government's stated objective is to prepare, train and integrate young people into the labour force and employment on a sustainable basis. Combating youth unemployment must be the key priority. The primary goal is to open up future-oriented educational, occupational and employment opportunities to young people. The agencies operating in the sectors governed by Books II, III and VIII of the Social Code must coordinate their strategies and funding programmes more effectively and, in cooperation with the business community, expand employment opportunities for young people.

Special consideration must be given to young people with individual social problems which make it difficult for them to enter the primary labour market without assistance. Alongside the labour market actors, the child and youth welfare agencies have a role to play here. Young people who leave school with no qualifications, especially those with a record of truancy, are an especially important target group in this context.

The Federal Government intends to achieve sustainability for effective local initiatives which aim to integrate young people into the workplace; in particular, it will review the compatibility, efficiency and stringency of funding structures and instruments. During the next ESF funding period, too, measures targeted towards youth integration will be supported by the Federal Government as one of the social policy priorities within the Federal-Länder "Social City" programme.

We want to create the legal conditions to ensure that in the award of public contracts at local, Land and federal level, preference is given to companies which offer training places.

6.5 Young people for tolerance and democracy

We intend to continue, and achieve sustainability for, the campaign against right-wing extremism and xenophobia and for democracy and tolerance. Our stated aim is to develop young people's understanding of our shared values and cultural diversity and thus to promote respect for human rights and combat every form of extremism, including left-wing extremism. This means widening the scope of action programmes in this field. We can thus make a major contribution to countering the growing levels of latent and overt violence among young people.

We want to safeguard diversity, respect for others, democracy and tolerance; we also want to combat anti-Semitism. We want young people at local level to feel motivated and to be able to count on reliable support for their commitment. To this end, we are developing closer links with the Länder and municipalities, the media, churches, the business community, trade unions, sports clubs, youth organisations and many other agencies. Integrated local strategies are especially promising. It is also important to build even stronger links in future to projects which work with young people at risk and those who are already part of the right-wing scene.

The Federal Government will work pro-actively to establish a holistic integration strategy which not only focusses on labour market access, especially for socially disadvantaged young people and for young migrants in particular, but which also supports measures relating to social, cultural, religious, linguistic and country-specific diversity. Positive prospects for the future, a satisfactory quality of life and young people's active participation in the community and society are important prerequisites in preventing recruitment by radical groups. The Länder and municipalities must be involved to a greater extent in order to ensure project sustainability and longevity. The Federal Government is also seeking to reinforce and intensify its dialogue with churches, faith communities and religious organisations.

6.6 Child and youth welfare

The municipalities – which are responsible for child and youth welfare under Book VIII of the Social Code – must have broader scope for action in order to expand their range of prevention and outreach measures (priority should be given to prevention, not remedial measures). The coalition partners agree to review promptly, at the end of 2006, those provisions of Book VIII of the Social Code which have been amended following the adoption of the Act on the Further Development of Child and Youth Welfare Services (KICK) and, where necessary, to introduce new amendments in order to avoid any adverse impacts. The further development of Book VIII of the Social Code, especially in cost-intensive areas of regulation, must also be reviewed in this context.

A productive shift in education policy requires the involvement and cooperation of all educational settings. Only if targeted support is given to non-school education actors – the family, the various branches of child and youth welfare, and occupational training – will it be possible to improve young people's opportunities for education and participation.

We intend to take up and develop further the proposals put forward in the 12th National Youth Report. This involves improving structures for cooperation, fulfilling the educational mandates of the home, school and youth welfare agencies through joint responsibility, and exploiting their potential more effectively on the basis of equality in future without professional rivalry. The youth welfare and education services should be coordinated more effectively. The Federation will drive forward the funding, networking and transfer of good practice.

We want to develop and draw more extensively on young people's individual and social skills through prevention work in the context of "peer group advice", e.g. through tutoring and mentoring projects in cooperation with youth organisations and schools.

Parenting skills should be reinforced through the adoption of a new direction in family education, and parents who have little access to education must also be reached. In this context, the new media should be utilised more intensively in providing parental education and advice.

In the interests of greater efficiency, appropriate professional development should be provided in the youth welfare services. The gap in the research on the impacts of youth welfare programmes must be closed as a matter of urgency, and these services should demonstrate their successes more clearly by producing "hard evidence".

The coalition partners agree to review the funding provided under the Federal Child and Youth Plan according to the following criteria: impact, efficiency, fitness for purpose, and sustainability, and will overhaul its funding structures. Any funding structures and linkages which can no longer be justified must be modified. Based on this review, we will work pro-actively to ensure the longevity of the work undertaken by the youth organisations.

7. Senior citizens

7.1 Identifying and utilising the capacities of senior citizens

The contribution made by older people to society and the family is essential for the functioning of the social state and is very significant in economic terms. Active ageing is a goal which benefits all social groups equally. This means that:

- Demographic change requires a paradigm shift in the role of older people. This development will be driven forward by the EU, too, in the coming years.
- Older people's active participation in the economy and society and their voluntary commitment must be given more effective support.
- Greater emphasis must be placed on older people's economic potential, including their role in the labour force. There must be a greater focus on employment opportunities for older workers, e.g. through the "Experience is the Future" initiative.
- In order to be able to utilise older people's potential more effectively for the benefit of society, age-discriminatory regulations need to be abolished.

The demand for products and services for older people will continue to increase in the coming years. A greater focus on this target group can therefore open up good opportunities for growth and employment, especially in the delivery of household-related services.

Older people want to live a self-determined and independent life for as long as possible. Better products and services help to improve their quality of life. In order to achieve this goal, we are working with the Länder, municipalities, companies and service providers to ensure that products and services are targeted more effectively to the older age groups.

7.2 Helping the elderly

We want to improve the quality of care provided to the elderly. We also want to increase home-based care and network the full range of geriatric services (physicians, hospitals, out-patient and in-patient care, therapists, hospices).

A catalogue of objectives will be drawn up, outlining the rights and responsibilities of persons requiring assistance and care. The catalogue will be prepared in conjunction with all the agencies responsible for providing care. The operators of care facilities and services, as well as organisations representing the elderly, are invited to adopt this catalogue on a voluntary basis as a quality benchmark for their work. The CDU, CSU and SPD are in favour of reforming the Residential Homes Act (*Heimgesetz*). The key elements of a reform are as follows:

- the Federation and the Länder will work pro-actively to utilise the scope to streamline the bureaucratic elements of legislation governing residential care for the elderly and phase out redundant provisions and regulations,
- cooperation between the Medical Advisory Service of the German Compulsory Sickness Insurance Bodies (MDK) and the Residential Homes Supervisory Body will be developed with a focus on the content and scheduling of inspections, so that duplicate and multiple inspections can be avoided,
- residential home operators' duty of disclosure will be limited to necessary, practice-oriented measures,
- better support will be provided for innovative living and care options,
- the Residential Homes Act which is currently in force will be reviewed to ascertain whether, and to what extent, it promotes innovative living and care strategies – e.g. communal living for the mobile elderly – and appropriate amendments to the legislation will be adopted if necessary,
- when carrying out inspections, the focus must be on the quality of outcomes rather than on the quality of processes and structures,
- quality must be ensured through a properly maintained record of care,
- the legal requirements which must be met by residential homes providing day- and night-care must be made more specific, both in relation to human resources and the physical environment,
- the numerous conflicting provisions of the Residential Homes Act and Book XI of the Social Code must be harmonised.

We want to boost the role of the hospices and palliative care so that people can die with dignity.

8. Strengthening civil society

Sixty years after the end of the war, democracy in Germany is well-established. Nonetheless, every generation requires political education, and the state's support is essential to encourage people's active participation in social and political life. We will therefore boost political education. We will examine the introduction of elements of direct democracy.

Without citizens' strong voluntary commitment to the development of community relations, our society cannot survive. That is why we will adopt further measures to support an active civil society, e.g. by promoting civic engagement. We will also support civil society initiatives targeted towards conflict prevention and the integration of migrants, as well as those which aim to prevent and eradicate extremism.

8.1 Improving the legal framework for civic engagement

The state should encourage civic engagement by improving the legal framework, taking account of the impacts of all proposed legislation on this field of activity and providing targeted support for the development of a "recognition culture". This includes reforming the laws governing the non-profit sector, streamlining bureaucracy, and safeguarding the scope for creativity and innovation in other areas of the law.

The further development of foundation and tax law should create incentives for citizens to set up foundations with a view to contributing to the public good.

Besides traditional forms of civic engagement, the state is also expressly committed to new forms of citizens' participation in activities which promote the common good and will provide appropriate support for this purpose.

8.2 Voluntary services

In order to promote volunteering, the conditions will be put in place to offer better opportunities to utilise the potential of applicants to the voluntary services. This includes improving the legal framework based on the ongoing evaluation of the law, expanding the number of available places, providing support for services abroad, harmonising social and residency provisions, and focussing more intensively on the arts and sport.

In light of demographic change, it is apparent that the expansion of youth voluntary services alone is not enough. In addition to boosting civic engagement, we will therefore expand intergenerational voluntary services as a means of opening up prospects for volunteers from all generations to work in schools, families, community centres, in-patient services and hospices.

VII. A Germany worth living in

1. Consumer policy

Consumer policy is a cross-cutting task which touches on almost all areas of the political agenda. Alongside the issues of food safety and general consumer health protection, legal and economic issues have gained in importance. For particularly in these fields, consumer policy faces new challenges due to increasing globalisation and technological advances. Consumer policy is economic policy seen from the demand side. We want a consumer policy which releases creative forces in competition and is not encumbered with bureaucratic regulations.

A balance must be struck in consumer policy between the interests of consumers and those of business. That is the only way to guarantee a high quality of life for the individual while fostering economic growth and innovation. Consumers should have sufficient information to enable them to decide and choose for themselves. We uphold the ideal of responsible citizens as consumers and participants in the market. The Federal Government will publish a regular report on consumer policy in order to document the progress made in consumer protection.

1.1 Strengthening consumers' position

We want a Consumer Information Act (*Verbraucherinformationsgesetz*) which meets consumers' high demands for information on products which pose health or other risks and does not give rise to excessive bureaucracy. The Consumer Information Act will regulate consumers' rights to information and prevent any negative impact on entrepreneurs whose products give no cause for complaint.

We want to safeguard independent consumer counselling so that consumers are on an equal footing with industry. The consumer advice centres of the Länder and of the Federation of German Consumer Organisations, as well as the German Consumer Foundation "Stiftung Warentest", play a crucial role in providing consumers with advice and information. Adequate annual funding through the federal budget should be guaranteed. In addition to this, we will examine the option of foundation funding for consumer advice centres in order to secure their financial independence on a long-term basis.

Alongside the traditional core field of consumer policy, i.e. consumer health protection, issues relating to legal and economic consumer protection which, however, do not lie within the area of responsibility of the Federal Ministry of Consumer Protection, Food and Agriculture are gaining in importance. In particular, this applies to the forthcoming reform of insurance contract law, the necessary strengthening of passengers' rights in rail transport, telecommunications, digital consumer protection, investor protection and construction contract law.

Numerous consumer protection regulations are decided in the European Union. Our task must be to influence European decision-making processes as early as possible, also in the interests of German consumers. At present, this applies especially to the drafting of the Consumer Credit Directive, the draft regulation on nutrition and health claims and the current discussion on banning alcohol and tobacco commercials.

Small and medium-sized companies bear the brunt of the sometimes ruinous price competition which is most commonly found in the retail food trade. The ban on selling goods below cost price is of limited help as it is still permitted to sell below cost price under certain circumstances. The Federal Government will amend anti-trust law in order to prohibit altogether the sale of foodstuffs below cost price.

1.2 Food safety has priority

Private voluntary controls and notification requirements, as well as state food controls and inspections are key instruments in effective consumer protection. The safety of all food has priority. Responsibility for food controls lies with the Länder. However, past food scandals have shown that better national coordination of food controls is necessary. The coordination powers of the Federal Office of Consumer Protection and Food Safety should therefore be strengthened with the consent of the Länder.

Furthermore, private quality assurance systems and state food controls should be better coordinated. The Federal Government will call at European level for national private quality assurance systems to be recognised and taken into account.

1.3 Healthy diet and more exercise

Obesity and malnutrition are problems which affect all of society and require joint solutions. Children and young people are particularly affected by this. Due to treatment costs, diseases caused by an unhealthy diet or a lack of exercise are not just an individual but also a national economic problem.

We will focus more on the issue of a healthy diet and more exercise involving all age groups and various institutions, as well as the Länder. In particular, this concerns industry's responsibility towards children and young people in advertising.

We support the work of the Platform for Diet and Physical Activity and call upon the Länder to step up their efforts within this framework.

The Federal Government will advocate at European level that the school milk programme be further developed into a healthy school meals initiative.

2. Culture

Funding of the arts and artists is at the centre of our cultural policy. Their creativity is a key prerequisite for making our society fit for the future. Arts funding is not a subsidy but, rather, an investment in the future.

Even if funding of the arts and culture is primarily a task for the Länder and municipalities under our constitution, the Federal Government has a number of essential tasks to perform in order to fulfil Germany's obligation as a European nation which prizes culture.

The budget for culture and the media is the smallest within the overall federal budget and is therefore especially vulnerable. As significant budgetary increases are unlikely, it is all the more crucial to use the available funds efficiently. New projects must be financed by restructuring the budget.

Bureaucratic obstacles – for example in tax law – should be removed. The funding instruments indispensable for preserving Germany's vibrant and diverse cultural scene should be strengthened. In performing the Federation's tasks, the coalition partners will pay special attention to ensuring that children and young people in particular take advantage of the range of cultural activities on offer. The funding of cultural institutions in the new Länder will be continued.

The basic conditions which civil society has and needs must be improved in the cultural sphere. This includes promotion of civil engagement, especially with regard to the law of association. The legal status of copyright holders in the digital age must be strengthened. We want to further develop foundation law in order to facilitate the establishment of foundations and to create additional incentives for donations. The special interests of culture and the media as well as of artists and cultural workers should be taken into account in the legislative process. In revising Hartz IV, special attention should be paid to ensuring that there are no restrictions on the employment of freelancers in the cultural and media sphere.

The coalition partners want to merge the Federal Foundation for Culture and the Cultural Foundation of the Länder and draw up appropriate regulations geared to guaranteeing that culture of national importance is effectively funded and that the Federation and Länder preserve our cultural legacy.

The Federation has a special responsibility for culture in Berlin. Germany's commitment to culture must be visible in the capital. The coalition partners stand by the provisions of the Capital Culture Contract and the decisions on completing Museum Island. Further decisions on the rebuilding of the Stadtschloss should be made on the basis of the feasibility study.

The Federal Government's policy on funding memorials launched in 1999 will be continued with the aim of ensuring that sufficient attention is given to the two dictatorships on German soil.

Fifteen years after reunification, the implementation of the programme to create branches of the Federal Commissioner's Office for the Files of the State Security Service of the former German Democratic Republic and the amendment of the Stasi Records Act (*Stasi-Unterlagengesetz*) will enable the Commissioner's Office to further develop so that it can master the challenges ahead.

The coalition declares its commitment to dealing with forced migration, flight and expulsion, both socially and historically. In a spirit of reconciliation – and in collaboration with the European Network for Remembrance and Solidarity beyond the countries involved at present, namely Poland, Hungary and Slovakia – we want to send a signal from Berlin in order to remind everyone that expulsions are unjust and should be banned for good.

Germany's cultural relations and education policy must again become the third main pillar of our foreign policy and serve German interests abroad. This presupposes an adequate allocation of funds. Those who put this policy into practice, above all the Goethe Institute and German schools abroad, make an invaluable contribution towards close relations based on mutual trust between Germany and its partners and perform vital tasks in fostering understanding between cultures. One focus is the teaching, promotion and enhancement of the German language abroad.

The Deutsche Welle broadcasting service should receive greater support in carrying out its tasks. The cooperation between Deutsche Welle TV and the public ARD and ZDF TV stations should be intensified on the basis of agreements with the stations and experience with German TV, in order to make possible comprehensive, up-to-date and attractive German broadcasting abroad.

In particular, we will continue our intensive negotiations with Russia on the return of German cultural goods which were taken after the Second World War. Moreover, we should discuss new ways of bringing about progress in returning these cultural goods with the institutions in question.

Germany will implement the 1970 UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property as well as the recently adopted UNESCO Convention on Cultural Diversity. In international trade agreements, the special character of cultural services as cultural and economic goods should be taken into consideration. The leeway of state cultural funding vis-à-vis the WTO (for example within the framework of GATS) and the EU must be guaranteed. A basic agreement at EU level on the compatibility of state funding of culture in view, among other things, of European state aid legislation and the EU Services Directive is being sought. The autonomy of the EU Member States to shape public broadcasting within a future-oriented dual media system must be guaranteed.

At European level, we must stay involved in the amendment of the EU Television without Frontiers Directive and, in particular, maintain the separation of programmes and advertising.

We want to improve the basic conditions for the German film industry in order to ensure its international competitiveness. This includes internationally competitive regulations on commercialisation and tax conditions comparable to those in other EU countries in order to mobilise private capital for film production in Germany.

The 2001 media decree should be amended to ensure that there are no more obstacles to coproductions with German involvement.

The basic legal conditions for Germany's media landscape must be adapted to technical developments in cooperation between the Federal Government and the Länder, first and foremost by reforming the media and communications code. Rapid changes in the spheres of telecommunications, broadcasting, the telemedia and the increasing convergence of the media make a uniform legal framework necessary. In creating this framework, the coalition partners are keen, in particular, to safeguard press diversity, civil rights and special protection of journalists.

3. Germany – land of sport

Germany is known as a land of sport with a sports-mad population. Sport moves people and fosters social integration. It should be used and supported to a greater degree as an antidote to the increasing lack of exercise among children and young people in particular. The backbone of German sport are the clubs which, in turn, depend on the dedication of many volunteers. We want to further promote mass and top-level sport as well as sport for the disabled. Mass and top-level sport are

interdependent and need each other. Top-level sport has always recruited the cream of mass sport and top performances by athletes attract millions of spectators. We are looking forward to the many world and European championships in our country and, in particular, to the 2006 World Cup, at which Germany will present itself as a hospitable, outward-looking and sports-mad country. We will continue to bid for first-class international sport events.

We will carry on supporting the reorganisation of German top-class sport and back its efforts to stay clean and fair. Germany will implement its obligations under the World Anti-Doping Code.

VIII. Security for citizens

1. Domestic policy: Germany – a safe and free country

Protecting citizens' freedom and security is one of the state's key tasks. Freedom is inconceivable without security. A balance has to be struck time and again – in line with changing external conditions – between these two values.

Citizens have a right to be protected from crime. The terrorist attacks around the world have revealed a new dimension to this threat. There have been no attacks by Islamist terrorists in Germany so far. That is partly due to the good work done by the security authorities. However, such attacks can by no means be ruled out. The fight against terrorism thus continues to be a very important task for all German security authorities.

The security authorities in Germany are in good shape. However, we will further develop the security architecture, which has proven its worth in principle, wherever necessary and review to what extent certain legal provisions, for example in the field of data protection, stand in the way of fighting terrorism and crime effectively.

We will take the necessary legal measures based on our evaluation of the Counter-Terrorism Act (*Terrorismusbekämpfungsgesetz*). In this connection, we will also examine to what extent amendments to penal law – for instance provisions relating to the drumming up of support for terrorist organisations or activities – are necessary.

The Federal and Land security authorities must have the legal powers to cooperate in order to combat terrorism effectively. On the basis of the preliminary work done by the Conference of Interior Ministers, we want to create an anti-terrorism database as quickly as possible.

In view of the threat posed by international terrorism, the border line between external and internal security is becoming increasingly blurred. Nevertheless, the basic distinction between police and military tasks continues to apply. Following the decision by the Federal Constitutional Court on the Act on Aviation Security (*Luftsicherheitsgesetz*), we will examine whether and to what extent there is a need for constitutional amendments. In this connection, we will also introduce an act on maritime security.

1.1 Organising security

The establishment of the Joint Counter-Terrorism Centre in Berlin was a first key step in the cooperation among Federal and Land security authorities on improving the exchange of information in the fight against Islamist terrorism. We want to further improve the work done in this Centre. The Federal Criminal Police Office should be granted preventive powers to combat the dangers of international terrorism.

In order to enhance the communications capability of the authorities and organisations responsible for public safety in Germany, we will work together with the Länder to advance the introduction of digital radio within the framework of the selected operator model. Our goal must be to achieve nationwide coverage, a

uniform coverage standard and a fair distribution of the costs between the Federation and the Länder as quickly as possible.

A modern security architecture must include modern information technology while maintaining data protection. We therefore want to make greater use of biometric procedures (passports, identity cards, visa, residence permits) and amend the Act Governing Passports and Identity Cards (*Pass- und Personalausweisgesetz*) to this end. We will protect our vital information structures by implementing the National Plan for Information Infrastructure Protection.

Problems as diverse as the consequences of climate change and the threat posed by terrorism present civil protection and disaster management with new challenges. We will therefore strengthen the Federation's management and coordination powers in tackling major disasters and serious accidents affecting more than one Land.

The Federal Agency for Technical Relief is indispensable both to the disaster response in Germany and to humanitarian assistance worldwide. We will therefore preserve it as a federal institution.

The Federal Police play an important part both among Germany's security authorities and within the context of international cooperation.

1.2 Managing migration – fostering integration

Migration and migratory flows are a major challenge of our time. Successful integration of those intending to stay in our country on a long-term basis is of fundamental importance for maintaining harmony within our society. Integration can only be successful if migration is managed and restricted. The tasks this involves can only be mastered through interdepartmental cooperation in an overall strategy. In order to combat the causes of migration, we want to step up and coordinate cooperation in all areas of policy with migrants' states of origin and transit countries and support this course of action at European level.

The integration of foreigners and ethnic German immigrants into German society is a cross-cutting task involving many areas of policy. It remains a focus of the Federal Government's policy. We will harness the integration measures at federal level in the Federal Office for Migration and Refugees and thus strengthen it as a centre of excellence for integration.

We will conduct an intensive dialogue with the major Christian churches as well as with Jews and Moslems. An interreligious and intercultural dialogue is not only an important part of integration policy and civic education; it also serves to prevent and combat racism, anti-Semitism and extremism. The dialogue with Islam is especially important in this connection. Within this context, clearly naming the differences which separate the partners in dialogue is a vital sign of mutual respect. This dialogue will only succeed if we better integrate young Moslems in particular both into society and into the world of work.

The Federal Government is working towards a Europe-wide refugee policy. However, regulating access of non-EU citizens to the labour market should remain a matter for national governments and parliaments.

The Federal Government will introduce a second bill amending the Residence Act, which serves to implement 11 EU directives relating to foreigners and asylum-seekers, into parliament without delay. The General Administrative Regulations relating to the Foreigners Act and to the Freedom of Movement Act/EU necessary for the uniform application of foreigners law throughout the Federal Republic should be drawn up as quickly as possible.

We will evaluate the Immigration Act (*Zuwanderungsgesetz*) by looking at its practical application. In particular, it should be examined whether a satisfactory solution to the problem of the successive suspensions of deportation has been found. Within the scope of the evaluation, it should also be examined whether all security issues and humanitarian problems, for instance those relating to children brought up in Germany, have been satisfactorily resolved as intended. We will also examine the sphere of "illegality" and the question of the right to vote and stand for election in local government elections for non-EU citizens.

We want to make citizenship law more precise in order to ensure uniform implementation in all Länder. This applies in particular to naturalisation involving multiple nationality and the implementation of the options model.

In order to stress the importance of German citizenship to the integration process, the person being naturalised should commit themselves to the free democratic basic order during the naturalisation ceremony.

In the visa procedure, too, special consideration must be given to Germany's greater security needs by adequately involving the security authorities in visa processing. To this end, the conclusions drawn by the Parliamentary Committee of Inquiry on the Visa Affair should be considered by a joint Federal Foreign Office/Federal Ministry of the Interior working group.

Within the context of issuing visas, special measures should be taken to make it possible to subsequently identify foreigners who have destroyed their identity papers or travel documents. In order to combat visa abuse and illegal entries, we need a terror-suspect database for all German missions abroad and foreigners offices, to which the security authorities should have access. The Federal Government will call at European level for the EU visa information system planned for 2006 to be shaped accordingly. Should these efforts not be successful by then, a national database will be created.

We want to implement suitable measures to facilitate the repatriation of foreigners required to leave the country and to remove practical obstacles to the deportation of criminals in particular as quickly as possible.

We want to prevent acknowledgements of paternity being abused to gain advantages under foreigners and nationality law by introducing appropriate measures, for example by granting public authorities the right to challenge.

We also continue to recognise our responsibility both for the ethnic Germans who suffered in Eastern and South-Eastern Europe as well as in the Soviet Union in the aftermath of the Second World War and now want to stay in their current home countries and for those who came to Germany. This applies in particular to the Germans in the successor states to the Soviet Union on whom the war had the longest-lasting impact. The culture of the Germans expelled from their home

countries is part of the legacy of the entire German nation and we want to cultivate and preserve it. Members of the German minority in the ethnic Germans' home countries should be granted assistance from Germany, whose effectiveness we intend to enhance, in order to provide them with better opportunities and prospects for the future. Protection and promotion of recognised national minorities in Germany, with whom we want to continue the dialogue about their special needs, remains an important task for the Federal Government.

1.2.1 Strengthening intercultural skills in child and youth services

The special situation of migrant children must be taken into consideration when developing and reshaping the range of educational and childcare facilities in and outside school so that they, too, have a chance of gaining good qualifications. Closely involving parents in schools and other institutions is particularly important for migrant children. As well as better cooperation with migrant organisations, we want to further develop youth migration services. Cooperation between educational institutions and childcare facilities as well as child and youth services must be enhanced in an education partnership.

1.2.2 Equal rights for women and girls from a migrant background

With regard to the integration process of women of foreign origin, our priorities are their equal participation in political, economic and cultural life as well as teaching them the German language so that they can enter education and the world of work. The measures aimed at integrating foreign women already launched should be further strengthened and their integration into society and the world of work advanced. The equality of women and men will be included as a key focus in the interreligious dialogue.

Forced marriages cannot be tolerated. We want to prevent them and we are examining all instruments to this end. It is crucial to build awareness of rights and obligations and to enhance girls' and boys' self-confidence and ability to make their own life choices. In order to prevent and combat forced marriages, the legal status of those affected should be improved, while care, advisory services and specific help as well as preventative measures should be extended. Forced marriages will be made an offence under the Penal Code.

1.3 European cooperation

Numerous domestic issues have to be resolved at European level. In the sphere of internal security, we will canvass for all Member States to participate in the successful cooperation under the Prüm Agreement. Furthermore, we want the advanced Schengen Information System (SIS II) to become operational as quickly as possible. We intend to make crucial progress in this project during the German EU Presidency in the first half of 2007.

2. Legal policy

2.1 People have a right to freedom and security

People want to live in freedom and safety in stable legal structures. Legal policy strikes a balance between people's need for security and their right to freedom guaranteed under the Basic Law. We will continue to guarantee the legal framework that enables us to fight crime at all levels. This includes effective penal laws, efficient and swift prosecution and dealing firmly with criminals.

We will therefore close any loopholes in criminal law:

Stalking is becoming ever more frequent and has a dramatic impact on a victim's life. It will therefore be made an offence in its own right.

We want to prevent forced marriages. To this end, we will examine all suitable legal instruments.

Likewise, we will provide the victims of forced prostitution with better protection and prosecute their clients.

The provisions which entered into force on 8 September 2005 on the criminal liability of those responsible for graffiti will be reviewed after two years.

Due to numerous amendments in recent times, criminal law in respect of sexual offences has become increasingly obscure and is no longer truly effective. We will therefore strive to carry out a radical reform of this area of penal law with a view to eliminating contradictions and unclear terminology.

We will take the necessary legal measures based on our evaluation of the Counter-Terrorism Act. In this connection, we will also examine to what extent amendments to penal law – for instance relating to the drumming up of sympathy for criminal or terrorist organisations – are necessary.

We are drafting general sentencing rules for the Penal Code which provide for reduced sentences or exemption from punishment for witnesses for the prosecution and ensure that any crimes committed are prosecuted effectively and that possible offences are successfully prevented. The use of such rules will only be possible until the start of the trial.

With the help of those involved in day-to-day practice, we will examine whether a regulation on reaching agreements in criminal proceedings is necessary.

We will revise the provisions on telecommunications surveillance in the Code of Criminal Procedure with a view to creating a uniform overall regulation of secret investigative measures. Through these amendments, we will strengthen the legal protection of those affected by such measures, eliminate existing uncertainties and loopholes in the application of the law and review the catalogue of offences with an open mind.

As part of the legislature's obligation to evaluate the practical and constitutional implications of the legal norms in question, we will review the new regulation on the acoustic surveillance of the private home, which entered into force on 1 July 2005,

once the first Federal Government reports have been submitted to the Bundestag in accordance with Article 13 (6) of the Basic Law.

DNA analysis has proved to be an excellent tool in criminal prosecution and in investigating crimes. With the amendment of 1 November 2005, DNA analysis can now be used in a wider range of criminal proceedings. This act will be reviewed after two years. Within this context, we will have to examine whether DNA analysis has to be extended as part of our policy on crime.

The legislative process to implement the Framework Decision on the European Arrest Warrant will be initiated as soon as the Government has been formed.

We want to continue improving cooperation within Europe on penal and civil law. We are advocating more effective transboundary criminal prosecution. In doing so, we will be committed to protecting the rights of the individual (whether they be the accused, a witness or any other third party) in keeping with strict legal requirements and also to guaranteeing them through the justice system within the scope of European cooperation.

The Council of Europe's Convention on the Transfer of Sentenced Persons should be implemented in such a way that foreign prisoners can be deported against their will to serve their sentences if they are required to leave the country once they have been released.

Offenders should be resocialised so that they do not commit crimes in future. However, that will not succeed with all offenders. We therefore continue to pay particular attention to dealing firmly with those who have committed crimes.

For the sensitive area of offenders undergoing measures of correction and prevention, which concerns in particular the treatment of ill offenders, there should be more flexibility coupled with tighter security. We want the capacities available to be better used, successful therapies fostered and protection from dangerous offenders improved.

When offenders are released from prison or from measures of correction and prevention after serving their sentences, they must, if necessary, be subject to special controls and receive special assistance. Supervision of conduct should be stricter and more efficient.

We will introduce an act to provide a reliable basis for the pre-trial detention of adults and young prisoners.

We will place the execution of sentences passed on young offenders on a reliable legal basis.

It should also be possible to impose subsequent preventive detention in particularly serious cases, including those of offenders convicted under juvenile criminal law of the most serious crimes against life, freedom from bodily harm or sexual self-determination. Such preventive detention will only be imposed if the offender has proved to be especially dangerous during his imprisonment.

We will set up a working group to review the legal provisions on judicial measures in cases where the welfare of a child is at risk (in particular Sections 1666 and 1631 of the Civil Code and Section 34 of the Juvenile Courts Act (JGG)) with the aim of

facilitating the imposition of measures by family courts relating to children and young people with severe behaviour disorders, especially those who have committed offences. In particular, the aim is to oblige parents or legal guardians to take advantage of the assistance provided by the youth welfare services, to take corrective measures which will have an impact on the behaviour of children or young people and, if necessary, to put them into care. It should be established whether the necessary conditions to create suitable accommodation exist in the Länder.

2.2 Legal policy for a social market economy

The market economy only functions with strong consumers. Our policy is therefore guided by our desire to protect them and, at the same time, to enhance their ability to take responsibility for their own affairs.

In the insurance contract act (*Versicherungsvertragsgesetz*), we will ensure that the interests of the persons insured are given greater consideration.

While safeguarding the interests of consumers, we will create a new procedure on forgiving the debts of those without means.

We will adopt a claims enforcement act.

In order to safeguard Germany as a business location and its attractiveness to investors, we are planning further changes to commercial law in the coming electoral term:

The amendment of the Limited Liability Companies Act (*GmbH-Gesetz*) is intended to make it easier and quicker on a long-term basis to establish companies, to increase the attractiveness of limited liability companies as a form of enterprise, also in competition with businesses with a foreign legal form, as well as to combat abuses in cases of insolvency.

The creativity and inventiveness of its people are Germany's capital for the future. That is why we need legal protection for intellectual property which meets the needs of the 21st century. We will therefore push ahead with the modernisation of copyright law as one of the focuses of our work.

The public sector must set an example when it comes to performance and transparency. We are therefore striving to introduce a statutory obligation to disclose managers' salaries for companies in which the Federation has a majority share.

2.3 For self-determination and tolerance

Our society has become more tolerant. It shows consideration for minorities. It accepts different lifestyles. Our legal policy will continue to support and foster this development.

The EU directives on gender equality will be incorporated into German law.

We want to further improve the situation of families with children. The maintenance laws will therefore be reformed. Child support should be given priority in this context.

Taking responsibility for one's own affairs after a marriage has broken down should be strengthened. We will aim to harmonise tax and social provisions.

The coalition partners propose that the discussion on legal safeguards for living wills be continued and concluded.

The coalition partners agree that the procedure for establishing paternity should be simplified while reconciling the interests of everyone concerned and regulated independent of proceedings to challenge paternity.

2.4 A modern justice system for the rule of law and responsiveness to citizens' needs

The coalition will ensure that the German justice system maintains its high standards and performance and that it continues to have a stabilising impact on society as a whole in the medium and long term.

The legal system is faced with major challenges owing to demographic change, economic upheaval and the budgetary constraints this involves, the ever greater complexity of substantive law due to the increasing number of European regulations and the increase in lawsuits.

The German legal system and in particular the rules of procedure are not optimally prepared for these challenges. The existing legal protection system is complicated, difficult to administer and confusing, at times even for legal experts.

The coalition partners will look at all the proposals made by the Conference of Justice Ministers and the preliminary work done by the Federal Ministry of Justice on reform of the justice system and subsequently draw up an overall strategy for ensuring the long-term efficiency and future of the justice system while fully safeguarding rule-of-law standards. We want to streamline the organisational, institutional and procedural structures and make them less confusing, to standardise and simplify judicature and procedural laws, as well as to foster a change in our attitude towards litigation.

The implementation of the SLIM IV Directive on electronic commercial registers provides for access to commercial register entries on the Internet as of 1 January 2007. Access via the Internet is not intended to fully replace the traditional notices in daily newspapers until the end of a reasonable transitional period.

We are striving to comprehensively modernise investigations under the enforced collection system with a view to enabling the creditor to gain quick and targeted access to the debtor's assets and to easing the burden on the authorities responsible for carrying out such actions.

With a reform of legal counselling, we will continue to ensure the quality of advice provided by lawyers. We will protect consumers from unqualified legal advice.

Modern and clearly structured procedural law will be applied to jurisdiction over non-contentious matters. All disputes relating to marriage, separation and divorce are to be dealt with in future by a grand family court.

Likewise, we will simplify procedures in matters relating to home ownership and strengthen the capability to decide and act of the owners of the some five million privately-owned flats in Germany.

Training in the legal professions must be adapted to the changing demands in this field. However, there is no need for new academic qualifications. The coalition partners therefore reject the application of the Bologna process to such training.

IX. Germany as a responsible partner in Europe and the world

German foreign, European and development policy serves to promote peace in the world. Our shared aim is to seize the opportunities globalisation offers our country and make an effective contribution to conflict prevention and settlement, the struggle against international terrorism, and poverty alleviation. The foundation for this is a reliable foreign, European and development policy which enjoys the trust of our allies and partners. For peace, freedom and security, as well as a policy which fosters democracy and social justice, European integration and Atlantic partnership remain of paramount significance.

Maintaining continuity in German foreign policy, we will be guided by the interests and values of our country.

Adherence to international law and respect for human rights, as well as the commitment to a comprehensive concept of security, are cornerstones of German foreign policy.

We will seek to strengthen European policy within multilateral bodies, promote transatlantic relations and shape our relations with neighbours, allies and partners with balance and good judgement.

Since the major political changes in the world after 1989, Germany has increasingly taken on international responsibility and has gained in international standing.

European integration and Atlantic partnership are not at odds; rather, they are the two most important pillars of our foreign policy. Together, they form the basis for our relations with other countries, particularly our close friendship and cooperation with France, Poland and our other neighbours, with the United States of America, and also our relations with Russia. At the same time, we affirm Germany's special responsibility towards Israel.

We support the implementation of the European Security Strategy. It combines a forward-looking peace policy, preventive capabilities and an emphasis on negotiated solutions to conflicts, with an expansion in capacities for joint military action.

European and Atlantic security cannot be separated. NATO remains for us the central instrument of our security and defence policy.

Through our development policy we will make a central contribution to combating poverty worldwide, safeguarding peace, protecting the environment, preserving the natural resource base and Creation, making democracy, the rule of law and human rights reality, and shaping globalisation in a just fashion. To this end, we will create conditions at international and national level which allow globally sustainable development. This is all the more necessary since the development of the global population, together with the refugee flows stemming in part from poverty, armed conflict and the effects of climate change, represent dramatic challenges for the industrial nations too. We intend to tackle the roots of these problems and give people in the developing countries opportunities and perspectives in their home

countries. Not only does development policy arise from the responsibility we bear; it also serves our own security policy interests.

In order to tackle the major global challenges, we will work together with our partners and allies, in particular at the United Nations, the international financial institutions, the OSCE, the Council of Europe and other international institutions.

1. Europe

The European Union is the guarantor of political stability, security and prosperity in Germany and Europe. Only by working together can the Europeans successfully safeguard their interests. Due to its history, and its political and economic weight, Germany bears a particular responsibility for preserving and developing the European integration process. Europe is founded on the appropriate combination of unity and diversity. Different experiences of civilisation and culture make up the richness of Europe.

We view the current crisis in the EU as an opportunity to adapt the European project to the needs of our time. We must regain the trust of the citizens which has been lost. This will only be possible if we in Europe concentrate together on the essentials, if we agree on the goals and tasks, competences and limits of the enlarged European Union, strictly respect the subsidiary principle, coordinate our national efforts towards reform more effectively, particularly within the eurozone, and inform our citizens better about the further development of European policies.

We will seek to ensure that European rules and regulations promote functioning competition, growth and economic dynamism and safeguard social cohesion. We intend to strengthen the citizens' Europe, shape German European policy on the basis of fair cooperation between larger and smaller states and give the people of our continent hope for their future.

During the first half of 2007, Germany will assume the European Union presidency. We bear a particular responsibility for the European project at a decisive point in time. We will do everything in our power to make our presidency a success.

German-French cooperation and the important momentum it creates remain vital and will serve the interests of our partners within the European Union. In addition, we intend in particular to lend a new quality and intensity to cooperation with our neighbours and the new Member States. We intend to further intensify forms of cooperation such as the Weimar Triangle.

1.1 A citizens' Europe

We will actively seek to ensure a stronger democratisation of the European Union, to safeguard the European institutions' ability to act in an enlarged EU and to further develop Europe's many-faceted model of society. We will therefore actively use the period of reflection agreed by the European Council to enter into a wide-ranging debate with citizens, the social partners, churches and groups within society.

We are committed to the European Constitutional Treaty. It represents important progress in the process of achieving a values-oriented and socially just Europe, greater rights for citizens, a clearer division of responsibilities between the EU and the Member States, the reduction of overregulation and red tape and stronger involvement of the national parliaments. This will make the European Union more democratic, capable of acting, efficient and transparent.

We are therefore in favour of the process of ratification of the European Constitutional Treaty being continued beyond the first half of 2006 and given fresh momentum during the German presidency in the first half of 2007. In this context, we will support a strengthening of the role of the national parliaments through the use of the subsidiarity early warning system even before the Constitutional Treaty enters into force, something which does not require any changes to the existing treaties. We are determined to use the possibilities provided for in the Act to Extend and Strengthen the Rights of the Bundestag and the Bundesrat in EU Affairs (*Gesetz über die Ausweitung und Stärkung der Rechte des Bundestages und des Bundesrates in Angelegenheiten der Europäischen Union*) in a positive way for Parliament and will immediately begin discussions with the Bundestag on the conclusion of an agreement to this effect. Such an agreement does not prevent the Federal Government, even though it is aware of the views expressed in Bundestag votes, from exercising its right to take divergent decisions for compelling reasons of foreign policy and integration policy.

We will work to ensure that the German language enjoys a status in Europe which reflects its importance. We intend to ensure that German interests are represented in a coordinated and efficient manner within the European institutions.

Successfully cutting red tape and limiting European legislation to what is strictly necessary will be decisive in gaining public support. This also applies to transposing European directives into national law. We will seek to ensure that the European Union uses its competences responsibly, in order to prevent an erosion of the responsibilities of the Member States. We welcome the proposals put forward by the European Commission on reducing overregulation and improving impact assessment for new EU proposals. In addition, we are in favour of the European Council making use, in individual cases, of its right to call on the Commission to withdraw a legislative proposal, or, where necessary, even existing legislative provisions.

We support the Lisbon Strategy, relaunched in March 2005, which aims to create more growth and employment by enhancing the European economy's competitiveness. The Member States and the EU must rigorously implement the Lisbon Strategy in their respective areas of responsibility and work together to develop it further. In light of globalisation, strengthening Europe's competitiveness is of central importance. The Lisbon Strategy provides the appropriate framework for economic and social renewal in Europe. Sustainable growth, social cohesion, education, research and innovation must be given priority. European industrial policy will have to place our value creation on a competitive and secure base for the future.

The eurozone states have a particular role to play in modernising Europe. By coordinating their policies more closely, they can make a major contribution towards demonstrating Europe's ability to act and willingness to reform.

We need to strike a new balance between economic performance and social cohesion which is conducive to growth. The principles of social market economics can only be made to prevail at European level if we improve our competitiveness on a sustainable basis and, at the same time, take into account people's justified needs for protection.

We are aiming to achieve a common tax base for corporate taxation and an approximation of minimum tax rates, in order to prevent unfair tax competition.

In the future too, we will seek to ensure that the abolition of frontiers within the Single Market does not lead to deterioration in the security situation here in Germany and in our neighbouring states. In the European framework, we are in favour of closer and more efficient cross-border cooperation between the Member States in combating terrorism and organised crime, and of strengthening the responsible European institutions like Europol and Eurojust.

In European environmental policy, our goal will be to achieve a high level of environmental protection, without damaging the competitiveness of our companies.

1.2 Financial framework

We would like to see a rapid conclusion of the negotiations on the Financial Perspective. EU financial planning must take into account Germany's economic situation and support consolidation of the national budgets. We would therefore like to see a relative reduction in the burden placed on Germany and we reaffirm our position that Germany should not contribute more than 1% of gross national income to the EU. To this end, the EU's spending structures need to be streamlined. A correction mechanism to balance out excessive net burdens should also be used to help ensure that no extra burden is placed on Germany. The commitments contained in the 24/25 October 2002 compromise on agricultural financing will not be called into question. Reform of agricultural policy will be continued along the current lines.

We view the European Union's structural policy as an important expression of intra-Community solidarity. The EU's spending on regional policy and the burden on individual countries paying into the system must, however, be shaped in a more just manner. In the future too, the new Länder will be important beneficiaries of European structural funding, but the same applies to German regions bordering the new EU Member States, which have to cope with particular adaptation processes. Germany must not be put at a disadvantage compared to the other Member States by the new arrangements for Objective 2 funding. In addition, we will actively support an increase in national leeway in regional policy.

We are committed to the European Stability and Growth Pact and wish to ensure that the stability criteria are met in 2007. Our policy for more growth, employment and innovation will also contribute to sustainable consolidation of public finances.

1.3 Enlargement

A circumspect enlargement policy, which does not overtax the European Union's capacity to absorb new members, constitutes an important contribution to peace and

stability on our continent. In this context, the further development of an ambitious and differentiated EU Neighbourhood Policy is gaining in significance.

Past enlargement represented a major step towards overcoming the painful division of our continent. Germany, in particular, is one of the beneficiaries. We stand by the commitments which have been made. Accession negotiations with Romania and Bulgaria have been completed. The schedule for Romanian and Bulgarian accession is tied to the fulfilment of clearly defined requirements. We will take a decision on ratification of the accession treaty with Bulgaria and Romania based on the European Commission's progress reports and recommendations.

We welcome the fact that accession negotiations have begun with Croatia. We stand by the European perspective for the other states of the Western Balkans, too, as agreed at the European Council in Thessaloniki.

We will ensure compliance with fair conditions of competition within the enlarged Europe and see to it that social distortions, for example through wage dumping and illegal employment, do not arise. Transitional periods will ensure that the German labour market remains protected from an uncontrolled influx of workers for up to seven years. Moreover, checks on persons at borders to the new Member States will only be discontinued once the strict security standards of the Schengen Agreement have been met.

Germany has a particular interest in a deepening of mutual relations with Turkey and in binding the country to the European Union.

The negotiations launched on 3 October 2005 with the aim of accession are an open-ended process which does not imply any automaticity and whose outcome cannot be guaranteed at the outset.

This poses a particular economic, demographic and cultural challenge. Against this background, we welcome the reform efforts undertaken in Turkey. We want to make every effort to foster development in the areas of democracy, the rule of law and economic affairs in Turkey, with which we are also closely linked within NATO.

There must be strict compliance with the conditions contained in the negotiating mandate and the Declaration by the European Community and its Member States of 21 September 2005, also as regards the EU's absorption capacity. In accordance with the Copenhagen criteria, this also encompasses the exercise of basic liberties, including religious freedom.

Should the EU not have the capacity to absorb Turkey, or should Turkey not be able to comply completely and in full with all of the commitments which membership entails, Turkey must be linked to the European structures as closely as possible and in a way that further develops its privileged relationship with the EU.

2. Transatlantic cooperation and European security policy

We want to shape transatlantic relations in a way that looks to the future without forgetting our shared history. For this, close, mutual trust between the USA and a

self-confident Europe which sees itself as a partner, not a counterweight, is essential. That does not rule out the possibility of differing views, which must be dealt with in a dialogue based on partnership and in a spirit of friendship. The Atlantic partners are linked by a shared foundation of values and many common interests, arising not least from the fact that they are the most closely intertwined, and thus the most interdependent, economic areas in the world. We want to endeavour, inter alia, to improve the procedures for settling trade disputes, and to promote a better understanding of the USA among the German public, as well as of Europe and Germany in the USA.

Together with the USA, we will continue in future to support peace, democracy and freedom in the world. Cooperation with the USA is particularly important in ensuring fruitful relations between the Islamic world and the West, in securing peace and stability in the Middle East and the Balkans, in the struggle against poverty and hunger, in dealing with failing states, the plight of refugees and persistent structural imbalances of the world economy, in the struggle against terrorism and the proliferation of weapons of mass destruction, and in tackling the consequences of natural catastrophes and epidemics.

NATO is the strongest anchor of our security and defence policy. We are in favour of the Atlantic Alliance becoming the central forum of the transatlantic security-policy dialogue, where the transatlantic partners consult each other and coordinate their strategic concepts on an equal basis. In this way, too, we want to strengthen the alliance. Attention must be paid in this context to close and seamless coordination and cooperation between NATO and the EU.

The European security and defence policy is not intended to compete with the transatlantic security partnership. In our view, European action in the field of security policy should be guided by the European Security Strategy of December 2003. With a view also to strengthening the European pillar of the Atlantic security partnership, we are in favour of enhancing the EU's capacities and options for action. In this context, we will avoid unnecessary and costly duplication with NATO.

To be able to fulfil its international responsibilities and represent its interests, the EU needs, in this framework, civilian and military means for conflict settlement and conflict prevention. We want to further develop the European security and defence policy into a Security and Defence Union.

For the purpose of conducting joint European operations as part of a broader understanding of security, the EU needs planning and command capabilities which can be deployed within the framework of the agreements concluded between the EU and NATO. The development of EU multinational task forces will be continued. They will remain interoperable with NATO.

We will adhere to the currently applicable regulations governing arms exports, and support harmonisation of arms exports guidelines within the EU.

European foreign policy and Atlantic partnership must prove their worth with respect to joint action. German foreign policy will endeavour to help bring about positions coordinated between the European and transatlantic partners. Such a policy is having a positive effect in the Balkans and Afghanistan. We will also pursue this

approach towards other crisis spots or problem areas, including the Middle East peace process, the stabilisation of the Middle East and its integration in global development, the fostering of democracy and modernisation efforts in the Arab world, support for peaceful conflict resolution in the East Asian region, the strengthening of disarmament, arms control and the non-proliferation regime, the dangers of nuclear and biological terrorism, and a global climate policy.

3. The Bundeswehr as an instrument of national and international security

The Bundeswehr's fifty-year existence is the success story of an army in a democratic society which, in addition, has played an important part in bringing the reunified Germany closer together.

Security-policy developments are a major factor in determining the Bundeswehr's future spectrum of tasks and the structural consequences. Accordingly, the Bundeswehr serves the objectives of international conflict prevention and crisis management, support for Alliance partners, national defence, rescue and evacuation operations, partnership and cooperation, as well as national disaster relief. Germany gears its security-policy structures towards these tasks, and is willing to make a contribution to strengthening international security commensurate with its size and importance.

The EU's security-policy capabilities must be consistently strengthened within the framework of a credible European Security and Defence Policy. Germany will therefore continue in future to participate, within its means, in further developing and making available necessary capabilities. The Federal Government will make every effort to advance European defence cooperation while maintaining the core capabilities of the German defence technology industry and its international competitiveness.

The Bundeswehr is an operational army. Its structures must ensure that Germany has the ability to act in the field of foreign and security policy, and that the Bundeswehr can be deployed to secure the borders of the Alliance area, is capable of fulfilling commitments to the UN, NATO and the EU, and can continue in future to protect Germany and its population.

The Federal Government is willing to continue to take on responsibility within the multinational framework in future. The Federal Government can decide to deploy the Bundeswehr abroad, subject to the German Bundestag's consent, in so far as this is necessary in terms of security policy and is in the national interest. It will ensure that the Bundeswehr receives the necessary resources for this.

By the end of 2006, the Federal Government will produce a white paper on Germany's security policy and the future of the Bundeswehr, under the direction of the Federal Minister of Defence. This white paper will also set out the tasks and procedures for cooperation of the institutions responsible for security within a comprehensive national system of preventive security. On this basis, the constant further development of the Bundeswehr since German reunification will be continued

in a way which will enable the armed forces to successfully carry out their tasks in the security-policy environment of the 21st century.

The Parliamentary Participation Act (*Parlamentsbeteiligungsgesetz*) will remain the procedural basis for Parliament's binding decision on Bundeswehr missions abroad. If experience should indicate a need for further development, the coalition parliamentary groups will table bills.

Alongside involvement in international conflict management, national defence remains the Bundeswehr's core constitutional task, despite changed conditions and tasks. Particularly in view of asymmetrical threats, posed in particular by terrorist activities, it is no longer possible to draw a sharp distinction between external and internal security. Where there is a need for statutory or constitutional regulation to counter particular threats to our country's security, the Federal Government will introduce legislation.

Efficient national defence requires reliable regional structures as well as cooperation between the civil and military authorities in the use of existing capabilities. The concept of civil-military cooperation will be further developed.

The Federal Government is committed to general conscription, which remains the best form of military service. It determines the development of the Bundeswehr and the way in which it perceives its role while maintaining a strong bond between the armed forces and society.

Alternative civilian service will remain as a substitute for military service. Given the great social importance of civilian service (for example in the realm of support for persons with disabilities) and its role in youth policy, it undoubtedly merits retention, not least as an important field enabling young men to acquire key knowledge and skills.

General compulsory military service for men and women is rejected. The performance and duration of civilian service will continue to be based on the rules governing military service. We will look into the question of whether the system of compulsory military service and the call-up system can be further improved in terms of their fairness, with a view to providing a secure planning basis for all parties involved in civilian service.

We will examine the extent to which the time spent acquiring practical vocational skills and theoretical knowledge during civilian service can be deducted from the duration of subsequent training periods to an even greater extent. The practical arrangements for the induction of conscripts into civilian service will be further developed. As part of the same process, we will examine whether the number of training centres for civilian service should remain at twenty.

Bundeswehr planning will be continued on the basis of task-based funding, with a balance being struck between operational and capital expenditure. The implementation of the Bundeswehr stationing concept will be continued.

Within the overarching aim of guaranteeing the operational capability of the Bundeswehr, armaments planning will seek to preserve appropriate core industrial

capabilities. We will strive to ensure that capital expenditure in the defence budget is categorised in the budgetary guidelines as investment, in accordance with European rules.

Enhanced cooperation with business, privatisation measures and public-private partnerships are suitable means by which additional capital and know-how from the private sector can be made available to the Bundeswehr. The decisive criteria must be that the Bundeswehr makes efficiency gains and is relieved of responsibilities that lie outside its core tasks. A critical review will be undertaken and any necessary adjustments made. This review will cover budgetary and procurement law as well as planned projects, with consideration being given to experience gained to date.

The special characteristics of military service will be taken into account in social legislation and welfare rules. In this context, the possibility of creating a separate system of remuneration for members of the armed services will be examined. We will also examine how structural surpluses of older military professionals can, in light of the needs of the armed forces, be reduced as part of the transformation process.

An efficient military administration is essential to the operational capability of the Bundeswehr. The adjustment and restructuring measures that have already been initiated are based on that goal. In setting up new structures, consideration will continue to be given to the social welfare of civilian staff.

4. Stability, security and cooperation in Europe and the world

Germany has a vital interest in the permanent stabilisation of the western Balkans. For this reason, we will actively endeavour, together with our partners and allies, to bring the countries of the western Balkans closer to the EU and NATO, to support political and economic change in those countries and to settle unresolved issues.

Together with our European partners, we will work towards a strategic partnership with Russia, which we will advance in all fields at the level of bilateral relations and at EU level. Germany has a particular interest in supporting the country's difficult modernisation process through increased political, economic and societal cooperation. The aim remains a Russia which prospers and which – guided by the values to which Europe is committed, and taking into consideration its traditions – successfully completes its transformation into a stable democracy. We want to increase trade and create a long-term energy partnership without one-sided dependencies. Russia remains an important partner for us in dealing with regional and global challenges, in the struggle against international terrorism, and in the context of relations with its immediate neighbours. Offers by Germany and the EU to support Russia in creating better conditions for a political solution to the Chechen conflict still stand. We want to shape our relations with Russia in a way that includes our common neighbours in a spirit of friendship and trust.

We will continue to develop, on the basis of shared values, our relations with the other states of Eastern Europe and the countries of the southern Caucasus and Central Asia.

It remains our aim to make every effort to support the democratic and economic reform process in Ukraine. We are committed to implementing the path towards deepening and strengthening relations between the EU and Ukraine set out in the EU action plan adopted on 21 February 2005. We are in favour of Ukraine finding its place in Europe.

Together with our partners in the EU, we support a strengthening of democracy, the rule of law and human rights in Belarus.

In light of its history, Germany's relationship with Israel is marked by a special responsibility. We affirm Israel's right to exist and the right of its citizens to live within secure borders, free of fear, terror and violence, as well as the right of the Palestinian people to their own state, existing side by side with Israel in security and within recognised borders. We want to work together with our partners, on the basis of the roadmap, towards a peace solution which is in the interests of all involved and lays the foundations for the lasting, peaceful coexistence of Israelis and Palestinians in two sovereign states.

Bilaterally and together with our partners, we will provide targeted support for reform processes in the countries of the Middle East, while respecting their independence and traditions, and will also thereby make a contribution towards overcoming the problem of Islamist terrorism and easing the migratory pressure emanating from that region.

Beyond the bounds of the region, improving mutual understanding with cultures shaped by Islam is an important objective which, besides cultural and economic aspects, also serves to safeguard peace.

In this rapidly intertwining world, we want to intensify further our relations with the states in Asia, Latin America and Africa on the basis of shared values and guided by the principles of democracy, the rule of law and human rights. We will place special emphasis on promoting and reinforcing subregional and interregional cooperation.

We will devote increasing attention to the political, security and economic challenges facing Asia. In this context, in addition to our established links with Japan and other Asian states, we intend to develop long-term partnership strategies with China and India in particular. The economic and political potential of these countries is growing, and we would like to seize the opportunities this offers. We want to intensify our dialogue with China on the rule of law with the aim of strengthening democracy, the rule of law and human rights.

We wish to give our relations with the states of Latin America and the Caribbean the emphasis this traditional partnership deserves, thereby pursuing our interest in regional stability, democracy, prosperity, thriving economic relations and cultural exchanges as well as helping to combat drug-trafficking and terrorism. In so doing, we intend to take a firm stand against dictatorial tendencies and human-rights abuses.

Developments in our neighbouring continent of Africa confront us with important humanitarian tasks and affect our strategic and political interests. Africa faces enormous social, political and economic challenges. Among the priorities of our

involvement in Africa are combating poverty, protecting the natural resource base and pursuing policies for the stabilisation and reconstruction of weak or failed states. We are therefore resolved, for the sake of both continents, to support the emergence of self-sustaining development in Africa for which Africa itself would take ownership. To this end, we want to lend active support and bolster Africans' efforts to solve problems themselves, particularly in the framework of NEPAD, but at the same time we will also take the extent to which African states exercise responsibility for their own destiny as a yardstick. African states are increasingly developing their own sense of political responsibility for the security of their region; we will support this by helping to develop the bodies responsible for security policy in the African Union and African regional organisations.

Cultural and education policy abroad is the third pillar of German foreign policy. We wish to strengthen intercultural dialogue and to awaken interest in Germany and Europe, especially through cooperation in the realms of research and higher education. In order to enhance the efficiency of our cultural policy abroad, we intend to streamline its instruments, interlink them to a greater degree and improve their quality. The Deutsche Welle broadcasting service, as the voice of Germany, and the system of German schools abroad must be strengthened.

5. The United Nations

German action in the foreign-policy field is primarily taken in multilateral contexts. We will make particular efforts to strengthen the common foreign policy of the EU and to gain support for common European positions, particularly in international forums such as the United Nations. We support effective multilateralism, in which each specific problem is entrusted to the international organisations best equipped to solve it.

The United Nations continues to have a key role to play in preserving peace and solving global challenges for the future. We are in favour of a reform of the United Nations which enables it to meet future requirements. We will advance the reform initiatives of the UN summit held in September 2005, such as the new Peacebuilding Commission and the Human Rights Council, and actively support management reform. We will also advocate the further strengthening of the rule of law in international affairs. Any reform of the UN which does not involve reform of the Security Council would be incomplete. Germany remains ready to accept more responsibility, including by taking up a permanent seat on the Security Council. As a long-term perspective, we will continue to strive for a permanent seat for the EU.

We will maintain our commitment to the development of Bonn as a location for UN offices and international non-governmental organisations.

6. Global issues

German foreign policy is rooted in a comprehensive security concept, which combines elements of foreign, security and development policies. In this context, we intend to develop the range of instruments available to us for crisis prevention and response in particular. This priority cross-cutting task requires the pooling of available financial and human resources, as well as additional funding. Besides military

capabilities, these resources must also include enough civilian personnel for the establishment or restoration of viable democratic institutions subject to the rule of law, such as the police force, the judiciary and the public prosecution service. The Interministerial Steering Group for Civilian Crisis Prevention should be strengthened, and early-warning mechanisms should be improved. National and EU mechanisms should be even more neatly dovetailed. We will implement the Federal Government's Action Plan on Civilian Crisis Prevention.

Germany will remain ready to exercise its international responsibility and participate in international peace missions in the framework of the Charter of the United Nations and of the Basic Law. This commitment will be honoured on the basis of international law and in close coordination with our partners and allies in the EU, NATO and the UN. In this context, Germany supports the process of stabilisation, nation-building and reconstruction, especially in Afghanistan and the Balkans. This support is reflected in a comprehensive approach involving the use of political, economic, developmental and military resources. We will take decisions on Bundeswehr missions abroad with our allies, having due regard to the need for a fair distribution of burdens, and we can be relied upon to honour the pledges we have made. Bundeswehr missions abroad will always be accompanied by overarching political strategies and will be closely coordinated among the departments of the Federal Government involved.

Missions in other countries are dangerous. Our service personnel, police, diplomats and development and reconstruction workers deserve our thanks and our recognition. Their welfare is our special concern.

We want to enhance our contribution to the struggle against international terrorism. To combat terrorism efficiently, we must intensify our international cooperation on the basis of a comprehensive long-term strategy, with particular emphasis being placed on tackling the causes of terrorism. This means that agreement must be reached on a comprehensive UN anti-terrorism convention and implementation of all UN conventions relating to terrorism; it also means engaging in dialogue with Islam and ensuring close cooperation among intelligence services. Where necessary, consideration must also be given to the use of military resources.

Treaty-based non-proliferation, disarmament and arms control are core priorities of German foreign and security policy. We stand by the long-term goal of complete abolition of all weapons of mass destruction. We are committed to nuclear disarmament and the reinforcement of the international non-proliferation regime. We advocate strengthening the role of international organisations such as the International Atomic Energy Agency (IAEA). International capabilities to monitor and verify compliance with the non-proliferation regime and to enforce the provisions of the Non-Proliferation Treaty must be improved.

In the conflict about the Iranian nuclear programme, our aim is to achieve a negotiated solution. We want to work together with our European and American partners to ensure that the international community receives objective guarantees that the Iranian nuclear programme serves peaceful purposes only. With this aim in mind, we want to continue the negotiations and, as a first step, ensure ratification of the Additional Protocol to the Non-Proliferation Treaty by Iran. We are in agreement with our European and American partners that Iran has the right to use nuclear

energy for peaceful purposes, but not to possess nuclear weapons. We will make every effort to ensure that Iran makes its necessary contribution to peace and stability in the region and recognises the right to exist of all states in the region.

We will continue to press for progress in the control of small and light weapons of war.

Our policy on human rights is an important component of our political efforts to promote peace and security. Systematic violations of human rights can also pose a threat to peace and international security. Human rights are indivisible. Our foreign and development policies will not fail to respond when democracy, freedom, the rule of law and minority rights are in danger. We are committed to credible foreign and development policies, policies that can address shortcomings openly, while at the same time actively seeking to promote the interests of our country. Bilateral dialogue on the rule of law, measures to strengthen civil society and promotion of democracy in the multilateral framework can underpin this process.

Familiar and new infectious diseases, such as HIV/AIDS, malaria, tuberculosis and bird flu, as well as the ever greater number of natural disasters, are endangering more and more people and, increasingly, entire regions. We want to take part in international efforts to combat such diseases and disasters.

We intend to develop a comprehensive strategy for energy security in order to ensure that energy supplies to Germany and Europe are also safeguarded in the long term. Part of this strategy must focus on the efficient use of increasingly scarce global resources and the promotion of energy from renewable sources.

In 2007, Germany will be hosting the G8 summit, and will make every effort to bring the summit to a successful conclusion.

7. Development policy

Development policy is a distinct component of our overall German foreign policy.

The consequences of increasingly critical development problems, particularly in Africa but also in parts of Asia and Latin America, pose a direct threat to peace and prosperity in Germany and Europe.

We are pursuing the aims and applying the principles of the Millennium Declaration, especially the Millennium Development Goals for 2015, including the results of their review conducted at the UN Millennium Summit in 2005, the Monterrey Consensus adopted at the International Conference on Financing for Development and the Plan of Implementation agreed at the Johannesburg World Summit on Sustainable Development. We regard development cooperation as a task of the international community, to which German development policy makes effective and visible contributions.

Our main aim is to pursue a highly effective development policy. We want to achieve this by raising the profile of our policy, by establishing a clear national and international division of labour, successfully coordinating our activities with other

donors and by improving the coherence and efficiency of bilateral and multilateral organisational structures and instruments. Through close interweaving of our foreign, security, development, human-rights, external-trade and cultural-relations policies, we intend to forge a coherent policy on relations with developing countries.

In order to improve cooperation in tackling global challenges, we wish to advance the further development of international institutions and global regulatory instruments such as the world trade order. In this context, we will focus on the following objectives:

- greater fairness in the way in which global structures are shaped,
- further reform of EU development policy,
- continuing reform of the international financial institutions the World Bank and the International Monetary Fund,
- enhancement of the negotiation and implementation capacities of developing countries, and
- better opportunities for developing countries to mobilise their own resources for their own development.

We are in favour of the world trade order being adjusted so as to ensure that greater emphasis is placed on reducing poverty. Debt relief should be consistently focused on the Millennium Goals, and its effectiveness should be efficiently monitored.

Along with our partners in the WTO, we want to improve market access for developing countries. We intend to support the efforts at the Doha round of trade negotiations to reduce trade-distorting tariffs and agricultural export subsidies while creating differentiated market-opening mechanisms for developing and newly industrialised countries and to ensure that these efforts are successful.

Successful development depends on good governance - based on democracy, the rule of law and respect for human rights – as well as on gender equality and on a peaceful environment. These criteria, coupled with efforts to enhance good governance, promote the potential for self-help and strengthen and support civil society in developing countries, along with sustained efforts to fight corruption, are defining elements of our development cooperation. For cooperation with countries where governance is inadequate, we intend to devise a new concept designed to establish the basis for a development-orientated transformation in the longer term.

With our partners in the EU, we will strive to ensure that the dangers of destabilisation posed by contrasting demographic trends and by increasing pressure causing people to migrate to Europe can also, by means of development measures, be confronted effectively at their source.

By promoting the use of energy from renewable sources and energy efficiency in developing countries, we make an important contribution to worldwide sustainable development, to the creation of more jobs in Germany, to protection of the global climate, to reduced dependence on oil in energy supply and to the fight against poverty.

Preserving biological diversity for future generations is imperative to ensure our planet's sustainable development. We want to set new priorities and launch fresh

initiatives designed to help the developing countries preserve biodiversity and promote the development-friendly use of resources.

In our bilateral cooperation, we will, in close consultation with other donors, review our priority areas for the achievement of the Millennium Goals and the number of our partner countries with a view to reducing this number. Our medium-term objective is to concentrate our bilateral cooperation on 60 countries. In this context, we will also re-examine the balance between the resources available for bilateral, as opposed to multilateral, development cooperation.

We have committed ourselves to automatic increments in the resources allocated to official development cooperation and have included these increases in the timetable agreed at EU level. Accordingly, we will devote 0.33% of our gross national income to public development cooperation by 2006, at least 0.51% by 2010 and the UN target figure of 0.7% by 2015 at the latest. These increases will be achieved with the aid of additional budgetary resources, debt relief and innovative funding instruments.

In the international arena, we will remain active and focused on results in the framework of cooperative efforts to introduce innovative funding instruments for global sustainable development, particularly in the EU, the G8 and the Lula Group (Action against Hunger and Poverty).

Increasing the efficiency of German development policy and improving its structures will depend on further streamlining. This applies especially to the need to forge closer links between Technical and Financial Cooperation. Budgetary assistance will only be granted if the criteria of good governance are met.

Successful cooperation with non-governmental organisations, churches, foundations and business will be further developed. We will further improve cooperation between governmental and non-governmental players. The political foundations will play a prominent role in our development policy.

German development policy will use the instruments of bilateral, multilateral and EU development policy in a targeted manner with due regard to the relative advantages of each, coordinating them more closely. We want to raise the profile of our development policy by means of consolidation and prioritisation and to ensure that it is a visible and effective part of the efforts of the international community. We will be seeking strategic partnerships with major newly industrialised countries.

We want to develop our presence and our influence in multilateral development organisations and their supervisory bodies.

C. The working methods of the coalition

I. Cooperation between the parties

This coalition agreement is valid for the 16th electoral term. The coalition partners undertake to translate this agreement into government action. The partners bear joint responsibility for all of the coalition's policies.

The coalition partners CDU, CSU and SPD will continuously and comprehensively coordinate their work in parliament and government and reach consensus on procedural, material and personnel issues. The coalition partners will meet regularly at least once a month for coalition talks in the coalition committee. Furthermore, this committee will convene at the request of any of the coalition partners.

It will discuss matters of fundamental importance requiring coordination between the coalition partners and bring about consensus in cases of conflict. It will consist of the Chancellor, Deputy Chancellor, the chairpersons of the parliamentary groups (in the case of the CDU/CSU parliamentary group also the first deputy chairperson) and the party chairpersons, should they not already be included.

II. Cooperation between the parliamentary groups

In the Bundestag and all bodies to which it sends representatives, the coalition parliamentary groups will vote unanimously. This will also apply to matters which are not the subject of agreed policy. The possibility of changing majorities is excluded.

Agreement will be reached between the coalition parliamentary groups on parliamentary procedures and work. Motions, legislative proposals and interpellations at parliamentary group level will be tabled jointly or, exceptionally, by mutual agreement. The coalition parliamentary groups will reach agreement on this.

III. Federal Government

1. Work in the Cabinet

In Cabinet neither side will be outvoted on issues which are of fundamental importance for one coalition partner. Positions to be introduced into EU bodies will be coordinated.

In all Cabinet committees and all bodies to which the Cabinet sends representatives, both coalition partners will hold seats where the number of federal representatives permits. The filling of posts on Cabinet committees and advisory boards etc will be arranged by mutual agreement.

2. Composition of the Cabinet

The power of organisation lies with the Federal Chancellor. Major departmental changes during this electoral term will be subject to agreement between the coalition partners.

3. Distribution of ministries

The CDU/CSU will provide the Federal Chancellor.

The SPD will provide the Deputy Chancellor.

The CDU/CSU will head the following Federal Ministries:

- Economics and Technology
- Interior
- Defence
- Family Affairs, Senior Citizens, Women and Youth
- Education and Research
- Food, Agriculture and Consumer Protection

The Head of the Federal Chancellery with the rank of Federal Minister will be provided by the CDU/CSU.

The SPD will head the following Federal Ministries:

- Federal Foreign Office
- Finance
- Justice
- Economic Cooperation and Development
- Labour and Social Affairs
- Health
- Transport, Building and Urban Affairs
- Environment, Nature Conservation and Nuclear Safety

The right to nominate persons for each post lies with the parties responsible.

CDU, CSU and SPD will each provide an equal number of Parliamentary State Secretaries and Ministers of State. The same procedure will apply to Federal Government Commissioners.

The Federal Ministers will have the right to nominate Permanent and Parliamentary State Secretaries and Ministers of State at their respective Federal Ministries.