Federal Ministry of Finance

# German Draft Budgetary Plan

2023

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# German Draft Budgetary Plan

2023

German Draft Budgetary Plan of the general government
(Federation, *Länder*, local authorities and social security funds)
in accordance with EU Regulation No 473/2013

October 2022

# Contents

# Public finances in Germany

Information on the draft budgetary plan in accordance with Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 and in accordance with the related Code of Conduct

## Status of the projections

Germany's 2023 draft budgetary plan presents the fiscal projections for the budgets of the Federation, *Länder*, local authorities and social security funds (including their off-budget entities) on the basis of current trends and planning. The projections were issued on 28 September 2022.

Sources used as the basis for making the fiscal projections include the 2022 federal budget of June 2022 as well as the draft 2023 federal budget and the financial plan to 2026, both of which were adopted by the federal government in July 2022. The projections also include the third relief package of 3 September 2022 and take into account the planned nationalisation of the gas importer Uniper.

The federal government's budgetary and fiscal planning is based on the results of the Working Party on Tax Revenue Estimates of May 2022, which, in turn, are based on the federal government's spring projection of April 2022 (see Table 4a).

Once the federal government's draft budget has been forwarded to the parliament, the responsibility of the executive branch for the budget preparation process ends, and the legislative branch takes over. On 12 October 2022, while the parliamentary deliberations are under way, the federal government is due to publish its autumn projection. This projection could not be taken into account in the present 2023 draft budgetary plan. The autumn projection will form the basis of the next tax estimate, which is due to be issued on 27 October 2022. The results of the tax estimate will be taken into consideration in the final parliamentary deliberations on the 2023 federal budget. The final deliberations in the German Bundestag are currently planned for 22–25 November 2022.

## Protective shield for the economy of 29 September 2022

On 29 September 2022, the federal government adopted a comprehensive package of measures – a "protective shield" for the economy – to mitigate the impact of Russia's war of aggression against Ukraine. The protective shield will have a volume of up to €200 billion over the 2022–2024 period. Among other things, it serves the purpose of providing (interim) financing for government programmes to mitigate the impact of rising gas and electricity prices (including the gas and electricity price brakes) as well as for measures to support gas importers that are significant for market stability and companies that are experiencing difficulties due to the energy crisis. The protective shield is designed to provide consumers and companies with relief from high energy prices, protect jobs, and safeguard the energy supply. Thus, the package of measures will reduce the impact of the current energy crisis on consumers and companies, maintain the economy's production capacity, and minimise lasting economic damage. The protective shield is also expected to create positive macroeconomic spillover effects for other EU Member States. It was not possible to take the protective shield into account in the projection. The details of the instruments and the volume and distribution of expenditures were still being finalised at the time the projection was completed.

# Forecast for public finances

## General government deficit of 2% of GDP in 2023

The general government deficit is projected to decrease from 3.7% of GDP last year to 3½% of GDP in 2022. The anticipated deficit of 3½% in 2022 is slightly lower than the 3¾% of GDP forecast in the Stability Programme. This can be attributed to the fact that the revenue ratio has increased from the 45½% of GDP projected in the Stability Programme to 46½% of GDP projected at present, set against a less marked increase in the projected expenditure ratio, from 49¼% to 50%.

The projection for 2023 shows a clear improvement of the general government fiscal balance to -2% of GDP, partly due to the gradual phasing out of the pandemic response measures. The projected deficit of 2% for 2023 is in line with that set out in the Stability Programme.

## Gradual reduction of the structural deficit until 2026

The projected structural balance for 2022 (i.e. the fiscal balance adjusted for cyclical and one-off effects) stands at approximately -3% of GDP. As stipulated by the European Commission, the adjustment for one-off effects does not include temporary measures to combat the impacts of the pandemic. Temporary measures to mitigate the consequences of the war in Ukraine are not recorded as one-off effects, either. According to the projection, the structural deficit will be reduced continuously in the years ahead. By 2026, it is expected to amount to 1% of GDP.

As in 2020 and 2021, the quantitative requirements under the preventive arm of the Stability and Growth Pact (SGP) will remain suspended in 2022 and 2023 on the basis of the general escape clause. During the 2024–2026 period (when the preventive arm should again take effect, based on current expectations), Germany is expected to comply, on average, with the benchmark requirement to reduce the structural deficit by 0.5 percentage points per year on the adjustment path towards the MTO.

## Reduction of the debt-to-GDP ratio

The Maastricht debt-to-GDP ratio is projected to decline to 67¾% in 2022, from 68.6% in 2021. It is expected to fall to 66¾ % in 2023 and continue on a steady downwards path in the following years. At the end of the projection period, in 2026, the debt-to-GDP ratio is projected to amount to around 65¼%.

The projected debt-to-GDP ratio includes proposed support measures for energy companies totalling 1½% of GDP, based on plans as of 28 September 2022.

The fact that a decline in the debt-to-GDP ratio is expected in 2022 despite the high general government budget deficit is basically attributable to two effects: first, borrowing on the capital markets in 2021 exceeded budgetary requirements as a result of the uncertain budgetary situation, which led to a reduction in new borrowing levels in 2022; second, all else being equal, the anticipated high level of nominal GDP growth in 2022 is forecast to significantly lower the debt-to-GDP ratio.

**Table 1: General government budget balance and debt**

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| | in % of GDP | | | | | |
| **Budget balance** | -3.7 | -3½ | -2 | -2 | -1½ | -1 |
| **Structural balance** | -2.5 | -3 | -2¼ | -2 | -1½ | -1 |
| **Maastricht debt-to-GDP ratio** | 68.6 | 67¾ | 66¾ | 66 | 65¾ | 65¼ |

Figures for the projection period are rounded to quarter percentage points of GDP.

## Fiscal policy measures and fiscal policy stance

The measures taken in response to the Covid-19 pandemic are set to expire in 2022 and 2023. This will play a key role in the projected reduction of the general government deficit in these years. However, Russia's war of aggression against Ukraine, the associated energy crisis and the resulting extraordinarily high inflation have made it necessary to take decisive fiscal policy action and adopt new measures. In particular, the federal government has launched three relief packages of comprehensive support measures for households and companies. These packages include both revenue-side measures, such as adjusting the income tax schedule in line with inflation to prevent bracket creep, and expenditure-side measures, for example the introduction of reduced-price public transport tickets (see Table 8 for details).

The following table shows the projected impacts of the relief packages on both the revenue and expenditure sides.

**Table 2: Key impacts on the general government deficit of relief packages I, II and III to mitigate the consequences of the war in Ukraine**

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| | in % of GDP[1] | | | | |
| **Revenue side** | | | | | |
| **D.2 Taxes on production and imports** | 0.1 | 0.3 | 0.1 | 0.1 | 0.1 |
| **D.5 Current taxes on income, wealth, etc.** | 0.2 | 0.7 | 0.9 | 0.7 | 0.5 |
| **Expenditure side** | | | | | |
| **D.3 Subsidies** | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| **D.62 Social payments** | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| **D.7 Other current transfers** | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Increase(+)/reduction(-) of the general government deficit** | 1.2 | 1.4 | 1.3 | 1.1 | 0.9 |

1) Compared with budgetary and fiscal planning without the measures under consideration.

Any discrepancies in totals are due to rounding.

Overall, Germany's fiscal stance is expected to remain moderately supportive; its projected structural deficit is still above pre-pandemic levels. The three relief packages have a total volume of approximately 1½% of GDP in 2023. Compared with 2022, the projected fiscal impulse for 2023 is more or less neutral, despite the comprehensive relief packages. The cyclically adjusted primary balance, excluding measures to compensate for lost income due to the pandemic, is expected to amount to -1¾% of GDP in 2022 and -1½% of GDP in 2023. This relatively neutral impact is also in line with the country-specific recommendations for Germany that were issued in the summer.

In 2023, the fiscal impulse is likely to be stronger, due to the measures contained in the protective shield for the economy of 29 September 2022. This is necessary given the overall situation: in recent months, the economic effects of Russia's war of aggression against Ukraine have been felt increasingly in Germany, especially as a result of Russia cutting off gas supplies to Germany. The massive price increases for gas and therefore also for electricity represent a considerable, in some cases existential, challenge for citizens and companies. Without further government measures to mitigate this crisis, a pass-through of wholesale electricity and gas prices would result in production halts, especially in energy-intensive companies. Moreover, companies would pass on the high energy prices to consumers, which would push up the already high rate of inflation.

This, in conjunction with the high energy prices themselves, would lead to a massive decline in the population's purchasing power. Falling household consumer spending could set the German economy on a downwards spiral, resulting in significant job losses, a decline in prosperity and risks to the euro area as a whole. The targeted fiscal policy response is therefore necessary. The volume of the protective shield is significant, but when viewed in terms of the size and strength of the German economy and its dependence on gas, it is also proportional and sustainable over the long term. Germany has ensured the long-term stability of its public finances, not least because from 2023 onwards the federal budget is returning to the upper limit on new borrowing set out in the debt brake.

# Basis for the present 2023 draft budgetary plan

**The 2023 draft budgetary plan is based in particular on the following sources and information:**

- **Macroeconomic basis**
  - Federal government spring projection of 27 April 2022
  - Results for the general government budget in the national accounts, published by the Federal Statistical Office on 25 August 2022
- **Updated results of the Working Party on Tax Revenue Estimates of 12 May 2022**
- **Budgetary plans**
  - Act Adopting the Federal Budget for the 2022 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2022*) of 22 June 2022
  - Government draft of the Act Adopting the Federal Budget for the 2023 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2023*) and fiscal plan for 2022–2026, adopted by the federal government on 1 July 2022
  - Economic and fiscal plan of the special Climate and Transformation Fund, adopted by the federal government on 27 July 2022
- **Other legislation and measures in chronological order**
  - Finance Ministry circular on the income tax treatment of provident expenses (*BMF-Schreiben zur einkommensteuerrechtlichen Behandlung von Vorsorgeaufwendungen*) of 16 December 2021
  - Act Transposing Union Provisions in VAT Law (*Gesetz zur Umsetzung unionsrechtlicher Vorgaben im Umsatzsteuerrecht*) of 21 December 2021
  - Act Amending the Hamburg Act on the Determination of the Tax Rate for Real Property Transfer Tax (*Gesetz zur Änderung des Gesetzes über die Festsetzung des Steuersatzes bei der Grunderwerbsteuer*) of 8 March 2022
  - Act Extending the Special Rules for Short-Time Work Benefit and Other Benefits in Connection with the Covid-19 Pandemic (*Gesetz zur Verlängerung der Sonderregelungen im Zusammenhang mit der COVID-19-Pandemie beim Kurzarbeitergeld*) of 23 March 2022
  - Act on the Provision of a One-Off Heating Subsidy Due to Sharp Energy Cost Increases (*Gesetz zur Gewährung eines einmaligen Heizkostenzuschusses aufgrund stark gestiegener Energiekosten*) of 29 April 2022
  - 2022 Tax Relief Act (*Steuerentlastungsgesetz 2022*) of 23 May 2022
  - Act Governing an Immediate Supplement for Children and a One-Off Payment in the Subsistence Minimum Systems and Amending the Fiscal Equalisation Act and Other Acts (*Gesetz zur Regelung eines Sofortzuschlages für Kinder und einer Einmalzahlung in den sozialen Mindestsicherungssystemen sowie zur Änderung des Finanzausgleichsgesetzes und weiterer Gesetze*) of 23 May 2022
  - Act Amending Energy Duty Legislation to Temporarily Reduce Energy Duty for Fuel (*Gesetz zur Änderung des Energiesteuerrechts zur temporären Absenkung der Energiesteuer für Kraftstoffe*) of 24 May 2022

- Seventh Act Amending the Local Public Transport (Regionalisation) Act (*Siebtes Gesetz zur Änderung des Regionalisierungsgesetzes*) of 25 May 2022
- Act to Reduce the Cost Burden from the EEG Surcharge and to Pass On This Reduction to End Users (*Gesetz zur Absenkung der Kostenbelastung durch die EEG-Umlage und zur Weitergabe dieser Absenkung an die Letztverbraucher*) of 27 May 2022
- Fourth Act Implementing Fiscal Aid Measures to Overcome the Coronavirus Crisis (*Viertes Gesetz zur Umsetzung steuerlicher Hilfsmaßnahmen zur Bewältigung der Corona-Krise*) of 19 June 2022
- Act to Increase Protection through the Minimum Wage and on Amendments in the Area of Low-Wage Employment (*Gesetz zur Erhöhung des Schutzes durch den gesetzlichen Mindestlohn und zu Änderungen im Bereich der geringfügigen Beschäftigung*) of 28 June 2022
- Act Adjusting Pensions for 2022 and Improving Pension Benefits for Persons with Reduced Earning Capacity (*Gesetz zur Rentenanpassung 2022 und zur Verbesserung von Leistungen für den Erwerbsminderungsrentenbestand*) of 28 June 2022
- Act Amending the Basic Law (Article 87a) (*Gesetz zur Änderung des Grundgesetzes (Artikel 87a)*) of 28 June 2022
- Act to Finance the Bundeswehr, Establish a "Special Fund for the Bundeswehr" and Amend the Federal Budget Code (*Gesetz zur Finanzierung der Bundeswehr und zur Errichtung eines "Sondervermögens Bundeswehr" und zur Änderung der Bundeshaushaltsordnung*) of 1 July 2022
- Second Act Amending the Fiscal Code and the Introductory Act to the Fiscal Code (*Zweites Gesetz zur Änderung der Abgabenordnung und des Einführungsgesetzes zur Abgabenordnung*) of 12 July 2022
- Twenty-Seventh Act Amending the Federal Training Assistance Act (*Siebenundzwanzigstes Gesetz zur Änderung des Bundesausbildungsförderungsgesetzes*) of 15 July 2022
- Government draft of a Second Act to Improve Quality in and Access to Child Day Care (*Zweites Gesetz zur Weiterentwicklung der Qualität und zur Teilhabe in der Kindertagesbetreuung*) of 24 August 2022
- Government draft of the 2022 Annual Tax Act (*Jahressteuergesetz 2022*) of 14 September 2022
- Government draft of an Act on the Financial Stabilisation of Statutory Health Insurance (*Gesetz zur finanziellen Stabilisierung der gesetzlichen Krankenversicherung*) of 19 September 2022
- Federal government decision of 21 September 2022 to nationalise Uniper
- Government draft of an Act to Increase Housing Benefit (*Gesetz zur Erhöhung des Wohngeldes*) of 28 September 2022
- Government draft of an Act Amending the Heating Subsidy Act and Book XI of the Social Code (*Gesetz zur Änderung des Heizkostenzuschussgesetzes und des Elften Buches Sozialgesetzbuch*) of 29 September 2022
- Act Temporarily Reducing the VAT Rate on Gas Supplies via the Natural Gas Network (*Gesetz zur temporären Senkung des Umsatzsteuersatzes auf Gaslieferungen über das Erdgasnetz*), approved by the Bundestag on 30 September 2022

**Table 3: Technical assumptions**

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| **Short-term interest rate** (annual average in %) | 0.00 | 0.00 | 0.00 |
| **Long-term interest rate** (annual average in %) | -0.31 | -0.12 | -0.05 |
| **USD/€ exchange rate** (annual average) | 1.18 | 1.11 | 1.10 |
| **Nominal effective exchange rate** | 107.98 | 104.69 | 105.30 |
| **World GDP growth rate (excluding EU)** | 6.21 | 3.61 | 3.72 |
| **EU GDP growth rate** | 5.41 | 2.86 | 2.77 |
| **Growth of German sales markets** (% change yoy)[1)] | 10.5 | 4½ | 3½ |
| **World import volumes (excluding EU)** | 10.91 | 4.31 | 3.41 |
| **Oil price** (Brent, USD/barrel) | 70.8 | 101 | 90 |

2022 and 2023: federal government spring projection on macroeconomic trends, April 2022. For the purposes of budgetary planning, some of the macroeconomic assumptions underlying this table were adjusted to take account of current trends.

1) Figures for the projection period are rounded to quarter percentage points.

**Table 4a: Macroeconomic prospects**

| | ESA code | 2021 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| | | € billion | Year-on-year change in % | | | | | |
| **1. Real GDP** | B1*g | 3,203.8 | 2.6 | 2.2 | 2.5 | 0.8 | 0.8 | 0.8 |
| **2. Real potential GDP**[1] | | 3,256.7 | 0.9 | 1.0 | 1.1 | 1.0 | 0.9 | 0.9 |
| **contributions** (percentage points) | | | | | | | | |
| **- labour** | | | 0.2 | 0.1 | 0.1 | 0.0 | -0.1 | -0.2 |
| **- capital** | | | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| **- total factor productivity** | | | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 |
| **3. Nominal GDP** | B1*g | 3,601.8 | 5.8 | 6.3 | 5.2 | 2.6 | 2.6 | 2.6 |
| **Components of real GDP** | | Index (2015=100) | | | | | | |
| **4. Private final consumption expenditure**[2] | P.3 | 101.5 | 0.4 | 3.7 | 2.3 | | | |
| **5. Government final consumption expenditure** | P.3 | 118.1 | 3.8 | -0.1 | -0.8 | | | |
| **6. Gross fixed capital formation** | P.51g | 111.0 | 1.2 | 3.4 | 4.6 | | | |
| **7. Changes in inventories** (% of GDP) | P.52 + P.53 | - | 0.5 | 0.0 | 0.0 | | | |
| **8. Exports** | P.6 | 110.8 | 9.7 | 4.2 | 5.9 | | | |
| **9. Imports** | P.7 | 117.3 | 9.0 | 5.5 | 5.3 | | | |
| **Contributions to real GDP growth** | | | in percentage points | | | | | |
| **10. Final domestic demand** (excluding inventories) | | - | 1.8 | 2.5 | 2.0 | | | |
| **11. Changes in inventories** | P.52 + P.53 | - | 0.5 | 0.0 | 0.0 | | | |
| **12. External balance of goods and services** | B.11 | - | 0.8 | -0.3 | 0.5 | | | |

2021: Federal Statistical Office, August 2022.
2022 to 2026: federal government spring projection on macroeconomic trends, April 2022.

1) 2021 figure calculated as the difference between GDP (August 2022) and output gap (spring projection).
2) Including private non-profit organisations serving households.

**Table 4b: Price developments – deflators**

| | 2021 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| | Index (2015=100) | Year-on-year change in % | | | | | |
| **1. GDP** | 112.42 | 3.1 | 4.1 | 2.7 | 1.8 | 1.8 | 1.8 |
| **2. Private consumption expenditure**[1] | 108.99 | 3.1 | 5.8 | 2.5 | | | |
| **3. Government final consumption expenditure** | 113.35 | 2.7 | 5.2 | 1.3 | | | |
| **4. Gross investment** | 121.47 | 7.7 | 6.5 | 2.8 | | | |
| **5. Exports** | 107.72 | 5.4 | 9.4 | 2.6 | | | |
| **6. Imports** | 107.63 | 8.3 | 13.9 | 1.9 | | | |

2021: Federal Statistical Office, August 2022.
2022 to 2026: federal government spring projection on macroeconomic trends, April 2022.

1) Including private non-profit organisations serving households.

**Table 4c: Labour market developments**

| | ESA code | 2021 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| | | Level | Year-on-year change in % | | |
| **1. Employment, persons**[1] (in millions) | | 44.98 | 0.1 | 1.0 | 0.3 |
| **2. Employment, hours worked**[2] (in billions) | | 60.28 | 1.7 | 2.1 | 2.1 |
| **3. Unemployment rate**[3] (%) | | - | 3.3 | 2.8 | 2.8 |
| **4. Labour productivity, persons**[4] | | 101.5 | 2.5 | 1.1 | 2.2 |
| **5. Labour productivity, hours worked**[5] | | 106.1 | 0.9 | 0.1 | 0.4 |
| **6. Compensation of employees** (€ billion, domestic) | D.1 | 1,913.7 | 3.5 | 5.1 | 4.0 |
| **7. Compensation per employee** (€ thousand, domestic) | | 46.7 | 3.1 | 3.8 | 3.8 |

2021: Federal Statistical Office, August 2022.
2022 and 2023: federal government spring projection on macroeconomic trends, April 2022.

1) Occupied population, domestic concept, national accounts definition.
2) National accounts definition.
3) Unemployed (ILO) / economically active population.
4) Real GDP per person employed (domestic); 2015=100.
5) Real GDP per hour worked; 2015=100.

**Table 4d: Sectoral balances**

| | ESA code | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| | | in % of GDP | | |
| **1. Net lending/net borrowing vis-à-vis the rest of the world** | B.9 | 7.2 | 4.8 | 5.4 |
| of which: | | | | |
| - Balance on goods and services | | 5.3 | 3.5 | 4.2 |
| - Balance of primary incomes and transfers | | 1.7 | 1.6 | 1.5 |
| - Capital account | | 0.3 | -0.3 | -0.3 |
| **2. Net lending/net borrowing of households** | B.9 | 7.8 | 4.7 | 4.1 |
| **3. Net lending/net borrowing of general government**[1)] | B.9 | -3.7 | -3½ | -2 |
| **4. Statistical discrepancy** | | | - | - |

2021: Federal Statistical Office, August 2022.
2022 and 2023: federal government spring projection on macroeconomic trends, April 2022.

1) Figures for the projection period are rounded to quarter percentage points of GDP.

**Table 5a: General government budgetary targets broken down by subsector**

| | ESA code | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| | | in % of GDP | | | | |
| **Net lending (+) / net borrowing (-) (B.9) by subsector[1)]** | | | | | | |
| **1. General government** | S.13 | -3½ | -2 | -2 | -1½ | -1 |
| **2. Central government** | S.1311 | -3¾ | -1¾ | -1½ | -1¼ | -1 |
| **3. State government** | S.1312 | 0 | -¼ | 0 | 0 | 0 |
| **4. Local government** | S.1313 | 0 | 0 | 0 | 0 | ¼ |
| **5. Social security funds** | S.1314 | 0 | -¼ | -¼ | -½ | -¼ |
| **General government (S.13)** | | | | | | |
| **6. Interest expenditure** | D.41 | ¾ | ¾ | ¾ | ¾ | 1 |
| **7. Primary balance[2)]** | | -3 | -1¼ | -1 | -¾ | 0 |
| **8. One-off and other temporary measures[3)]** | | 0 | 0 | 0 | 0 | 0 |
| **9. Real GDP growth** (% change yoy) | | 2.2 | 2.5 | 0.8 | 0.8 | 0.8 |
| **10. Potential GDP growth** (% change yoy) | | 1.0 | 1.1 | 1.0 | 0.9 | 0.9 |
| **contributions** (percentage points): | | | | | | |
| **- labour** | | 0.1 | 0.1 | 0.0 | -0.1 | -0.2 |
| **- capital** | | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| **- total factor productivity** | | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 |
| **in % of potential GDP** | | | | | | |
| **11. Output gap** | | -1.0 | 0.4 | 0.2 | 0.1 | 0.0 |
| **12. Cyclical budgetary component** | | -½ | ¼ | 0 | 0 | 0 |
| **13. Cyclically adjusted balance** (1-12) | | -3 | -2¼ | -2 | -1½ | -1 |
| **14. Cyclically adjusted primary balance** (13+6) | | -2½ | -1½ | -1¼ | -¾ | 0 |
| **15. Structural fiscal balance** (13-8) | | -3 | -2¼ | -2 | -1½ | -1 |

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

1) TR - TE = B.9.
2) The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).
3) A plus sign means deficit-reducing one-off measures.

**Table 5b: General government debt developments (Maastricht definition)**

| | ESA code | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| | | in % of GDP | | | | |
| **1. Gross debt** | | 67¾ | 66¾ | 66 | 65¾ | 65¼ |
| **2. Change in gross debt ratio** | | -¾ | -1 | -¾ | -¼ | -¼ |
| **Contribution to changes in gross debt** | | | | | | |
| **3. Primary balance** | | 3 | 1¼ | 1 | ¾ | 0 |
| **4. Interest expenditure** | D.41 | ¾ | ¾ | ¾ | ¾ | 1 |
| **5. Other adjustments** | | -4½ | -3 | -2¾ | -2 | -1½ |
| **p.m.: Implicit interest rate on debt**[1)] | | 1 | 1 | 1¼ | 1¼ | 1½ |

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

1) Proxied by interest expenditure divided by the debt level of the previous year.

**Table 5c: GDP sensitivity of the general government budget balance projection**

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| | General government budget balance in % of GDP | | | | | |
| **GDP trends according to** | | | | | | |
| **– Baseline scenario** | **-3.7** | **-3½** | **-2** | **-2** | **-1½** | **-1** |
| **– Alternative scenarios** | | | | | | |
| Real GDP, rate of change -½ percentage point p.a. compared with baseline scenario | | -3¾ | -2½ | -2¾ | -2½ | -2¼ |
| Real GDP, rate of change +½ percentage point p.a. compared with baseline scenario | | -3¼ | -1½ | -1¼ | -½ | ¼ |

Figures for the projection period are rounded to quarter percentage points of GDP.

**Table 5d: Interest-rate sensitivity of the general government budget balance projection**

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| | General government budget balance in % of GDP | | | | | |
| **Interest rate trends according to** | | | | | | |
| **– Baseline scenario** | **-3.7** | **-3½** | **-2** | **-2** | **-1½** | **-1** |
| **– Alternative scenarios** | | | | | | |
| Interest rate +50 basis points p.a. compared with baseline scenario | | -3¾ | -2 | -2 | -1¾ | -1¼ |
| Interest rate -50 basis points p.a. compared with baseline scenario | | -3½ | -2 | -1¾ | -1¼ | -1 |

Figures for the projection period are rounded to quarter percentage points of GDP.

**Table 6: Expenditure and revenue projections under the no-policy-change scenario***

| General government (S.13) | ESA Code | 2022 | 2023 |
|---|---|---|---|
| | | in % of GDP | |
| **1. Total revenue with no change in policy** | TR | 47 | 46¼ |
| **of which:** | | | |
| **1.1. Taxes on production and imports** | D.2 | 11 | 11 |
| **1.2. Current taxes on income, wealth, etc.** | D.5 | 13 | 13 |
| **1.3. Capital taxes** | D.91 | ¼ | ¼ |
| **1.4. Social contributions** | D.61 | 17½ | 17 |
| **1.5. Property income** | D.4 | ½ | ½ |
| **1.6. Other**[1)] | | 4¾ | 4½ |
| **p.m.:** **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2)] | | 42 | 41½ |
| **2. Total expenditure with no change in policy** | TE[3)] | 47¾ | 46 |
| **of which:** | | | |
| **2.1. Compensation of employees** | D.1 | 8 | 7¾ |
| **2.2. Intermediate consumption** | P.2 | 5¾ | 6 |
| **2.3. Social payments** | D.62 + D.632 | 25¼ | 24½ |
| **of which: Unemployment benefits**[4)] | | 1½ | 1¼ |
| **2.4. Interest expenditure** | D.41 | ¾ | ¾ |
| **2.5. Subsidies** | D.3 | 1¼ | 1 |
| **2.6. Gross fixed capital formation** | P.51 | 2¾ | 2½ |
| **2.7. Capital transfers** | D.9 | 1¾ | 1½ |
| **2.8. Other**[5)] | | 2¼ | 2¼ |

* Please note that the no-policy-change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

1) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (other than D.91rec).
2) Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.
3) TR - TE = B.9.
4) Includes social benefits other than social transfers in kind (D.62) and social transfers in kind via market producers (D.632) related to unemployment benefits.
5) D.29pay + D.4pay (other than D.41pay) + D.5pay + D.7pay + P.52 + P.53 + NP + D.8.

**Table 7a: General government expenditure and revenue targets**

| General government (S.13) | ESA code | 2022 | 2023 |
|---|---|---|---|
| | | in % of GDP | |
| **1. Total revenue** | TR | 46½ | 45¼ |
| **of which:** | | | |
| **1.1. Taxes on production and imports** | D.2 | 11 | 10¾ |
| **1.2. Current taxes on income, wealth, etc.** | D.5 | 13 | 12½ |
| **1.3. Capital taxes** | D.91 | ¼ | ¼ |
| **1.4. Social contributions** | D.61 | 17¼ | 17 |
| **1.5. Property income** | D.4 | ½ | ½ |
| **1.6. Other**[1] | | 4¾ | 4½ |
| **p.m.:** **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2] | | 41¼ | 40½ |
| **2. Total expenditure** | TE[3] | 50 | 47½ |
| **of which:** | | | |
| **2.1. Compensation of employees** | D.1 | 8 | 7¾ |
| **2.2. Intermediate consumption** | P.2 | 6¼ | 6 |
| **2.3. Social payments** | D.62 + D.632 | 25¼ | 24¾ |
| **of which:** **Unemployment benefits**[4] | | 1½ | 1¼ |
| **2.4. Interest expenditure** | D.41 | ¾ | ¾ |
| **2.5. Subsidies** | D.3 | 2 | 1¼ |
| **2.6. Gross fixed capital formation** | P.51 | 2¾ | 2¾ |
| **2.7. Capital transfers** | D.9 | 2¼ | 2 |
| **2.8. Other**[5] | | 3 | 2¼ |

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

1) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (other than D.91rec).
2) Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.
3) TR - TE = B.9.
4) Includes social benefits other than social transfers in kind (D.62) and social transfers in kind via market producers (D.632) related to unemployment benefits.
5) D.29pay + D.4pay (other than D.41pay) + D.5pay + D.7pay + P.52 + P.53 + NP + D.8.

**Table 7b: Amounts to be excluded from the expenditure benchmark**

| | 2021 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| | €bn | in % of GDP | | |
| **1. Expenditure on EU programmes fully matched by EU funds revenue** | 11.8 | 0.3 | ¼ | ¼ |
| **2. Cyclical unemployment benefit expenditure** | 4.6 | 0.1 | 0 | -¼ |
| **3. Effect of discretionary revenue measures** | -3.5 | -0.1 | -½ | -¼ |
| **4. Revenue increases mandated by law** | 0.0 | 0.0 | 0 | 0 |

Figures for the projection period are rounded to quarter percentage points of GDP.

**Table 8: Discretionary measures at the general government level (including discretionary measures at the federal level)**

| List of new measures* | Detailed description | ESA code | Adoption status / entry into force | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| | | | | % of GDP | | | | |
| Additional climate action measures using the Climate and Transformation Fund[1)] | Promotion of climate-friendly investment in buildings, mobility, production facilities and energy supply | D.92, D.75 | Upon adoption of the 2023 federal budget | -0.08 | -0.42 | -0.68 | -0.62 | 0.00 |
| Fourth Coronavirus Tax Assistance Act (*Viertes Corona-Steuerhilfegesetz*)[2)] | Extension of tax allowance for working from home, extension of accelerated depreciation options for movable assets, extension of option to offset losses, expansion of loss carrybacks, temporary increase in tax exemption for bonuses paid in recognition of exceptional performance during the Covid pandemic | D.51 | 22 June 2022 | -0.01 | -0.09 | -0.12 | -0.06 | 0.01 |
| Relief package I ("10 relief measures for Germany"), coalition committee decision of 23 February 2022[3)] – here: excluding measures contained in the 2022 Tax Relief Act (*Steuerentlastungsgesetz 2022*) and the Fourth Coronavirus Tax Assistance Act | Abolition of EEG surcharge already as of 1 July 2022[4)], pandemic-related grant for people in need, immediate supplement for children living in poverty, increase in minimum wage to support low-income earners[5)], extension of special short-time work rules[6)], heating subsidy for lower-income households and individuals[7)] | D.31, D.61, D.62 | Entry into force on different dates for different provisions | -0.21 | 0.02 | 0.02 | 0.02 | 0.02 |
| 2022 Tax Relief Act[8)] | Increase in standard income tax allowance for employees, increase in basic personal allowance, increase in tax allowance for long-distance commuters, one-off child bonus of €100 in 2022, introduction of an energy price allowance subject to income tax | D.51, D.62, D.75 | 27 May 2022 | -0.43 | -0.12 | -0.11 | -0.10 | -0.10 |

**Table 8: continuation**

| List of new measures* | Detailed description | ESA code | Adoption status / entry into force | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| | | | | % of GDP | | | | |
| Selected additional measures within the scope of the adoption of the federal budget for the 2022 fiscal year[9)] and the government draft of the Act Adopting the Federal Budget for the 2023 Fiscal Year and the fiscal plan to 2026[10)] – here: changes compared with the first government draft for 2022 | Payments to hospitals to compensate for extra costs caused by the pandemic (section 21 of the Hospital Financing Act (*Krankenhausfinanzierungsgesetz*)) | P.2 | Upon adoption of the 2022 federal budget (with retroactive effect from 1 January 2022) or the adoption of the 2023 federal budget | -0.15 | | | | |
| | Federal payments to the health fund to finance pandemic-related social security costs | D.61, P.2 | | -0.61 | | | | |
| | Grants for the centralised procurement of vaccines to fight SARS-CoV-2 | P.2 | | -0.14 | | | | |
| | Assistance to businesses affected by the fallout from the coronavirus pandemic | D.39 | | -0.27 | | | | |
| | Intensification of measures to promote microelectronics projects | P.2 | | -0.05 | -0.10 | -0.12 | -0.03 | |
| Act to Finance the Bundeswehr, Establish a "Special Fund for the Bundeswehr" and Amend the Federal Budget Code (*Gesetz zur Finanzierung der Bundeswehr und zur Errichtung eines "Sondervermögens Bundeswehr" und zur Änderung der Bundeshaushaltsordnung*)[11)] | Additional defence spending | P.51g | 6 July 2022 | -0.01 | -0.28 | -0.40 | -0.40 | -0.31 |
| Act Adjusting Pensions for 2022 and Improving Pension Benefits for Persons with Reduced Earning Capacity (*Gesetz zur Rentenanpassung 2022 und zur Verbesserung von Leistungen für den Erwerbsminderungsrentenbestand*)[12)] | | D.62 | 1 July 2022 | 0.00 | -0.01 | 0.12 | 0.16 | 0.03 |
| Relief package II ("Package of federal government measures to manage high energy costs"), coalition committee decision of 23 March 2022[13)] – here: excluding measures contained in the 2022 Tax Relief Act | One-off payment for recipients of transfer benefits, reduction of energy duty on fuel for a period of three months, temporary reduced-price ticket for public transport | D.21, D.31, D.62 | Entry into force on different dates for different provisions | -0.16 | | | | |

**Table 8: continuation**

| List of new measures* | Detailed description | ESA code | Adoption status / entry into force | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| | | | | % of GDP | | | | |
| Federal budget funding for humanitarian and economic assistance to mitigate the effects of the war in Ukraine[14)] | Humanitarian assistance measures, crisis management and reconstruction, training assistance, financial support, accommodation and care for refugees, costs in connection with the build-up and release of gas reserves and a KfW gas security bridge loan, grant programme for energy-intensive companies | P.2, D.39, D.62, D.74, D.75, D.92, D.99 | Upon adoption of the 2022 federal budget (with retroactive effect from 1 January 2022) or the adoption of the 2023 federal budget | -0.41 | -0.16 | -0.02 | -0.02 | -0.01 |
| Government draft of the 2022 Annual Tax Act dated 14 September 2022[15)] | Retroactive tax exemption for the premium on earnings points for pension insurance where contributions were made over a period of many years; increase in the linear depreciation rate for new residential buildings; increase in the amount of expenditure on old-age provision that can be deducted as special expenses; increase in the standard tax allowance for savers; increase in the training needs allowance; reduction of the VAT rate to 0% for photovoltaic installations and storage systems; modernisation of the deduction rules for expenses for commercial or professional activities carried out in the home | D.21, D.51. | Entry into force on different dates for different provisions | | -0.08 | -0.09 | -0.05 | -0.05 |
| Act Temporarily Reducing the VAT Rate on Gas Supplies via the Natural Gas Network (*Gesetz zur temporären Senkung des Umsatzsteuersatzes auf Gaslieferungen über das Erdgasnetz*)[16)] | Temporary reduction of the VAT rate on gas supplies from 19% to 7% (from 1 October 2022 until 31 March 2024); tax exemption on special payments of up to €3,000 that employers provide employees to offset the effects of inflation | D.21, D.51. | 1 October 2022 | -0.05 | -0.17 | -0.07 | 0.00 | |

**Table 8: continuation**

| List of new measures* | Detailed description | ESA code | Adoption status / entry into force | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| | | | | % of GDP | | | | |
| Government draft of an Act to Reduce Bracket Creep, Ensure a Fair Income Tax Schedule and Modify Additional Tax Regulations (*Gesetz zum Abbau der kalten Progression für einen fairen Einkommensteuertarif sowie zur Anpassung weiterer steuerlicher Regelungen*)[17)] | Increase in the basic personal allowance, adjustment of tax bracket thresholds, child benefit increase, increase in tax allowances for children, increase in the maximum deduction rate for maintenance payments | D.51 | Entry into force on different dates for different provisions | | -0.31 | -0.44 | -0.45 | -0.46 |
| Relief package III ("Package of federal government measures to ensure an affordable energy supply and to boost incomes"), outcome of the coalition committee meeting on 3 September 2022[18) 19) 20)] | Relief for carbon pricing, reductions in $CO_2$ emissions in the transport sector, extension of the application of the reduced VAT rate in the catering sector, one-off payment for pensioners and students, expansion of housing benefit eligibility, heating subsidy II, assistance and relief for energy-intensive companies, nationwide public transport ticket, extension of the special rules for short-time work | D.21, D.29, D.31, D.39, D.61, D.62, D.74, D.75, D.92 | Entry into force on different dates for different provisions | -0.29 | -0.39 | -0.25 | -0.24 | -0.22 |
| Government draft of a Twelfth Act Amending Book II of the Social Code and Other Acts (*Gesetz zur Änderung des Zweiten Buches Sozialgesetzbuch und anderer Gesetze*)[21)] | Introduction of citizens' minimum income, adjustment of the annual update of the standard rates for benefits, grace periods for property and assets, improvements in the exemption for assets | D.62 | The citizens' minimum income is scheduled to begin on 1 January 2023. | | -0.11 | -0.11 | -0.12 | -0.12 |
| Capital injection for and nationalisation of Uniper[22)] | Capital increase for Uniper in the context of the takeover of Uniper by the Federation, plus the acquisition of the Uniper shares held by Fortum Announced in a federal government press release dated 21 September 2022. | D.99 | Federal government press release dated 21 September 2022. Implementation date not yet determined. | -0.22 | | | | |

* Compared with the Finance Ministry forecast of October 2021

1) What is shown here is the change in the Climate and Transformation Fund's programme expenditure based on the 2022 Budget Act and the government draft for 2023, compared with the first government draft for 2022. The change in costs related to the EEG surcharge is excluded here, because the discretionary decision to bring forward its abolition is contained in relief package I.
2) For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2022-06-22-Viertes-Corona-Steuerhilfegesetz/0-Gesetz.html
3) For details (in German), please see: https://www.bundesfinanzministerium.de/Monatsberichte/2022/03/Inhalte/Kapitel-2b-Schlaglicht/2b-entlastungen.html
4) For details (in German), please see: https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2022/03/20220309-kabinett-bringt-abschaffung-der-eeg-umlage-auf-den-weg.html
5) For details (in German), please see: https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/mindestlohnerhoehungsgesetz.html and https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/zweites-gesetz-zur-aenderung-im-bereich-geringfuegige-beschaeftigung.html
6) For details (in German), please see: https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/erleichtertes-kurzarbeitergeld.html#:~:text=Die%20Bundesregierung%20soll%20in%20der,Juni%20 2022%20
7) For details (in German), please see: https://www.bmi.bund.de/SharedDocs/gesetzgebungsverfahren/DE/Downloads/sonstige-downloads/formulierungshilfe-heizkostenzuschussgesetz.pdf;jsessionid=A-050110CE7FBB4F02345F24448682ABC.1_cid295?__blob=publicationFile&v=2
8) For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2022-05-27-StEntlastG2022/0-Gesetz.html
9) For details of the 2022 Budget Act (in German), please see: https://www.bundesfinanzministerium.de/Web/DE/Themen/Oeffentliche_Finanzen/Bundeshaushalt/Bundeshaushalt-2022/bundeshaushalt-2022.html
10) For details of the government draft of the 2023 federal budget and the fiscal plan to 2026 (in German), please see: https://www.bundesfinanzministerium.de/Web/DE/Themen/Oeffentliche_Finanzen/Bundeshaushalt/Bundeshaushalt-2023/bundeshaushalt-2023.html
11) For details (in German), please see: https://dip.bundestag.de/vorgang/gesetz-zur-finanzierung-der-bundeswehr-und-zur-errichtung-eines-sonderverm%C3%B6gens/285556?term=he:br%20AND%20 dr:263/22&f.typ=Vorgang&rows=25&pos=1
12) For details (in German), please see: https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/erwerbsminderungsrenten-bestandsverbesserungsgesetz.html
13) For details (in German), please see: https://www.bundesregierung.de/breg-de/service/publikationen/massnahmenpaket-des-bundes-zum-umgang-mit-den-hohen-energiekosten-2020522
14) For details, please see: https://www.bundesfinanzministerium.de/Web/EN/Issues/Europe/War-in-Ukraine/war-in-ukraine.html
15) For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2022-09-14-JStG-2022/0-Gesetz.html
16) For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_III/20_Legislaturperiode/2022-09-20-Umsatzsteuer-Gaslierferungen/0-Gesetz.html
17) For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2022-09-20-InflAusG/0-Gesetz.html
18) Here, excluding measures from the following planned legislation: 2022 Annual Tax Act, Act Temporarily Reducing the VAT Rate on Gas Supplies via the Natural Gas Network, Act to Reduce Bracket Creep, Ensure a Fair Income Tax Schedule and Modify Additional Tax Regulations, Twelfth Act Amending Book II of the Social Code and Other Acts
19) For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/Entlastungen/schnelle-spuerbare-entlastungen.html
20) The effects on the general government budget that are shown here are partially based on technical assumptions, because the exact design of individual measures and planned legislation is still open.
21) For details (in German), please see: https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/Buergergeld/buergergeld.html
22) Press release (in German):
https://www.bmwk.de/Redaktion/DE/Pressemitteilungen/2022/09/20220921-bundesregierung-verstandigt-sich-auf-anpassung-des-stabilisierungspakets-fur-uniper.html

**Table 9: Divergence from April 2022 Stability Programme**

| | ESA Code | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **Target general government net lending/net borrowing** (% of GDP) | B.9 | | | |
| Stability Programme – April 2022 | | -3.7 | -3¾ | -2 |
| Draft Budgetary Plan | | -3.7 | -3½ | -2 |
| Difference | | 0.0 | ¼ | 0 |
| **General government net lending/net borrowing at unchanged policies** (% of GDP) | | | | |
| Stability Programme – April 2022 | | -3.7 | -1½ | -¾ |
| Draft Budgetary Plan | | - | -½ | ¼ |
| Difference | | - | 1 | 1 |

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

**Table 10a: Impact of the Recovery and Resilience Facility (RRF) on the projection**

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **Revenue from RRF grants (in % of GDP)** | | | | |
| **RRF grants as included in the revenue projections** | 0.00 | 0.20 | 0.17 | 0.09 |
| **Cash disbursements of RRF grants from EU** | 0.00 | 0.06 | 0.00 | 0.16 |
| **Expenditure financed by RRF grants (in % of GDP)** | | | | |
| **Total current expenditure** | 0.00 | 0.11 | 0.08 | 0.03 |
| **Gross fixed capital formation (P.51g)** | 0.01 | 0.00 | 0.00 | 0.00 |
| **Capital transfers (D.9)** | 0.00 | 0.07 | 0.08 | 0.06 |
| **Total capital expenditure** | 0.02 | 0.08 | 0.08 | 0.06 |
| **Other costs financed by RRF grants (in % of GDP)** | | | | |
| **Reduction in tax revenue** | 0.00 | 0.00 | 0.00 | 0.00 |
| **Other costs with impact on revenue** | 0.00 | 0.00 | 0.00 | 0.00 |

Discrepancies may occur due to rounding.

**Table 10b: Guarantees**

| Description | Entry into force of legislation | Guarantee framework | Utilisation |
|---|---|---|---|
| | | in % of GDP | |
| **In response to the COVID-19 pandemic** | | | |
| **Federation: Guarantees under the Budget Act (Haushaltsgesetz), here: expansion of guarantee framework following entry into force of the first supplementary budget for 2020, pursuant to section 3 (1) sentence 1 no. …** [1] | retroactively from 1 January 2020 | **9.9** | |
| 1. Exports (export guarantees) | | 0.2 | |
| 2. Loans to foreign debtors, foreign direct investment, EIB loans | | 0.5 | |
| 3. Financial cooperation projects | | 0.1 | |
| 4. Market regulation and stockpiling measures | | 0.0 | |
| 5. Domestic guarantees | | 8.3 | |
| 6. International financing institutions | | 0.8 | |
| 7. *Treuhandanstalt* successor organisations | | 0.0 | |
| 8. Interest compensation guarantees | | 0.0 | |
| **Federation: Guarantees under other laws** | | | |
| Guarantees under the Act on the Assumption of Guarantees within the Framework of the European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) (*SURE-Gewährleistungsgesetz*)[2] | 10 July 2020 | 0.2 | 0.2 |
| German contribution to the Pan-European Guarantee Fund[3a] | 2020[3b] | 0.1 | 0.1 |
| **Federation: Guarantees by special funds** | | | |
| Guarantees by the Economic Stabilisation Fund under section 21 of the Stabilisation Fund Act (*Stabilisierungsfondsgesetz*)[4] | 28 March 2020 / reduced to €100bn under the Act Amending the Stabilisation Fund Act (*Gesetz zur Änderung des Stabilisierungsfondsgesetzes*) and the Economic Stabilisation Acceleration Act (*Wirtschaftsstabilisierungsbeschleunigungsgesetz*) of 20 December 2021 | 2.8 | 0.0 |
| ***Länder*: Expansion of guarantee framework provided by the *Länder*** | n. n. | 2.1 | 0.0 |

**Table 10b: continuation**

| Description | Entry into force of legislation | Guarantee framework | Utilisation |
|---|---|---|---|
| | | in % of GDP | |
| **Other federal guarantees** | | | |
| **Federation: Total guarantees under the Budget Act pursuant to section 3 (1) sentence 1 no. ...**[5] | 1 January 2020 | **22.8** | **15.1** |
| 1. Exports (export guarantees) | | 4.3 | 3.6 |
| 2. Loans to foreign debtors, foreign direct investment, EIB loans | | 2.1 | 1.0 |
| 3. Financial cooperation projects | | 1.0 | 0.8 |
| 4. Market regulation and stockpiling measures | | 0.0 | 0.0 |
| 5. Domestic guarantees | | 11.9 | 7.4 |
| 6. International financing institutions | | 3.1 | 1.9 |
| 7. Treuhandanstalt successor organisations | | 0.0 | 0.0 |
| 8. Interest compensation guarantees | | 0.4 | 0.4 |
| **Federation: Guarantees under other laws** | | | |
| Guarantees for loans to Greece under the Act on Financial Stability within the Monetary Union (*Währungsunion-Finanzstabilitätsgesetz*)[6] | 7 May 2010 | 0.6 | 0.6 |
| Guarantees under the Act on the Assumption of Guarantees within the Framework of a European Stabilisation Mechanism (*Gesetz zur Übernahme von Gewährleistungen im Rahmen eines europäischen Stabilisierungsmechanismus*)[7] | Entry into force of the act: 23 May 2010 Entry into force of most recent amendment: 1 June 2012 | 5.9 | 2.5 |
| Travel Insolvency Fund[8] | 25 June 2021 | 0.0 | 0.0 |
| **Federation: Guarantees by special funds** | | | |
| Guarantees by the Federal Railways Fund (*Bundeseisenbahnvermögen*) | | 0.0 | 0.0 |
| Guarantees by the ERP Special Fund | ERP Business Plan Act (*ERP-Wirtschaftsplan-gesetz*) 2021 | 0.1 | 0.1 |
| Guarantees by the Financial Stabilisation Fund under sections 6 and 8a of the Stabilisation Fund Act[9] | Act entered into force on 18 October 2008, most recently amended on 29 December 2020 | 11.1 | 0.0 |

1) Utilisation levels can be shown only for total guarantees under the Budget Act (see below).
2) Utilisation level as of: 31 December 2021
3a) Utilisation level as of: 31 December 2021
3b) Decision by EIB Board of Directors: 26 May 2020; date of Germany's signature confirming participation in fund: 7 July 2020
4) As of 16 March 2022 (for both guarantee framework and utilisation level)
5) Including the expansion of the guarantee framework cited above; utilisation level as of: 31 December 2021
6) Utilisation level as of: 31 December 2021
7) Utilisation level as of: 31 December 2021
8) Utilisation level as of: 31 December 2021
9) Utilisation level as of: 31 December 2021

**Table 11: Implementation of the country-specific recommendations (CSRs) of 2022/2023**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| 1.1[1)] In 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. | Three relief packages to mitigate the impact of energy price increases and to boost household incomes | In total, the measures provide relief totalling more than €95 billion: approximately €13.0 billion for relief package I, €18.1 billion for relief package II in 2022, and more than €65 billion for relief package III in 2022 and 2023. In particular, relief packages I and II include the following measures (non-exhaustive list):<br>• Abolition of the EEG surcharge (a levy on electricity consumers) with effect from 1 July 2022 to reduce the cost of electricity for consumers<br>• One-off heating subsidy for housing benefit recipients and for recipients of federal training assistance, a support payment for living expenses pursuant to the Upgrading Training Assistance Act (*Aufstiegsfortbildungsförderungsgesetz*), and training and vocational training support<br>• One-off energy price allowance of €300 for all workers who are liable for income tax<br>• 2022 child bonus of €100 per child as an additional one-off payment for families<br>• One-off payment of €200 for recipients of social benefits<br>• One-off payment of €100 for recipients of unemployment benefit I<br>• Reduction of energy duty on fuel for three months, from 1 June to 31 August 2022<br>• Reduced-rate public transport ticket costing €9 per month in the months of June, July and August 2022<br>• Retroactively from 1 January 2022: increase of (a) the standard income tax allowance for employees by €200, (b) the basic personal allowance by €363 and (c) the tax allowance for long-distance commuters (for each kilometre above 20 kilometres) and the mobility premium to 38 cents.<br>The third and most comprehensive relief package, with a total volume of approximately €65 billion, was presented by the government's coalition committee on 4 September 2022. Relief package III includes (among other measures): | Relief packages I and II are largely implemented. Relief package III is currently being implemented. |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | • Measures to directly boost household incomes (one-off payment of €300 for pensioners, one-off payment of €200 for university students, reforms of housing benefit and citizens' minimum income)<br>• Numerous tax relief measures for households and companies (Inflation Compensation Act (*Inflationsausgleichsgesetz*) to offset income tax bracket creep, reduction of the VAT rate on gas to 7%, extension of the reduced VAT rate of 7% on food in the catering sector)<br>• Tax exemption for additional payments of up to €3000 from employers to employees<br>• Structural changes to mitigate the impact of energy price rises for the benefit of both households and companies (electricity price brake with reduced-price baseline consumption quota for households and SMEs, mitigation of rising grid charges using receipts from recovered windfall profits in the electricity market, establishment of an expert commission to develop a model to keep down gas prices, extension of the relief scheme for electricity duty and energy duty for energy-intensive companies)<br>• To provide further targeted support for companies, the existing Energy Cost Mitigation Programme (EKDP) is being extended to all industries and supplemented by a grant programme for energy-intensive SMEs. In addition, measures to facilitate access to the short-time work scheme are being extended to the end of 2022.<br>The "shield to protect the economy" (see below for details) is designed to provide the necessary funding for several measures from relief package III and specify their implementation. | |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | Package of measures for energy-intensive companies | In addition, a targeted package of measures for energy-intensive companies was adopted by the federal government on 8 April 2022. It encompasses an Energy Cost Mitigation Programme worth €5 billion for energy- and trade-intensive companies as well as federal guarantees for loan programmes and other guarantees without a direct impact on the budget. | Implemented |
| | Reactivating and reorganising the Economic Stabilisation Fund – shield to protect the economy | The Economic Stabilisation Fund (ESF) will be equipped with an additional borrowing authorisation totalling €200 billion in 2022. Use of the ESF will be restricted to the following tasks: financing of government programmes to mitigate the impact of rising gas and electricity prices on consumers and businesses (gas and electricity price brakes) as well as support measures for gas importers that are significant for market stability and for companies that are experiencing difficulties due to the energy crisis. | In progress |
| | Special fund for the Bundeswehr | A total of €100 billion, financed by loans, for the Bundeswehr to strengthen its defence and alliance capabilities | Started with the first economic plan in 2022; will run over several years |
| | Change in the legislation that covers refugees from Ukraine, from the Asylum Seekers Benefits Act (*Asylbewerberleistungsgesetz*) to Books II and XII of the Social Code. | The Federation supports the *Länder* with financing accommodation, food and care for refugees from Ukraine. The Federation is therefore providing relief for the *Länder* by placing refugees from Ukraine under the scope of Books II and XII of the Social Code instead of the Asylum Seekers Benefits Act, so that the *Länder* are no longer liable for expenses pursuant to the Asylum Seekers Benefits Act. Under Books II and XII of the Social Code, the Federation fully covers the associated living and health expenses. In addition, the Federation covers up to 74% of the costs of accommodation and heating for recipients of benefits under Book II. This also applies to refugees from Ukraine following the change in the legislation that is applicable. Provisions of up to €2.5 billion were made in the supplementary budget for 2022 for these measures.<br><br>Furthermore, an additional €2 billion was made available to the *Länder* on a one-time basis, by means of an increased share of VAT revenues, to help them cover extra costs related to refugees from Ukraine in 2022. | Implemented as of 1 June 2022 |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | Humanitarian assistance | The war in Ukraine has created considerable challenges. Germany is making €466 million available to the region in the form of humanitarian assistance and disaster relief, plus €55 million in stabilisation assistance. Budgetary assistance totalling €1.3 billion has also been provided to date.<br><br>Given that the need for assistance will increase, these figures only represent the current situation and are subject to change. | |
| | Second amendment to the law establishing a special Energy and Climate Fund, special Climate and Transformation Fund | This Act implements the mandate set out in the coalition agreement – to develop the Energy and Climate Fund into a Climate and Transformation Fund. The special fund's name and purpose have been changed accordingly, in order to allow for a better and more flexible alignment towards the climate action targets under the Climate Action Act (*Klimaschutzgesetz*) and focus on measures that are suitable for driving forward Germany's transformation towards carbon neutrality.<br><br>The special Climate and Transformation Fund will continue to be an important financing instrument for the energy transition and climate action in Germany. Substantial additional funds to promote climate action and the environmentally friendly, reliable and affordable supply of energy will be provided through this special fund. Priorities include energy efficiency in buildings, developing the hydrogen economy, promoting electric mobility, expanding renewable energy, and promoting energy efficiency. These priorities have become much more important given the current situation, especially in the context of ensuring the security of supply. (See also 1.3 of this table) | Adopted by the German Bundestag on 23 June 2022, second passage in the Bundesrat on 8 July 2022<br><br>The economic plan will be approved when the 2023 budget is adopted |
| 1.2 Stand ready to adjust current spending to the evolving situation. | 2022 federal budget including supplementary budget for 2022; draft 2023 federal budget and 2022–2026 fiscal plan | The 2022 federal budget established the legal basis for implementing the measures contained in relief packages I and II as well as other measures to mitigate the impact of Russia's war of aggression against Ukraine and of the Covid-19 pandemic. The federal cabinet had already adopted a supplementary budget to the 2022 draft federal budget on 27 April 2022 (see 1.1 of this table for the individual measures). | 2022 federal budget, in force retroactively as of 1 January 2022 |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | For the current 2022 fiscal year, planned net borrowing totals €138.9 billion, exceeding the new borrowing permissible under Germany's debt rule by €115.7 billion.<br><br>In view of anticipated under-spending and additional receipts, it will be possible to finance relief package III in the 2022 budget execution.<br><br>According to the government draft of the 2023 federal budget and the fiscal plan to 2026, Germany will comply with the regular limit under the constitutional debt rule each year. As set out in the benchmark figures adopted in March 2022, annual net borrowing in the 2023–2026 period will remain in line with the regular upper limit enshrined in Article 115 of the Basic Law (*Grundgesetz*). This will boost the sustainability of public finances and thus fiscal resilience and ensure that Germany retains its future scope for budget policy action. Among other things, the €48.2 billion in reserves built up in the past will help Germany comply with the debt rule. Approximately €40.5 billion will be withdrawn from these reserves in 2023.<br><br>In its draft of the 2023 federal budget, the government is mitigating social and economic hardship experienced by individuals and companies through targeted measures. Investing in the future, especially in the areas of climate action, the energy transition, mobility and digitalisation, is a key government responsibility. To create the necessary fiscal space, the federal government has reviewed federal budget spending and conducted a strict reprioritisation based on the aims set out in the coalition agreement and on necessary measures to mitigate the impact of the war in Ukraine. This guiding principle already played a key role in the preparation of the second draft of the 2022 federal budget. Consolidation through priority-setting will become even more important in the future in order to strengthen fiscal resilience and capacity for action in times of uncertainty.<br><br>Investments in 2023 will total €58.3 billion. This figure includes special factors in connection with a €6.3 billion loan to the IMF's Resilience and Sustainability Trust to overcome the challenges associated with climate change and pandemics and a €1 billion loan to the health fund in the statutory health insurance system, both of which will be recorded as investments in accordance with budget law. Investments will total approximately €52 billion in each following year of the fiscal planning period (beginning in 2024). | Cabinet decision on the draft federal budget for 2023 on 1 July 2022, second and third readings in the German Bundestag planned for 22–25 November 2022, second passage in the Bundesrat planned for 16 December 2022 |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | Among other things, the spending will be targeted towards rail, road and water transport, education and research, digital infrastructure and the climate-friendly transformation of the economy. Transport investment, which is the largest investment spending category, will total approximately €18.6 billion in 2023 and approximately €20 billion per year from 2024 onwards.<br><br>The additional funding for the measures of relief package III (coalition committee decision of 3 September 2022) can be ensured with the help of provisions contained in the draft budget for 2023 as well as anticipated higher revenue. However, in view of the limited financial leeway afforded by the federal budget and the current fiscal plan, considerable efforts on the part of all ministries are required. | |
| 1.3 Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds. | Measures to increase investment | Investment spending in the federal budget (according to the budgetary definition) is at a record level. It will remain so in 2023 and in the whole period covered by the fiscal plan. Investments total €51.5 billion in the current fiscal year 2022. In 2023, they will increase to around €58.4 billion (due to special factors, see 1.2 in the table) and will stabilise at around €52 billion per year in the period covered by the fiscal plan.<br><br>The investment path includes investments according to the budgetary definition, i.e. all the items of main groups 7 and 8 in the budget classification index. In addition, the budget contains additional spending that is not classified as investment spending in the budgetary sense but whose impact is similar to that of investments. This includes, for example, spending in departmental budget 14 (totalling around €70 billion for the 2023–2026 period for, among other things, military procurement, materiel maintenance under mid-level category 55 of the budget classification index). Other spending, for example in the areas of education, science and research, will also have the same impact as investments in the economic sense and will enhance the performance of the German economy, even if it does not count as “traditional” investment spending.<br><br>Further key impetus for the economy and sustainability is provided by means of federal special funds. | See 1.2 above<br><br>See 1.1 above (Climate and Transformation Fund) |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | • Climate and Transformation Fund: The planned programme expenditure of €35.4 billion in 2023 is €7.4 billion higher than the target spending in 2022 (around €27.9 billion). As part of this, the Federal Funding for Efficient Buildings (BEG) programme is of special importance as the largest single item (around €16.9 billion). Financing totalling around €5.6 billion is being made available for the further development of e-mobility, including the expansion of charging infrastructure. Around €4 billion in funding is available for building up the hydrogen industry, including approximately €2.2 billion for investments in the decarbonisation of industry. In addition, relief totalling €2.6 billion is planned for particularly energy-intensive companies (electricity price compensation).<br>• The Digital Infrastructure Fund provides funding for investments under the Digital Pact for Schools and for direct support to expand gigabit and mobile networks. Initially, this is being funded with proceeds from the award of 5G mobile spectrum licences. Of the auction proceeds, 70% is allocated to network expansion and 30% to the Digital Pact for Schools. The Digital Pact for Schools, which took effect on 17 May 2019, provides for financing of €5 billion in federal resources from the special fund over the 2019–2024 period. The funding is targeted at expanding digital learning infrastructure. An additional €1.5 billion was made available by means of three additional agreements relating to the Digital Pact for Schools: an immediate support programme to provide mobile devices for students in need, a support programme for school administrations, and a programme that provides teachers with digital devices on loan. Under the Economic Stimulus and Crisis Management Accompanying Act (*Gesetz über begleitende Maßnahmen zur Umsetzung des Konjunktur- und Krisenbewältigungspakets*), a sum of €5 billion (minus the administrative expenses of the mobile infrastructure company) from the federal budget was made available to the special fund until 2025. | Begun with the establishment of the special fund and with the first economic plan that was adopted with the establishment act in 2018; the Federal Government adopts every year the draft economic plan for the following year, which is included in the Budget Act; the economic plan was approved with the decision on the 2023 budget (see above); the funding for the Digital Pact for Schools is being disbursed according to plan. The settlement of expenses must take place by the end of 2025 (or by the end of 2026 in the case of measures that involve multiple *Länder*). |
| | DARP & REPowerEU | The main objective of the REPowerEU plan, which was presented by the European Commission on 18 May 2022, is to swiftly end Europe's dependence on Russian gas supplies, well before 2030. The Recovery and Resilience Facility (RRF) is to be given additional funds for Member States' measures in this area. | In progress |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | The plan is to already reduce imports of Russian gas by two thirds by the end of 2022 and to no longer import Russian oil. The European Commission is proposing a range of concrete measures to this end, particularly in the areas of energy savings (raising the EU's energy efficiency target from 9 to 13%, energy saving campaigns), diversification (increased use of liquefied natural gas, alternative supplies of pipeline gas, biomethane and hydrogen, optimisation of gas infrastructure, common procurement platform, setting up of long-term energy partnerships), as well as the acceleration of the energy transition.<br><br>Germany will take these recommendations/priorities into account as part of the future allocation of new funds for the German Recovery and Resilience Plan (DARP). The specific form that the continuation of individual measures and the inclusion of new measures will take is still the subject of consultations between the German government and the European Commission. Results are not expected before the middle of November. | |
| 1.4 For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions. | See federal budget and fiscal plan | According to the government draft of the 2023 federal budget and the fiscal plan to 2026, Germany will comply with the regular limit under the constitutional debt rule each year. As set out in the benchmark figures adopted in March 2022, annual net borrowing in the 2023–2026 period will remain in line with the regular upper limit enshrined in Article 115 of the Basic Law (*Grundgesetz*). This will boost the sustainability of public finances and thus fiscal resilience and ensure that Germany retains its future scope for budget policy action. | |
| | MTO | Under the preventive arm (whose usual quantitative requirements are currently suspended on the basis of the general escape clause), there is a requirement to reduce the structural deficit by a benchmark of 0.5 percentage points per year on the adjustment path towards the MTO. Germany will comply with this requirement on average during the 2024–2026 period (when the usual quantitative requirements of the preventive arm should again be in effect, based on the current situation). | |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| 1.5 Improve the tax mix for more inclusive and sustainable growth, in particular by improving tax incentives to increase hours worked. | Abolition of the tax class combination III/V (transition to combination IV/IV with factor-based option) | The combination of tax classes III and V for married couples will be abolished and replaced by the factor-based option of tax class IV. This is intended to allow the advantages of income splitting for a couple to be taken into account at an earlier stage, to ensure a balanced burden per person in accordance with their share of income, and to create transparency regarding the respective burdens.<br>Background information: if the tax class combination III/V is chosen, the spouse with the lower income is placed in tax class V, which means they bear a higher tax burden than they would if they were taxed individually. In contrast, the primary earner, who is in class III, receives preferential tax treatment.<br>If both partners are placed in tax class IV with the factor-based option, this reduces the marginal and average burdens for the second earner. This in turn creates positive incentives for them to increase their working hours. | The implementation of legislation for the transition from the tax class combination III/V to the combination IV/IV with the factor-based option should be completed by the end of 2023. |
| 1.6 Safeguard the long-term sustainability of the pension system. | Sustainability of the pension system measures | Germany will embark on a partial capital coverage of the statutory pension system with the aim of stabilising the pension system for the long term. This partial capital coverage will be professionally managed as a permanent fund by an independent public body, which will invest globally. To this end, a capital stock of €10 billion will be set up in a first stage. The yield from this capital will accrue exclusively to the German pension authority, Deutsche Rentenversicherung. | In progress |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 2: Proceed with implementation of recovery and resilience plan, finalise the negotiations with the Commission on the 2021–2027 cohesion policy programming** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| 2.1 Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021. | Implementation status of the DARP | The German Recovery and Resilience Plan (DARP) was formally approved by the ECOFIN Council on 13 July 2021. The pre-financing payment of €2.25 billion was disbursed to Germany on 26 August 2021. The DARP includes a range of measures, including measures aimed at tackling climate change and advancing the digital transformation. The implementation of the DARP measures by individual ministries is largely on schedule. Preparations are currently being made for the negotiations with the European Commission regarding the first payment application.<br><br>On 18 May 2022, the European Commission, in the context of publication, proposed its plans for REPowerEU for the mobilisation and organisation of financial support for investments and reforms, and also proposed linking REPowerEU to the Recovery and Resilience Facility (RRF). To this end, a new chapter on structural energy measures from REPowerEU should be added to the national recovery plans.<br><br>In addition, Germany will receive increased funds totalling around €2.4 billion from the RRF, on the basis of the regular update/recalculation of the allocation of the RRF's financial resources. The negotiations on which new measures should be assigned to these resources are still ongoing. | DARP accepted by the European Commission on 22 June 2021<br><br>Approved by the ECOFIN Council on 13 July 2021<br><br>Currently under revision |
| 2.2 Swiftly finalise the negotiations with the Commission on the 2021–2027 cohesion policy programming documents with a view to starting their implementation. | Cohesion policy – implementation status for the 2021–2027 funding period | Eleven ERDF programmes, four ERDF/JTF multifund programmes, one ERDF/ESF+ multifund programme, 15 ESF+ programmes (including one federal programme), and one ESF+/JTF multifund programme are planned for the 2021–2027 funding period. The programmes must be approved by the European Commission.<br><br>Interreg programmes with German participation are planned: 13 Interreg A (cross-border cooperation), six Interreg B (transnational cooperation), four Interreg C (interregional cooperation). | 27 out of 33 programmes have already been approved by the European Commission (including all 11 ERDF programmes, the ERDF/JTF multifund programme , the ERDF/ESF+ multifund programme, 14 of the ESF+ programmes). The responsible *Länder* aim to obtain approval for the programmes that have not yet been approved by the end of 2022 at the latest. Six Interreg A, five Interreg B and three Interreg C programmes have already been approved. |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 3: Remove investment obstacles and promote digital communication networks** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| Remove investment obstacles and boost investment in very-high-capacity digital communication networks; | The Federal Government's gigabit strategy | Objective: nationwide coverage with fibre networks (fibre to the home) and the newest mobile network standard by 2030.<br>Interim target: 50 percent of all households and businesses to have fibre access by 2025.<br>With the measures in the gigabit strategy, we are supporting private-sector network expansion and supplementing it where necessary with optimised support (support for fibre expansion and mobile networks). The gigabit strategy includes around 100 measures, which include speeding up approval procedures, greater use of alternative laying methods, the optimisation of funding, the creation of a gigabit land register, and measures to improve mobile network coverage. | The strategy was adopted by the federal cabinet on 13 July 2022.<br>The time horizon for implementing the individual measures ranges from the second quarter of 2022 to the fourth quarter of 2024. |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 4: Reduce reliance, diversify energy supplies** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| 4.1 Reduce overall reliance on fossil fuels | Increase in the expansion targets for 2030 and the expansion trajectories for renewable energy in the electricity sector | Amendments to the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*) and the Offshore Wind Act (*Windenergie-auf-See-Gesetz*)<br>a) 2030 target: increase in the share of renewable energy in electricity consumption from 65% to 80%<br>b) Expansion trajectories: expansion of photovoltaic capacity: increase in the target from 100 GW to 215 GW installed capacity by 2030<br>2030 onshore wind power expansion: increase in the target from 71 GW to 115 GW installed capacity by 2030<br>2030 offshore wind power expansion: increase in the target from 20 GW to at least 30 GW installed capacity by 2030 | Legislative changes have been adopted; the amended Renewable Energy Sources Act enters into force on 1 January 2023 |
| | Increase in the expansion targets for offshore wind power generation/ acceleration measures | Key elements of the amendments to the Offshore Wind Act include raising the expansion targets (at least 30 GW by 2030, at least 40 GW by 2035, and at least 70 GW by 2045), a redesign of the tender procedure, assigning greater priority to interests related to offshore wind power and offshore grid connections in general, and the acceleration of procedures by streamlining and bundling reviews. | Adopted. Enters into force on 1 January 2023 |
| | Better connectivity for offshore wind farms (Energy Security of Supply Act (*Energiesicherungsgesetz*), Energy Industry Act (*Energiewirtschaftsgesetz*)) | Measures related to offshore grid connections are intended to ensure better capacity utilisation of the grid connections in the short and medium term and to ensure that the offshore expansion goals are achieved. In particular, the time window for construction in territorial waters will be extended, a possibility for deviating from the temperature criterion for cables in the seabed (2K criterion) will be introduced both in the exclusive economic zone (EEZ) and in territorial waters, and a procedure duration will be specified for *Länder* planning approval procedures for offshore grid connections. | Currently in the parliamentary procedure |
| | Federal funding for efficient heating networks (BEW), part of the buildings immediate action programme | The BEW provides support for the transformation of existing heating networks towards greenhouse gas neutrality, on the basis of transformation plans, by 2045 at the latest, as well the construction of new heating networks with at least 75% renewable heat/waste heat. The BEW contributes to lowering greenhouse gas emissions and reducing dependence on fossil fuels by means of the transition to the greenhouse gas-neutral supply of heat. | The funding programme entered into force on 15 September 2022. |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 4: Reduce reliance, diversify energy supplies** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| 4.2 and diversify their imports by improving energy efficiency, incentivising energy savings, diversifying energy supplies and routes | Energy security ordinances aimed at saving energy by means of:<br>• short-term measures (Ordinance to Safeguard the Energy Supply Using Measures That Are Effective in the Short Term (*Kurzfristenergieversorgungssicherungsmaßnahmenverordnung*))<br>• medium-term measures (Ordinance to Safeguard the Energy Supply Using Measures That Are Effective in the Medium Term (*Mittelfristenergieversorgungssicherungsmaßnahmenverordnung*)) | Temporary energy-saving measures to strengthen reserves The aim is to prevent a crisis situation during this winter and the next. The ordinances are directly relevant to the goal, because they, for the purposes of securing the energy supply,<br>• temporarily enable renters to reduce the room temperatures in their homes even if a certain higher minimum temperature has been contractually agreed<br>• generally prohibit operators of private swimming pools from heating these facilities in an energy-intensive way<br>• oblige energy providers to share specific information about drastic increases in gas prices, and oblige owners to pass on this information to tenants<br>• reduce the minimum room temperature in workplaces by one degree Celsius and also set this as the maximum temperature in public-sector workplaces<br>• prohibit the heating of communal areas that are not in constant use in public non-residential buildings and prohibit the provision of warm water in places where it is only used for washing hands, or require the temperature to be reduced to the minimum that is required for hygiene<br>• prohibit the use of illuminated or light-emitting advertising structures during certain periods<br>• generally prohibit the illumination of public buildings and monuments<br>• oblige building owners to optimise the heating systems in their buildings<br>• oblige certain companies to implement economical energy efficiency measures that will quickly pay off | The Ordinance to Safeguard the Energy Supply Using Measures That Are Effective in the Short Term entered into force on 1 September 2022; the Ordinance to Safeguard the Energy Supply Using Measures That Are Effective in the Medium Term entered into force on 1 October 2020. |
| | Information and mobilisation campaign titled “80 million together for the energy transition” | The campaign, which launched in June 2022, and its website www.energiewechsel.de provides all end users with targeted information on saving energy and increasing energy efficiency, and on the expansion of renewable energy. | Ongoing implementation |
| | Upgrading the Rostock-Schwedt pipeline, supply of crude oil to the Leuna and Schwedt refineries | The Rostock-Schwedt pipeline will be upgraded in order to do without imports of Russian crude oil and at the same time to ensure the supply of fuel and other petroleum products to (north-) eastern Germany. The PCK refinery in Schwedt has to date processed only Russian crude oil. In the future, it will be supplied with non-Russian crude oil mainly via the port of Rostock. | Planned for the 2022-2026 period |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 4: Reduce reliance, diversify energy supplies** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | An upgrade is necessary because the existing Rostock-Schwedt pipeline is not designed for permanent operation and its capacity is not sufficient to ensure that the operation of the refinery is economically viable.<br>Discussions are also currently being held on obtaining crude oil via Poland and from Kazakhstan. This will further diversify imports of crude oil and petroleum products. | |
| 4.3 removing investment bottlenecks, further streamlining permitting procedures, | Acceleration of the use of liquefied natural gas (LNG Acceleration Act (*LNG-Beschleunigungsgesetz*)) | The act is aimed at safeguarding the national energy supply through the swift integration of LNG into the existing transmission system. It contains potential simplifications of procedures for floating LNG terminals (FSRUs) and land-based LNG terminals. | Entered into force on 1 June 2022 |
| | Strengthening the position of renewable energy within the context of considerations relating to the protection of natural resources and conservation | The principle that the use of renewable energy is in the overriding public interest and serves public security has been enshrined in the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*). As a result, the use of renewable energy will as of now generally be taken into account as an overriding interest when the protection of natural resources and conservation are considered in the context of planning and approval procedures. | Implemented/ entered into force on 20 July 2022 |
| | Increase in the availability of land for onshore wind turbines and acceleration of the planning procedure | The 2% goal for onshore wind energy will be implemented with the Act to Increase and Accelerate the Expansion of Onshore Wind Turbines (*Gesetz zur Erhöhung und Beschleunigung des Ausbaus von Windenergieanlagen an Land*). The planned Act to Define the Land Requirement for Onshore Wind Turbines (*Windflächenbedarfsgesetz*) will stipulate binding goals for the *Länder* for onshore wind energy. By integrating the area targets into the Federal Building Code (*Baugesetzbuch*), the planning procedures for wind power areas will be simplified and legal certainty will be increased. Repowered wind turbines will receive privileged treatment. Rules for minimum distances between wind turbines and neighbouring housing will now only be possible if the area targets are reached and the minimum distances do not decrease the size of the identified wind power areas. | Enters into force on 1 February 2023, implementation phase until 2032 (interim area target for 2027, total area target for 2032) |
| | Acceleration measures for offshore wind energy | The amendments to the Offshore Wind Act will speed up all procedures. The network connection will be awarded at an earlier stage, the planning and approval procedures will be streamlined, and the reviews will be bundled. Specifically, in the case of areas that have already been surveyed, the current planning permission procedure will be replaced by a more rapid planning approval procedure, and the duration of the planning permission and planning approval procedures will be specified. | Adopted. Enters into force on 1 January 2023. |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 4: Reduce reliance, diversify energy supplies** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | | Environmental assessments and participation rights will be bundled more closely, and in future it will be possible to award the offshore grid connection immediately after the area has been included in the area development plan. Operational supervision of the Federal Maritime and Hydrographic Agency (BSH) will be bundled at the Federal Ministry for Economic Affairs and Climate Action with regard to all tasks connected to the Offshore Wind Act. | |
| | Acceleration of grid expansion (Easter Package/ revised Energy Industry Act (*Energiewirtschaftsgesetz*) with amendments to the Federal Requirement Plan Act (*Bundesbedarfsplangesetz*) and the Grid Expansion Acceleration Act (*Netzausbaubeschleunigungsgesetz*)) | The amendments contained in the “Easter Package” will expedite approval procedures and optimise existing networks, by removing obstacles and streamlining planning and approval procedures. For example, in certain additional cases, specialist federal planning will be dispensed with, and it will be possible to make greater use of bundling possibilities and simplifications in planning and approval procedures, among other things. The law also contains measures to facilitate higher utilisation of the networks. | Entered into force on 29 July 2022 |
| 4.4 boosting investment in and accelerating the deployment of electricity networks and renewable energy, | Amendment to the Energy Industry Act to improve forward-looking grid expansion and simplify grid connection processes | Forward-looking grid expansion will anticipate the future construction of renewable energy facilities and the need to connect new consumers.<br><br>Simplified processes will accelerate grid connections. | Implemented in the 2022 revision of the Energy Industry Act |
| | Improved conditions for investment in renewable energy, increase in the number of potential areas for energy generation | For example, by expanding the potential areas for solar farms, providing higher financial incentives for rooftop solar power systems and the use of low-speed sites for onshore wind, supporting citizen energy projects to increase stakeholder diversity and local acceptance. | Legislative changes have been adopted; the amended Renewable Energy Sources Act enters into force on 1 January 2023 |
| | Accelerated grid expansion (Easter Package/revised Energy Industry Act (*Energiewirtschaftsgesetz*) | The revisions contained in the Easter Package are designed to accelerate the expansion of power grids. Among other things, the new legislation provides for the public display of documents in purely electronic form and simplifies preliminary work and approval for an early start to construction. It also improves opportunities for the involvement of external project managers. | Entered into force on 29 July 2022 |

**Table 11: continuation**

| The Council of the European Union recommends that Germany take action in 2022 and 2023 to: | Reporting period April 2022 to March 2023 | | |
|---|---|---|---|
| **Recommendation 4: Reduce reliance, diversify energy supplies** | **Title of measure** | **Description and direct relevance to target** | **Status and timetable** |
| | with amendments to the Federal Requirement Plan Act (*Bundesbedarfsplangesetz*) and the Grid Expansion Acceleration Act (*Netzausbaubeschleunigungsgesetz*)) | The federal requirement plan for the expansion of transmission grids is being updated, and new projects are being added to ensure that the grids can keep up with the expansion of renewable energy. | |
| | Revisions of the Energy Security of Supply Act/ Energy Industry Act | The revision of the Energy Security of Supply Act will introduce new measures to accelerate the expansion of the electricity grid. Measures include expanding the notification procedure, simplifying the early start of construction, and placing the need for a public hearing at the discretion of the responsible authorities. | Currently in the parliamentary procedure |
| 4.5 further advancing participation in energy-related cross-border cooperation. | "Bornholm Energy Island" cooperation project with Denmark | Germany and Denmark are currently engaged in negotiations on the implementation of the Bornholm Energy Island (BEI) project. A letter of intent on this was signed in December 2020.<br><br>The aim of the project is for Danish off-shore wind parks at the Danish island of Bornholm with a power capacity of approximately 3 GW to be connected to the grid by 2030. The electricity will be transported to Germany (2 GW) and to the Danish mainland (1.2 GW) via new grid connections.<br><br>The cross-border cooperation project will give Germany access to green electricity imports from Denmark. The project will also contribute to the further integration of the EU's internal electricity market. | Germany and Denmark signed a memorandum of understanding (MoU) on 26 July 2022 on the implementation of the joint project.<br><br>The next step will be to draft a treaty between the two governments as well as a binding cooperation agreement with the relevant transmission system operators.<br><br>The project is due to start operations in 2030. |
| | New interconnector projects (Easter Package/revised Energy Industry Act with amendments to the Federal Requirement Plan Act and the Grid Expansion Acceleration Act) | The revised Federal Requirement Plan Act enshrines five additional interconnector projects in law (one project each in cooperation with Belgium, France, the Netherlands, Sweden and Switzerland). In this way, Germany is increasing the number of legally formalised interconnector projects to 19, six of which are already in operation. The measures adopted under the Easter Package will also help to accelerate interconnector projects. | Entered into force on 29 July 2022 |

Last updated 6 October 2022

**Table 12: Methodological aspects**

| Estimation technique | Relevant step of the budgetary process | Relevant features of the model/technique used | Assumptions |
|---|---|---|---|
| **Macroeconomic forecast** | Before each tax revenue estimate | Iterative-analytic approach: several partial models are used in the system of national accounts.<br>Potential GDP is estimated on the basis of models developed and recommended by the Output Gaps Working Group of the European Union's Economic Policy Committee (EPC). | Technical assumptions (for oil and commodity prices, exchange rates and interest) |
| **Tax estimate** | Basis for drafting and finalising budget | Estimate based on macroeconomic forecast and time series analysis | Macroeconomic forecast, estimates on the fiscal impact of discretionary tax measures |
| **Fiscal impact of discretionary tax measures** | Basis for tax revenue estimate and for drafting and finalising budget | Microsimulation models based on tax statistics; calculations based on macroeconomic assumptions | Macroeconomic forecast |

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