



Federal Ministry  
of Finance

German Draft Budgetary Plan  
2020

# STAATS HAUS HAFT

# German Draft Budgetary Plan

## 2020

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 2019



## Contents

	Page
<b>Public finances in Germany .....</b>	<b>4</b>

### Tables:

Table 1: General government budget balance and debt.....	6
Table 2: Technical assumptions .....	7
Table 3a: Macroeconomic prospects.....	8
Table 3b: Price developments - deflators.....	9
Table 3c: Labour market developments .....	9
Table 3d: Sectoral balances.....	10
Table 4a: General government budgetary targets broken down by subsector.....	11
Table 4b: General government debt developments (Maastricht definition).....	12
Table 5: Expenditure and revenue projections under the no-policy-change scenario .....	13
Table 6a: General government expenditure and revenue targets .....	14
Table 6b: Amounts to be excluded from the expenditure benchmark.....	15
Table 7: Discretionary measures at the general government and federal level .....	16
Table 8: Divergence from April 2019 Stability Programme .....	17
Table 9: Implementation of the country-specific recommendations of 2019/2020 .....	18
Table 10: Targets of the EU's strategy for growth and jobs .....	33
Table 11: Methodological aspects.....	36

## 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

Germany's 2020 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.

Sources used as the basis for making these fiscal projections include the draft 2020 federal budget (adopted by the federal government on 26 June 2019) and the financial plan to 2023 (likewise adopted by the federal government on 26 June 2019). The draft budgetary plan also takes into account the Climate Action Programme 2030. The federal government adopted a key issues paper on this programme on 25 September 2019 and a draft supplementary budget for 2020 on 2 October 2019.

The federal government's current budgetary and financial planning is based on the results of the Working Party on Tax Estimates of May 2019, which, in turn, are based on the federal government's spring projection of 17 April 2019. The spring projection forecasts a real growth rate of 0.5% in 2019 and 1.5% in 2020. This means that Germany's economic growth this year is expected to fall short of potential GDP. The output gap is only slightly positive at this point.

Once the federal government's draft budget has been submitted to the parliament, the executive branch's responsibility for the budget preparation process ends, and the legislative branch takes over. On 17 October 2019, while the parliamentary deliberations are under way, the federal government is due to publish its autumn projection. This will form the basis of the next tax estimate, which will be issued on 30 October 2019. The results of the tax estimate will be taken into consideration in the final parliamentary deliberations on the 2020 federal budget.

Despite the economic slowdown and the resulting lower tax revenues, neither the draft 2020 federal budget nor the financial plan to 2023 contain any new borrowing. The federal government's draft budget for 2020 sets out in more detail the implementation of the priority measures and other measures contained in the Coalition Agreement, which already formed part of the previous (2020–2022) financial planning (see German Draft Budgetary Plan 2019 of October 2018). Further measures arise from

the key issues for the Climate Action Programme 2030, which were adopted by the federal government on 25 September. The draft supplementary budget for 2020, which was adopted on 2 October 2019, incorporates these measures into the budgetary plan for 2020. At the federal level alone, the planned measures under the Climate Action Programme are worth approximately €9bn in 2020 and approximately €54bn up until 2023, the end of the financial planning period. In particular, they take the form of support programmes and relief for individuals and businesses. The supplementary budget for 2020 does not include any new borrowing, either. To finance the measures from 2021 onwards, the government will introduce a national carbon price for the transport and heating sectors (non-ETS sectors).

In terms of the change in the cyclically-adjusted primary balance, Germany's fiscal policy will be distinctly expansionary in 2020. Despite the considerable increases in spending and reductions in revenue, the general government budget will not take on additional debt.

## Forecast for public finances

- The 2020 general government budget encompassing the Federation, *Länder*, local authorities and social security funds will run a smaller surplus:**

The budget surplus will fall from 1.9% of GDP in 2018 to roughly 1¼% of GDP in 2019 and roughly ¾% of GDP in 2020. The main reason for this is the implementation of the priority measures contained in the Coalition Agreement and other measures (see German Draft Budgetary Plan 2019 of October 2018), as well as the measures under the Climate Action Programme 2030 (see Table 7). These measures will reduce the federal

budget surplus in particular. As a result, it is mainly the budgets of the *Länder* and local authorities that will see surpluses in the coming years.

- Compliance with medium-term budgetary objective:**

Germany expects to post a structural balance (i.e. the fiscal balance adjusted for cyclical and one-off effects) of approximately ½% of GDP in 2020. This means that Germany will achieve its medium-term budgetary objective – i.e. a structural deficit no greater than 0.5% of GDP – with a considerable safety margin.

- Steady reduction of the debt-to-GDP ratio:**

Thanks to the general government budget surplus, Germany's debt-to-GDP ratio (Maastricht definition) is expected to fall to 59¾% in the current year. The continued healthy state of public finances and the ongoing winding down of resolution authority portfolios are helping to reduce the debt ratio. Germany's debt level will fall below the 60% upper limit by the end of 2019. This will help to secure the sustainability of public finances in the face of various risks and the budgetary effects of demographic change.

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

	2018	2019	2020
	<b>in % of GDP</b>		
<b>Budget balance</b>	1.9	1¼	¾
<b>Structural balance</b>	1.5	1¼	½
<b>Maastricht debt-to-GDP ratio</b>	61.9	59¾	57¾

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

### Implementation of the country-specific recommendations

Germany's draft budgetary plan for 2020 includes key measures that aim to implement the Council's country-specific recommendations of 9 July 2019 (see Table 9). The measures will have effect in 2019 and the years that follow. The federal government will report further on the implementation of the country-specific recommendations over the course of the coming European semester.

### Basis for the 2020 draft budgetary plan

The 2020 draft budgetary plan is based in particular on the following sources and information:

- Act Adopting the Federal Budget for the 2019 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2019*) of 17 December 2018
- Federal government spring projection of 17 April 2019, which was endorsed by
- the Joint Economic Forecast group as an independent body in accordance with the Forecasting Act (*Vorausschätzungsgesetz*) and the Forecasting Ordinance (*Vorausschätzungsverordnung*)
- Results of the Working Party on Tax Estimates of 9 May 2019
- Press release issued by the Bundesnetzagentur (Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway) on 12 June 2019 on the results of the spectrum auction to expand the network for 5G
- Draft federal budget for 2020 and the financial plan to 2023, adopted by the federal government on 26 June 2019
- Draft Act on Further Tax Incentives for Electric Mobility and Amending Further Tax Provisions (*Gesetz zur weiteren steuerlichen Förderung der Elektromobilität und zur Änderung weiterer steuerlicher Vorschriften*) of 31 July 2019

- Draft Act on Phasing Out the 1995 Solidarity Surcharge (*Gesetz zur Rückführung des Solidaritätszuschlags 1995*) of 21 August 2019
- Results for the general government budget in the national accounts, published by the Federal Statistical Office on 27 August 2019
- Key issues paper on the Climate Action Programme 2030, adopted by the federal government on 25 September 2019
- Draft supplementary budget for 2020 to implement the Climate Action Programme 2030, adopted by the federal government on 2 October 2019

**Table 2: Technical assumptions**

	2018	2019	2020
<b>Short-term interest rate</b> (annual average in %)	0.00	0.00	0.00
<b>USD/€ exchange rate</b> (annual average)	1.18	1.14	1.14
<b>Growth of German sales markets</b> (% change yoy) <sup>1)</sup>	3.6	2½	3
<b>Oil price</b> (Brent, USD/barrel)	70.9	65	65

2019 and 2020: Federal government spring projection on macroeconomic trends, April 2019.

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

Table 3a: Macroeconomic prospects

	ESA code	2018 € billion	2018	2019	2020	2021	2022	2023
			Year-on-year change in %					
<b>1. Real GDP</b>	B1*g	3222.5	1.5	0.5	1.5	1.2	1.2	1.2
<b>2. Potential GDP<sup>1)</sup></b>		3193.6	1.5	1.4	1.4	1.4	1.2	1.1
<b>contributions (percentage points):</b>								
- labour			0.5	0.4	0.4	0.3	0.1	-0.1
- capital			0.5	0.5	0.5	0.5	0.5	0.5
- total factor productivity			0.5	0.5	0.6	0.6	0.7	0.7
<b>3. Nominal GDP</b>	B1*g	3344.4	3.1	2.8	3.5	3.0	3.0	3.0
<b>Components of real GDP</b>								
<b>4. Private final consumption expenditure<sup>2)</sup></b>	P.3	1681.7	1.3	1.2	1.6			
<b>5. Government final consumption expenditure</b>	P.3	640.8	1.4	2.0	1.8			
<b>6. Gross fixed capital formation</b>	P.51g	666.6	3.5	2.2	2.8			
<b>7. Changes in inventories (% of GDP)</b>	P.52 + P.53	-	0.3	-0.3	0.0			
<b>8. Exports</b>	P.6	1557.2	2.1	2.0	3.0			
<b>9. Imports</b>	P.7	1353.6	3.6	3.8	4.0			
<b>Contributions to real GDP growth</b>						<b>- in percentage points -</b>		
<b>10. Final domestic demand</b>			-	1.7	1.4	1.7		
<b>11. Changes in inventories</b>	P.52 + P.53		-	0.3	-0.3	0.0		
<b>12. External balance of goods and services</b>	B.11		-	-0.4	-0.6	-0.2		

2018: Federal Statistical Office, August 2019.

2019 to 2023: Federal government spring projection on macroeconomic trends, April 2019.

1) 2018 figure calculated as the difference between GDP (August 2019) and output gap (spring projection).

2) Including private non-profit organisations serving households.

Table 3b: Price developments - deflators

	2018	2018	2019	2020	2021	2022	2023
	Index (2015=100)	Year-on-year change in %					
<b>1. GDP</b>	103.78	1.5	2.3	2.0	1.8	1.8	1.8
<b>2. Private consumption expenditure<sup>1)</sup></b>	103.69	1.5	1.4	1.7			
<b>4. Public consumption expenditure</b>	103.88	1.8	2.5	2.2			
<b>5. Gross investment</b>	104.84	3.2	3.0	3.2			
<b>6. Exports</b>	101.83	0.9	0.6	0.4			
<b>7. Imports</b>	101.93	1.8	-0.3	0.4			

2018: Federal Statistical Office, August 2019.

2019 to 2023: Federal government spring projection on macroeconomic trends, April 2019.

1) Including private non-profit organisations serving households.

Table 3c: Labour market developments

	ESA code	2018 Level	2018	2019	2020
			Year-on-year change in %		
<b>1. Employment - persons<sup>1)</sup> (in millions)</b>		44.85	1.4	1.1	0.8
<b>2. Employment - hours worked<sup>2)</sup> (bn hours)</b>		62.34	1.3	0.8	0.9
<b>3. Unemployment rate (%)<sup>3)</sup></b>		-	3.2	2.9	2.7
<b>4. Labour productivity, persons<sup>4)</sup></b>		102.2	0.1	-0.6	0.7
<b>5. Labour productivity, hours worked<sup>5)</sup></b>		103.0	0.3	-0.3	0.6
<b>6. Compensation of employees (€bn, domestic)</b>	D.1	1770.3	4.6	4.6	3.8
<b>7. Compensation per employee (thousand €)</b>		43.6	2.9	3.2	2.9

2018: Federal Statistical Office, August 2019.

2019 and 2020: Federal government spring projection on macroeconomic trends, April 2019.

1) 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 3d: Sectoral balances

	ESA code	2018	2019	2020
		in % of GDP		
<b>1. Net lending/net borrowing vis-à-vis the rest of the world</b>	B.9	7.5	7.5	7.4
of which:				
- Balance on goods and services		6.2	6.4	6.0
- Balance of primary incomes and transfers		1.5	0.9	0.8
- Capital account		-0.1	0.3	0.6
<b>2. Net lending/net borrowing of households</b>	B.9	5.7	5.2	5.0
<b>3. Net lending/net borrowing of general government<sup>1)</sup></b>	B.9	1.9	1 1/4	3/4
<b>4. Statistical discrepancy</b>		-	-	-

2018: Federal Statistical Office, August 2019.

2019 and 2020: Federal government spring projection on macroeconomic trends, April 2019.

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

Table 4a: General government budgetary targets broken down by subsector

	ESA code	2019	2020	2021	2022	2023
		in % of GDP				
<b>Net lending (+)/net borrowing (-) (B.9) by subsector<sup>1)</sup></b>						
<b>1. General government</b>	S.13	1¼	¾	¼	¼	½
<b>2. Central government</b>	S.1311	½	0	-¼	0	¼
<b>3. State government</b>	S.1312	½	½	¼	¼	¼
<b>4. Local government</b>	S.1313	¼	¼	¼	0	0
<b>5. Social security funds</b>	S.1314	¼	0	0	0	0
<b>General government (S.13)</b>						
<b>6. Interest expenditure</b>	D.41	¾	¾	¾	¾	¾
<b>7. Primary balance<sup>2)</sup></b>		2½	1½	1	1	1¼
<b>8. One-off and other temporary measures</b>		0	0	0	0	0
<b>9. Real GDP growth (% change yoy)</b>		0.5	1.5	1.2	1.2	1.2
<b>10. Potential GDP growth (% change yoy)</b>		1.4	1.4	1.4	1.2	1.1
<b>contributions (percentage points):</b>						
<b>-labour</b>		0.4	0.4	0.3	0.1	-0.1
<b>-capital</b>		0.5	0.5	0.5	0.5	0.5
<b>-total factor productivity</b>		0.5	0.6	0.6	0.7	0.7
<b>in % of potential GDP</b>						
<b>11. Output gap</b>		0.1	0.2	0.0	0.0	0.0
<b>12. Cyclical budgetary component</b>		0	0	0	0	0
<b>13. Cyclically adjusted balance (1 - 12)</b>		1¼	½	¼	¼	½
<b>14. Cyclically adjusted primary balance (13 + 6)</b>		2	1¼	1	1	1¼
<b>15. Structural balance (13 - 8)</b>		1¼	½	¼	¼	½

1) TR - TE = B.9.

2) The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).

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

Any discrepancies in totals are due to rounding.

Table 4b: General government debt developments (Maastricht definition)

	ESA code	2019	2020	2021	2022	2023
		in % of GDP				
<b>1. Gross debt</b>		59¾	57¾	56¼	54¾	52¾
<b>2. Change in gross debt ratio</b>		-2¼	-2	-1½	-1½	-1¾
<b>Contributions to changes in gross debt</b>						
<b>3. Primary balance</b>		-2¼	-1½	-1	-1	-1¼
<b>4. Interest expenditure</b>	D.41	¾	¾	¾	¾	¾
<b>5. Other adjustments</b>		-¾	-1¼	-1¼	-1¼	-1¼
<b>p.m.:</b> <b>Implicit interest rate on debt<sup>1)</sup></b>		1¼	1¼			

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 debt level of the previous year.

Table 5: Expenditure and revenue projections under the no-policy-change scenario\*

General government (S. 13)	ESA code	2019	2020
		in % of GDP	
<b>1. Total revenue with no change in policy</b>	TR	46½	46¼
<u>of which:</u>			
<b>1.1. Taxes on production and imports</b>	D.2	10½	10½
<b>1.2. Current taxes on income, wealth, etc.</b>	D.5	13¼	13¼
<b>1.3. Capital taxes</b>	D.91	¼	¼
<b>1.4. Social contributions</b>	D.61	17¼	17¼
<b>1.5. Property income</b>	D.4	¾	½
<b>1.6. Other<sup>1)</sup></b>		4½	4¼
<u>p.m.:</u>			
Tax burden (D.2+D.5+D.61+D.91-D.995) <sup>2)</sup>		41¼	41
<b>2. Total expenditure with no change in policy</b>	TE <sup>3)</sup>	45¼	45¼
<u>of which:</u>			
<b>2.1. Compensation of employees</b>	D.1	7¾	7¾
<b>2.2. Intermediate consumption</b>	P.2	5¼	5¼
<b>2.3. Social payments</b>	D.62 + D.632	24½	24¾
<u>of which:</u> <b>unemployment benefits<sup>4)</sup></b>		1¼	1¼
<b>2.4. Interest expenditure</b>	D.41	¾	¾
<b>2.5. Subsidies</b>	D.3	1	1
<b>2.6. Gross fixed capital formation</b>	P.51	2½	2½
<b>2.7. Capital transfers</b>	D.9	1¼	1¼
<b>2.8. Other<sup>5)</sup></b>		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 6a: General government expenditure and revenue targets

General government (S. 13)	ESA code	2019 in % of GDP	2020
<b>1. Total revenue</b>	TR	46½	46½
<b>of which:</b>			
<b>1.1. Taxes on production and imports</b>	D.2	10½	10½
<b>1.2. Current taxes on income, wealth, etc.</b>	D.5	13¼	13¼
<b>1.3. Capital taxes</b>	D.91	¼	¼
<b>1.4. Social contributions</b>	D.61	17¼	17¼
<b>1.5. Property income</b>	D.4	¾	½
<b>1.6. Other<sup>1)</sup></b>		4½	4¼
<b>p.m.:</b>			
Tax burden		41¼	41
(D.2+D.5+D.61+D.91-D.995) <sup>2)</sup>			
<b>2. Total expenditure</b>	TE <sup>3)</sup>	45¼	45½
<b>of which:</b>			
<b>2.1. Compensation of employees</b>	D.1	7¾	7¾
<b>2.2. Intermediate consumption</b>	P.2	5¼	5¼
<b>2.3. Social payments</b>	D.62 + D.632	24½	24¾
<b>of which:</b>			
<b>unemployment benefits<sup>4)</sup></b>		1¼	1¼
<b>2.4. Interest expenditure</b>	D.41	¾	¾
<b>2.5. Subsidies</b>	D.3	1	1
<b>2.6. Gross fixed capital formation</b>	P.51	2½	2½
<b>2.7. Capital transfers</b>	D.9	1¼	1¼
<b>2.8. Other<sup>5)</sup></b>		2¼	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 6b: Amounts to be excluded from the expenditure benchmark

	2018 €bn	2018 in % of GDP	2019	2020
<b>1. Expenditure on EU programmes fully matched by EU funds revenue</b>	4.2	0.1	0	0
<b>2. Cyclical unemployment benefit expenditure</b>	-1.0	0.0	0	- $\frac{1}{4}$
<b>3. Effect of discretionary revenue measures</b>	-4.2	-0.1	- $\frac{1}{4}$	- $\frac{1}{4}$
<b>4. Revenue increases mandated by law</b>	0.0	0.0	0	0

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

Table 7: Discretionary measures at the general government and federal level<sup>1)</sup>

List of measures	Detailed description	ESA code	Accounting principle	Adoption status / entry into force	Budgetary impact			
					2019	2020	2021	2022
<b>Climate Action Programme 2030: Federal government measures</b>								
Carbon pricing	Revenue from (i) EU ETS and (ii) national carbon pricing for transport and heating sectors	D.29	Cash	Planned entry into force of national carbon pricing: 2021	0.1	0.2	0.3	0.3
Relief for individuals and businesses	Revenue shortfall <sup>(2)</sup> resulting from tax incentives for (i) retrofitting of buildings, (ii) electric mobility and (iii) electric company vehicles, lower VAT rate on long-distance rail travel, increase of commuter tax allowance	D.51, D.21	Cash	The corresponding supplementary budget to the 2020 federal budget is currently going through the parliamentary process.	0.0	0.0	0.0	0.0
Support programmes, further relief	Energy and Climate Fund programme expenditure, new climate-friendly measures in the federal budget (especially to promote rail transport), compensation for the levy charged on electricity consumers to promote renewable energy sources, increase of housing benefit	D.62, D.7, D.92, P.2, P.5	Cash	-0.2	-0.3	-0.4	-0.4	-0.4

1) A number of measures, in particular those implementing the Coalition Agreement, were already outlined in last year's report (German Draft Budgetary Plan 2019).

2) Central government only.

Table 8: Divergence from April 2019 Stability Programme

	ESA code	2018	2019	2020
<b>Target general government net lending/net borrowing</b> (% of GDP)	B.9			
Stability Programme - April 2019		1.7	¾	¾
Draft Budgetary Plan		1.9	1¼	¾
Difference		0.2	½	0
<b>General government net lending/net borrowing</b> <b>at unchanged policies</b> (% of GDP)				
Stability Programme - April 2019		1.7	¾	¾
Draft Budgetary Plan		-	1¼	¾
Difference		-	½	0

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

Any discrepancies in totals are due to rounding.

**Table 9: Implementation of the country-specific recommendations of 2019/2020**

<p>The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:</p>			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
	2019 Federal Budget	<p>The 2019 Budget Act (<i>Bundeshaushaltsgesetz</i>) provides for a balanced budget that does not create any new debt. This represents a continuation of Germany's solid course of budgetary and fiscal policy which is focused on growth and social equality and which invests in the future. Set investment spending for 2019 (€38.9 billion) is higher than the value specified for 2018 (€37.4 billion) (excl. investment allocation to the investment fund for digital infrastructure of €2.4 billion). A priority has been placed on transport infrastructure, funding for the construction of social housing, and child benefits for homebuyers. A total of €24.3 billion has been earmarked for education and research spending in 2019, some €1.4 billion more than the set amount in 2018. In addition, the burden on the <i>Länder</i> and local authorities is to be considerably reduced, enabling additional investment measures to be taken at these levels and thus education and research to be strengthened.</p>	2019 Budget Act in effect since 1 January 2019.
	2020 Federal Budget	<p>The draft federal budget for 2020 (including the supplementary budget) similarly does not envisage any new debts. Furthermore, investment spending is set to rise to around €41.7 billion – a new record level. A priority has been placed on transport infrastructure, funding for the construction of housing and measures aimed at reaching the climate targets for 2030. A total of roughly €25.0 billion has been earmarked for education and research spending.</p>	Federal Cabinet decision of 26 June 2019 and supplementing amendment of 2 October 2019.
MTO		<p>The <i>Länder</i> and local authorities will continue to benefit from substantial financial relief, which will give them scope for additional investment activities</p>	Since 2012, Germany has complied with its medium-term budgetary objective of a general public-sector structural deficit no higher than 0.5% of GDP and will also be able to meet this objective in the coming years (projection period up to 2023).

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
	Act on structural change in coal mining areas ( <i>Strukturstärkungsgesetz Kohleregionen</i> )	<p>The Structural Development Act in coal mining areas takes up and fleshes out the principles and the financial scope set out by the Federal Government in its key points on implementing the structural policy recommendations provided by the Commission for Growth, Structural Change and Employment.</p> <p>Up until 2038 at the latest, up to €40 billion will be provided by the Federal Government for transforming former lignite mining areas. The Federal Government will make use of its power to grant financial assistance for particularly important regional investments by the <i>Länder</i> and local authorities pursuant to Article 104b of the Basic Law (<i>Grundgesetz</i>) worth up to €14 billion. Some €26 billion has been earmarked for additional Federal Government measures. These include in particular infrastructure (roads and railway lines) and research and development projects (including for example regulatory sandboxes, the establishment of research institutes), but also the establishment of federal government institutes.</p> <p>The Structural Development Act in coal-mining areas also sets out the details for the structural assistance to be provided to disadvantaged hard-coal mining sites and the Helmstedt district – which will be up to €1.09 billion.</p>	Federal Cabinet decision of 28 August 2019.
	10 <sup>th</sup> amendment to the Act against Restraints of Competition	<p>The Federal Government and the <i>Länder</i> concerned have agreed to adopt an emergency programme so that structural change-related projects in the three lignite mining areas concerned can be implemented before the end of 2019. Under this emergency programme, additional measures will be implemented in the lignite mining regions based on applications from the <i>Länder</i> concerned and financed under existing Federal Government funding programmes. The Federal Government will provide up to €240 million in additional funds.</p>	Under current plans, a draft act will be presented before the end of 2019.
		<p>The 10<sup>th</sup> amendment to the Act against Restraints of Competition was adopted with the intention to modernise Germany's competition law, particularly the supervisory scheme to prevent abuses of market power, and to provide adequate answers to the challenges posed by the digital transformation. In addition, the amendment makes binding the implementation of European law (ECN+ Directive). It is expected that the amendment will improve the enforcement of competition law, strengthen competition for the benefit of businesses and consumers and therefore help improve Germany's investment environment.</p>	

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
Commission 'Competition Law 4.0'	The Commission 'Competition Law 4.0' recommends adopting a number of different measures in the area of the digital economy that will enhance competition law and sector-specific regulation at EU level.	The Commission 'Competition Law 4.0' believes that: <ul style="list-style-type: none"> <li>• the practical and actual power of consumers to dispose of their own data must be improved,</li> <li>• clear rules of conduct for dominant platforms must be introduced,</li> <li>• legal certainty for cooperation in the digital sector must be enhanced,</li> <li>• and the institutional linkage between competition law and other digital regulation must be strengthened.</li> </ul> With a view to attaining these goals, the Commission has drawn up 22 specific recommendations relating to online platforms, data access and digital ecosystems.	The Commission's recommendations were presented on 9 September 2019.
Commission on 'Equal Standards of Living'	The 'Equal Standards of Living' Commission will implement a number of different measures. These include: <ul style="list-style-type: none"> <li>• the pan-German funding programme for structurally weak areas; this programme extends funding programmes that were formerly restricted to eastern Germany to all structurally weak areas, no matter whether these are located in the eastern or western part of the country; several national funding programmes will be adjusted to focus on providing funding for regions that are structurally weak,</li> </ul>	Federal Cabinet decision of 10 July 2019.	Implementation of the pan-German funding programme starts on 1 January 2020.

Table 9: continuation

Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:	<p>• topping up the Federal Government's investment aid for improving transport in municipalities and promoting investment in basic services in rural areas that are easily accessible to the people there.</p> <p>• expanding the optical fibre network in areas where this would be unprofitable for businesses, particularly if these receive no government funding, and pursuing an ambitious expansion course for establishing an effective mobile communication network across Germany.</p>	<p>Third Act to Reduce Bureaucracy (<i>Bürokratieentlastungsgesetz III</i>)</p> <p>The Third Act to Reduce Bureaucracy will relieve the German economy of more than €1.1 billion of costs per year. The relief consists primarily of the following measures:</p> <ul style="list-style-type: none"> <li>• Introduction of an electronic sick leave certificate,</li> <li>• Improved rules for the retention of tax-related data processing systems,</li> <li>• Option to use a digital registration form in the hospitality sector.</li> </ul>	<p>Federal Cabinet decision of 18 September 2019.</p>
Focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities.	Agreement between the Federal Government and the <i>Länder</i>	Broadly designed financial assistance provided by the Federal Government in particular for school infrastructure and equipment, but also to achieve structural effects by providing funding for infrastructure within and across the <i>Länder</i> .	<p>The Digital Pact was launched on 17 May 2019 and has a duration of 5 years.</p> <p>The Pact provides the basis for contributing to the success of the Strategy for Education in a Digital Age adopted by the Standing Conference of the Ministers of Education by helping the <i>Länder</i> to improve their curricula and teacher training, and to develop suitable educational tools and e-government for schools. Its objectives include:</p> <ul style="list-style-type: none"> <li>• Creating/optimising an efficient, learning-enhancing, durable and interoperable digital and learning infrastructure in schools, education authorities and the <i>Länder</i>,</li> <li>• Provision of IT support by the local authorities as a supplement; in the Digital Pact for Schools, this is supplemented by a possibility to receive funding for new, professional service solutions at regional and national level.</li> </ul>

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
Act on tax allowances for research (Forschungszulagen-gesetz)	DThe Federal Government's draft of an Act for providing tax credit for research and development (Act on tax allowances for research) provides for tax incentives for companies conducting research and development activities.	The tax incentives focus in particular on the deductibility of R&D staff costs (gross wage and salary plus social security contributions paid by the employer for R&D staff).	Federal Cabinet decision of 18 September 2019.
Agency for Breakthrough Innovations	All companies conducting research activities and paying tax in Germany can apply for the allowance.  The funding rate is 25%; the maximum eligible costs are €2 million.  The objective of this initiative is to encourage small and medium-sized enterprises to invest more in research and development.	The Act on tax allowances for research will enter into force on 1 January 2020.	The legislative process is to be completed before the end of this year.
	The Agency is to provide funding for the development of disruptive innovations that have the potential to transform the market by taking a unique innovation policy approach. It is to foster highly promising R&D ideas that have the potential to create added value and considerable benefits for society.	The Agency is set to be launched in autumn 2019.	
	The Agency for Breakthrough Innovations will be operated for a minimum of ten years; a total of approximately €1 billion in funds has been earmarked for this purpose.		
	Linking up this Agency with the European Innovation Council will be a key issue.		

Table 9: continuation

Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:	digital-made-in. de; 'Shaping the course of digitisation' implementation strategy	<p>Measures undertaken in the context of the 'Shaping the course of digitisation' implementation strategy</p> <ul style="list-style-type: none"> <li>• 'Mittelstand 4.0' initiative: 26 regional and thematic centres of excellence that drive forward digitalisation in SMEs</li> <li>• 'Go digital' advisory programme targeted at SMEs</li> <li>• 'Digital investments' grant programme to be launched at the beginning of 2020</li> <li>• IT security in the business sector: establishment of an IT security contact point for SMEs</li> <li>• Digital innovations competition for business start-ups</li> <li>• Digital Hub Initiative: Strengthening the digital ecosystem at 12 sites across Germany</li> </ul>	The strategy will be implemented by 2021 and continuously enhanced.
AI Strategy		<p>In this Strategy, the Federal Government sets out a framework for taking a holistic approach to the future development and use of AI in Germany.</p> <p>A large number of measures set out in the AI Strategy are already being implemented. This includes providing funding for new AI professorships, establishing new centres of excellence for AI research, fostering technology transfer through the funding of applied research, using AI coaches in Mittelstand 4.0 centres of excellence and launching the funding programme entitled 'AI flagship projects for preserving the environment, climate, nature and resources'.</p>	<p>The strategy is currently being implemented and, depending on the state of the debate and the requirements, will be enhanced at the beginning of 2020.</p> <p>The funds for the first tranche for underpinning the AI strategy were earmarked in the 2019 Federal Budget (€500 million). Funds for the second tranche for underpinning the AI strategy (€500 million) have been earmarked in the draft federal budget for 2020. This means that the Federation will make available approx. €3 billion for implementing the AI strategy in the period running from 2019 to 2025.</p>

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
5G	Germany is to become a lead market for the next generation of mobile communication – 5G – by 2025. The auctions for the 2 GHz and 3.6 GHz mobile spectrum, which were held by the Bundesnetzagentur, ended on 12 June 2019. The legal requirements in terms of frequency allocation have therefore been met.	Funding programme for 5G pilot projects under the ‘5x5G Strategy’.	Spectrum auctions completed. Federal Government will draft a mobile communication strategy in the coming weeks.
Broadband expansion	Broadband funding programme readjusted in August 2018 to focus on the expansion of the gigabit network: first of all, areas with no broadband coverage (white spots) will be connected (at speeds of up to 30 Mbit/s). In November 2018, a programme to connect schools, business parks and hospitals to the gigabit network was launched. Funding directive on ‘grey spots’ (connections at speeds of more than 30 Mbit/s, but not gigabit-ready) is currently being coordinated with the European Commission.	The funding programmes will be financed by the ‘Digital Infrastructure’ special fund, which is also used to finance the Digital Pact for Schools (€5 billion), and into which the revenues from the mobile communications auctions (a total of €6.55 billion up until 2030) are fed.	The programme is to start at the beginning of 2020.
Blockchain Strategy	The Federal Government has adopted the Blockchain Strategy in order to make use of the opportunities offered by this technology and to harness its potential for driving forward the digital transformation. The strategy includes 44 measures across five fields of action, including a framework for innovation using blockchain technology, blockchain in the financial sector and digital public services.	Cabinet decision of 18 September 2019.	

Table 9: continuation

Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:	Act to accelerate the power grid expansion (Netzausbaubeschleunigungsgesetz, NABEG revision 2.0)	<p>As part of a package of measures to optimise existing grids and to accelerate the expansion of the electricity grids, the Grid Expansion Acceleration Act (NABEG) for the transmission system was revised in line with the Coalition Agreement.</p> <p>The main substance of the changes is the simplification and acceleration of planning and approval procedures to optimise and upgrade existing power grids and to build new grids at the level of the ultra-high voltage transmission system.</p> <p>Here, a key provision of the Act is the omission under certain circumstances of Federal Sectoral Planning for energy grid construction. Further to this, forward-looking planning is made possible, with, for example, it being possible to lay empty conduits for future lines. The environmental impact is fully considered from the outset. Overall, substantive environmental standards are not lowered, and the public continues to be fully involved from an early stage.</p>	<p>In force since 17 May 2019.</p>
	Forward-looking internal auditing of grid expansion	<p>The energy ministers of the <i>Länder</i> and the Federation have agreed with the Bundesnetzagentur and the directors of the transmission system operators in Germany on specific timetables for all grid expansion projects.</p>	<p>Agreement on 24 May 2019.</p> <p>The six milestones mark the beginning and end of the Federal Sectoral Planning or spatial planning procedure and the planning approval procedure, as well as the commencement of construction and the coming on stream of the grid.</p> <p>The timetables form a core element of an internal auditing system for grid expansion which has been introduced jointly by the Federation and the <i>Länder</i>. They provide the planned milestones against which the specific progress of the grid expansion is to be monitored. The Federation and the <i>Länder</i> regularly bring the relevant stakeholders together in order to avoid delays against the planned schedule.</p>

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
Ordinance to improve the regulatory framework for the construction of LNG infrastructure in Germany (LNG Ordinance, Verordnung zur Verbesserung der Rahmenbedingungen für den Aufbau der LNG-Infrastruktur in Deutschland)	The main focus of this ordinance is to improve the rules governing the construction of LNG infrastructure. An amendment to the Gas Network Access Ordinance (Gasnetzzugangsverordnung) obliges the gas TSOs to construct the necessary grid between LNG installations and the gas transmission system and to connect the LNG installations to the transmission system.	The costs borne by the gas TSOs due to the construction of the connection to the grid are categorised as an investment measure pursuant to the Incentive Regulation Ordinance (Anreizregulierungsverordnung). This means that these costs can be covered by the gas grid fees without delay and passed onto the users of the grid. In future, the installation operators will only bear 10% of the connection costs themselves.	In force since 20 June 2019.
Reform of real property tax	The legislative procedure for the reform of the real property tax has to be completed by the end of the year, in line with a ruling by the Federal Constitutional Court of 10 April 2018. Otherwise, the tax can no longer be levied by the local authorities.	The conclusion of legislative process is scheduled for before the end of 2019.	Overall, the reform is to be revenue-neutral. The valuation for the tax assessment is to be based on the value of a piece of land and/or building. Additionally, “real property tax C” is to provide incentives to develop land which is ready for construction. An exemption clause based on the Basic Law is to give the Länder the possibility to adopt different arrangements at Land level.

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
Housing and rental package	The rent control mechanism is to be extended until the end of 2025. Where a complaint is upheld, tenants are to have the possibility to claim back all the overpaid rent within 30 months of the commencement of the rental contract.	Ministerial draft sent to <i>Länder</i> and associations: 10 September 2019.	Adoption of the government draft: 18 September 2019.
	The Federal Government would like to extend the reference period for the determination of the standard local comparative rent from four to six years in order to slow the rise in rents.	In future, when an apartment or a single-family home is purchased, both seller and buyer are to pay half of the estate agent's commission if both have commissioned the estate agent. If the estate agent is only acting for one party, the party which has not commissioned the estate agent can only be required to pay the commission to the extent that it does not pay more commission than the party which commissioned the estate agent.	Ministerial draft sent to <i>Länder</i> and associations on 17 September 2019.
	The 2020 housing benefit reform is to improve the reach and the level of housing benefit. Also, the draft legislation provides for regular increases in the level of housing benefit, the first increase being scheduled from 2022.	The Act to Strengthen Housing Benefit ( <i>Wohngeldstärkungsgesetz</i> ) enters into force on 1 January 2020.	Draft legislation to reform the law governing rental comparisons is envisaged by the end of December 2019.
	The legislation on rental comparisons is to be reformed.	Draft legislation to reform the law governing rental comparisons is envisaged by the end of December 2019.	Draft legislation is planned for before the end of 2019.
	The Federal Government wishes to curtail the possibility to transform rented apartments into owner-occupied apartments, involving the <i>Länder</i> and local authorities in this.		

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 1: Investment, taxes and competition	Title of the measure	Description and expected impact of measure	Status and timetable
<b>Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.</b>	With regard to reducing the burden on labour, cf. the measures to reduce income tax and social security contributions already adopted for 2019 and 2020, as well as the measure under Recommendation 2.	Against the background of the ECJ ruling on the HOAI of 4 July 2019, the Federal Government is currently reviewing how the HOAI and the basis for statutory authorisations in the ArchLG on which it is based can be adapted to respond as well as possible to the ECJ ruling. The procedure to amend the rules will be launched once this review has been completed.	Introduction of procedure to produce act or ordinance probably from autumn 2019.
<b>Strengthen competition in business services and regulated professions.</b>	Amendment of the Act regulating Services of Engineers and Architects ( <i>Gesetz zur Regelung von Ingenieur- und Architektenleistungen, ArchLG</i> ) and of the statutory fee schedule for architects and engineers (HOAI)	The Federal Government is planning an amendment to bring Section 146 subsection 2a of the Fiscal Code into line with European law. The aim of the reform is to facilitate the free movement of non-personal data in the EU and thus to boost competition in an important field of the provision of corporate services.	Need to reform Section 146 of the Fiscal Code derives from the Free Flow of Data Regulation (Regulation 2018/1807). Discussions with the Länder from September 2019.

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:		Recommendation 2: Labour participation, pension system and labour market		
		Title of the measure	Description and expected impact of measure	Status and timetable
Reduce disincentives to work more hours, including the <b>high tax wedge</b> , in particular for <b>low-wage and second earners</b> .	Draft act to reduce the 1995 solidarity surcharge	From 1 January 2021 a full reduction of the solidarity surcharge will take place for low and middle incomes, i.e. for around 90% of all payers of wage tax and income tax affected by the solidarity surcharge. This serves to boost incentives to work, purchasing power and the domestic economy.	Cabinet decision: 21 August 2019.  Planned entry into force: 1 January 2021.	
Take measures to safeguard the <b>long-term sustainability of the pension system, while preserving adequacy</b> .	“Reliable Intergenerational Contract” Commission (Pension Commission)	The measures to reduce tax in 2019 to 2021 (higher basic personal allowance, offsetting of fiscal drag, much better family benefits, e.g. higher child benefit, reduction in solidarity surcharge) and the cuts in social security contributions in 2019 (equal financing by employers and employees of contributions to statutory health insurance, cut in contribution rate to unemployment insurance, from July 2019 targeted expansion of midi-jobs for low earners) will particularly benefit families and people on low and middle incomes. The tax relief in 2019–2021 alone will, when effective for the whole year, amount to much more than €25bn. These are therefore the largest tax cuts in more than ten years.	The commission will present its final report to the Federal Government in March 2020.	
	Introduction of a basic pension	According to the Coalition Agreement of the CDU/CSU and SPD for the 19 <sup>th</sup> legislative period, the introduction of a basic pension is agreed. Precisely, it is intended that the life achievement of people who have worked for decades, have raised children or have taken care of relatives is honoured by granting a regular retirement income 10% above old-age basic income support. The coordination within the Federal Government regarding the concrete design of the measure has not yet been concluded.	Currently being coordinated.	

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 2: Labour participation, pension system and labour market	Title of the measure	Description and expected impact of measure	Status and timetable
Strengthen the conditions that support higher wage growth, while respecting the role of the social partners.	General minimum wage	The general minimum wage is being raised from its current level of €9.19 per hour to €9.35 per hour at the beginning of 2020. The increase in the minimum wage helps to provide an appropriate minimum level of protection for workers. As the increase in the minimum wage prevents below-average wage developments in the low-wage sector, it also helps to boost the domestic economy.	The Federal Government has adopted a corresponding ordinance. The minimum wage is being raised on 1 January 2020.
	Coverage of sectoral minimum wages by collective agreements	The increase helps to protect workers and also strengthens the basis of the incomes of the workers employed in the sector.	Broadening of scope/increase ongoing in reference period.
	Act to Improve Wages of Those Providing Long-term Care	The Act to Improve Wages of Those Providing Long-term Care aims to boost the capacity to act of the Long-term Care Commission and to regulate the setting of working conditions in the long-term care sector which are based on collective agreements, taking account of special sectoral features. Both facilitate the nation-wide adoption of higher minimum wages.	If possible, the Act is to be adopted and to enter into force in November.
	Act to Promote the Training and Employment of Foreigners	The Fourth Commission has now been convened on schedule, and is to recommend higher minimum wages in particular for the period after 1 May 2020. This recommendation can then become part of a new ordinance.	
Improve educational outcomes and skills levels of disadvantaged groups.	(Ausländerbeschäftigungsförderungsgesetz)	The Act to Promote the Training and Employment of Foreigners has largely disconnected the access for foreigners to funding for training from residence legislation, and has broadened and substantially simplified this access. The new rules mean that foreigners can now be given better support from the time when they begin vocational training to when they receive their qualification. A vocational qualification greatly helps people to become sustainably and well integrated into society. Further to this, better use can be made of the potential of foreigners willing to receive vocational training, and this can help secure the supply of skilled labour. Also, the Act to Promote the Training and Employment of Foreigners will enable many refugees to take part in integration courses or vocational language courses for the first time.	The Act entered into force on 1 August 2019.

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:		Recommendation 2: Labour participation, pension system and labour market		
		Title of the measure	Description and expected impact of measure	Status and timetable
	National strategy for continuing training	Following the Act on Opportunities to Gain Qualifications ( <i>Qualifizierungschancengesetz</i> ), which has already been adopted, the National strategy for continuing training represents a further step towards enabling people in Germany to determine their own development opportunities in the context of the digital transformation. The aim is to reform, systematise and strengthen a continuing training policy which supports life-long (further) education. The focus is to be on training and skills development, as well as the sustainable safeguarding of employability. The partners in the National strategy for continuing training aim to establish a new culture of continuing training in Germany in which continuing training is a natural part of life.	Presentation of strategy paper on 12 June 2019; currently in implementation process; presentation of a paper on the status of implementation in spring 2021.	
	Revision of the Vocational Training Act ( <i>Berufsbildungsgesetz</i> )	The revision of the Vocational Training Act makes dual vocational training more attractive. The focus of the revision is on anchoring transparent further training stages with internationally compatible designations of qualifications, a balanced minimum wage for trainees, expanded possibilities for part-time vocational training, and the flexibilisation of the examinations. The new features are to give dual vocational training a contemporary context and to make it even more attractive. In particular, the minimum wage for trainees and the increased possibilities for part-time vocational training aim to make it possible for disadvantaged groups to receive vocational training and thus to improve their skills base.	Cabinet decision of 15 May 2019; planned entry into force on 1 January 2020.	
	Guidelines to support companies integrating refugees into training and jobs by welcome guides	The aim of the programme is with the help of the welcome guides ( <i>Willkommenslotsen</i> ) to offer a nation-wide, low-threshold, individual support service to integrate refugees into training and jobs in companies.	The new basis for the support from 1 January 2020 will be the Guidelines to support companies integrating refugees into training and jobs by welcome guides of 28 August 2019.	

Table 9: continuation

The Council of the European Union recommends that Germany takes action in 2019 and 2020 to:			
Recommendation 2: Labour participation, pension system and labour market	Title of the measure	Description and expected impact of measure	Status and timetable
	Guidelines to support the orientation and integration of mothers with a migrant background into the world of work via 90 new “Stark im Beruf” (“Strong in the workplace”) contact points	The aim of the programme is to support mothers with a migrant background who wish to work, including refugee women with children, as they access work, training and skills development.	Launch on 1 January 2019; to run until 30 June 2022.
	Empirical education research framework programme	In the empirical education research framework programme, research to improve educational fairness is a key field. For example, the Funding Guidelines on “Reducing barriers to education: learning environments, educational success and social participation” recently appeared. The aim of the guidelines is to generate scientifically grounded findings for the shaping of measures to reduce socio-structural educational disadvantages.	The guidelines were announced in June 2019. The plan is for the first projects funded under these guidelines to commence in mid-2020.

**Table 10: Targets of the EU's strategy for growth and jobs**

National headline targets for 2020	List of actions*	Description of the direct relevance to the target
Employment rate among persons aged 20–64: 77%**	No changes compared with the 2019 NRP.	
Employment rate among older people aged between 55 and 64: 60%**		
Employment rate among women: 73%**		
R&D expenditure: 3.5% of GDP by 2025 (two-thirds from the private sector and one-third from the public sector)	<p>The Federal Government's "High-Tech Strategy 2025" is an interdepartmental research and innovation strategy intended to drive the transfer of basic research into the application phase. To this end, the High-Tech Strategy 2025 aims to establish an open culture of innovation that integrates new knowledge and new stakeholders into cutting-edge projects and that provides space for creative ideas. The progress report on the High-Tech Strategy was presented in September 2019.</p> <p>By establishing an agency to promote breakthrough innovations, the Federal Government has implemented a unique, person-centred approach to driving innovation. Specifically, the agency will place a resolute focus on making the shift from R&amp;D to application, providing innovators from the fields of science and business with the trust and independence to turn highly innovative ideas into application-ready products, processes and services. As a first step, three pilot innovation competitions in the areas of artificial intelligence, medicine and energy were advertised in 2019.</p> <p>On 22 May 2019, the cabinet proposed a draft of an Act for providing tax credit for research and development (<i>Forschungszulagengesetz</i>), which is intended to provide small and medium-sized enterprises with incentives to invest in R&amp;D activities.</p>	

**Table 10:** continuation

<b>National headline targets for 2020</b>	<b>List of actions*</b>	<b>Description of the direct relevance to the target</b>
Reduce greenhouse gas emissions by at least 40% by 2020, by 80–95% by 2050, compared with 1990 levels, or achieve significant levels of greenhouse gas neutrality by 2050	Implementation of measures as set out in the key-issues paper on the Climate Action Programme 2030 of 25 September 2019	With the Climate Action Programme 2030, the Federal Government aims to reach the climate action targets determined by putting in place a diverse package of measures covering innovation, subsidies, legal standards and requirements, and greenhouse gas pricing.
Increase share of renewable energy to 18% of gross final energy consumption by 2020, to 60% by 2050 and to at least 80% in the electricity sector		From a macroeconomic point of view, a single cross-sectoral price on greenhouse gas emissions is the most cost-effective way of achieving climate targets. For this reason, the Federal Government will advocate, working closely with the European Commission, for the introduction of a Europe-wide emissions trading system (ETS) in emission allowances for all sectors. As a first step, a moderate Europe-wide minimum price will be added to the existing European emissions trading system (for energy and industry). This minimum price ensures that, even if demand declines, the price of emissions allowances remains above a certain threshold. This ensures there is planning certainty for climate investments in the ETS sectors.
National energy efficiency goals under the Federal Government's energy strategy of 28 September 2010: Reduce primary energy consumption by 20% by 2020 and by 50% by 2050, compared with 2008 levels		In a second step, the Federal Government will join forces with other interested member states to work towards integrating non-ETS sectors into the ETS in the future.
		In order to reach the climate targets for 2030, each country must take action quickly. Some of the measures will become effective as soon as 2020.
		In this, the Federal Government considers that the key measures are those aiming at the expansion of renewable energies, the phase-out of coal-fired electricity generation and the improvement of energy efficiency.

**Table 10:** continuation

National headline targets for 2020	List of actions*	Description of the direct relevance to the target
Increase in the share of persons aged 30-34 who have completed tertiary education or equivalent to 42%**	The revision of the Federal Education and Training Assistance Act ( <i>Bundesausbildungsförderungsgesetz</i> ), which entered into force in August 2019, earmarks an additional total of €1.3 billion for benefit increases in the budget years 2019–2021.	These substantial benefit increases aim to improve outreach to young people who are about to enter vocational training or higher education and to ensure equal opportunities in accessing qualifying vocational training.
Reduce the number of long-term unemployed persons by 20% by 2020 compared with 2008 levels**	No changes compared with the 2019 NRP.	

\* The 2019 NRP, which was sent to the European Commission in April 2019, includes a comprehensive overview of the state of play regarding the implementation of the Europe 2020 strategy in Germany, including a detailed table of actions (including description of action, anticipated impact, status and schedule), p. 54 et seqq. The overview in this table is limited to new actions (planned, adopted, in force), especially actions affecting public finances, which will take effect in 2020 and the following years.

\*\* Target already met.

Table 11: Methodological aspects

Estimation technique	Relevant step of the budgetary process	Relevant features of the model/technique used	Assumptions
<b>Macroeconomic forecast</b>	Before each tax revenue estimate	Iterative-analytic approach: several partial models are used in the system of national accounts. 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)
<b>Tax revenue estimate</b>	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
<b>Fiscal impact of discretionary tax measures</b>	Basis for tax revenue estimate and for drafting and finalising budget	Microsimulation models based on tax statistics; calculations based on macroeconomic assumptions	Macroeconomic forecast



**Published by**

Federal Ministry of Finance  
Public Relations Division  
Wilhelmstr. 97  
10117 Berlin, Germany

**Publication Date**

October 2019

**Edited by**

Referat I A 4

**Where to order this publication:**

Tel: +49 3018 272 2721  
Fax: +49 3018 10 272 2721  
email: publikationen@bundesregierung.de

**Further information can be found online at:**

[www.bundesfinanzministerium.de](http://www.bundesfinanzministerium.de)  
[www.ministere-federal-des-finances.de](http://www.ministere-federal-des-finances.de)  
[www.federal-ministry-of-finance.de](http://www.federal-ministry-of-finance.de)

[stabile-haushalte.de](http://stabile-haushalte.de)