

## The growing significance of central government's off-budget entities

*Central government finances map government policy in figures. At their heart sits central government's core budget, which is subject to a transparent and structured process. The government proposes a draft budget. Germany's parliament, the Bundestag, discusses, amends and adopts it. The media report on it. The public are able to form a picture of what is going on in terms of fiscal policy and central government finances.*

*In addition to the core budget, the central government has set up numerous off-budget entities that perform central government tasks. Central government manages its off-budget entities and also bears financial responsibility for them. This means that they belong to the government sector and fall within the scope of European fiscal rules for general government.*

*In recent years, off-budget entities have taken on a much greater significance, with central government shifting tasks over to them on a large scale. When the books were closed for 2022, the off-budget entities had scope for deficits amounting to around €400 billion for the current and coming years (10% of gross domestic product (GDP) in 2023). This is mainly attributable to three special funds: the Economic Stabilisation Fund for Energy Assistance, the Armed Forces Fund and the Climate and Transformation Fund. The debt brake limits central government's net structural borrowing to 0.35% of GDP per year (€13 billion in 2023); the aforementioned scope for deficits held by the off-budget entities is not counted as part of that, however.*

*Justifications offered for the use of off-budget entities include that they ensure a more reliable provision of financial resources or that they can perform tasks at lower costs and in a more targeted fashion. However, clear advantages over the core budget are not always evident in individual cases. Independent of that fact, disadvantages need to be borne in mind if off-budget entities are many and sizeable. Such a set-up represents an impediment to the transparency and governance of central government finances. Moreover, the change in the way that special funds count towards the debt brake means that it is less effective at making sure that Germany sticks to the European deficit limit. The debt brake's binding effect is also impaired if large-scale future expenditure in off-budget entities is funded upfront via the escape clause.*

*All in all, it is advisable to return to a situation where central government finances are more heavily concentrated within the core budget in future and to make less extensive use of off-budget entities. This might also involve dissolving off-budget entities and integrating their tasks into the core budget.*

*Independently of this, the government should provide meaningful information on all off-budget entities. For the individual larger entities, it should publish information matching the degree of detail provided about the core budget and disclose it in a timely manner, covering both current budget outturns and annual and medium-term planning. Government updates on prospective developments for the current year would also be welcome. An important step in facilitating a better appraisal of central government finances as a whole would be for regularly updated plans and outturns for the core budget and off-budget entities to be presented together in consolidated form. Such additional information on individual entities and the overall situation would significantly improve the transparency of central government finances and fiscal policy.*

## ■ Introduction

*Mounting weight of subsidiary budgets, some of which are heavily debt-financed*

Central government policy is reflected in its revenue, expenditure and debt. The focal point has traditionally been the core budget. In addition to that, central government has set up off-budget entities as subsidiary budgets. These are closely controlled by central government, are part of central government finances and belong to the government sector (unlike government-owned enterprises). Off-budget entities include central government's special funds, institutions, and corporations that primarily pursue central government policy objectives. Autobahn GmbH is an example of the latter. Off-budget entities carry out major tasks in some cases and have recently taken on far greater significance. Central government is also making use of extensive borrowing where these subsidiary budgets are concerned. The off-budget entities look set to record significant deficits over the next few years, over and above the standard limit imposed by the debt brake.

*Content of this report*

This report describes key characteristics of off-budget entities and examines their increased significance. In particular, it makes plain that the existence of numerous off-budget entities of different shapes and sizes poses problems in terms of the transparency and governance of central government finances. It is difficult to obtain a sound overview, which is why this article argues in favour of returning to a situation where central government finances are more heavily concentrated within the core budget. At any rate, the provision of more comprehensive information on off-budget entities would be an important step as far as the transparency of central government finances is concerned. An annex provides an overview of central government's most substantial – and nevertheless numerous – off-budget entities and their key features.

## ■ Core budget at the heart of central government finances: a structured process and system of comprehensive reporting

At the heart of central government finances sits the core budget. It is adopted in a structured process that begins with the government deciding on the financial framework (benchmark figures) for the four years ahead. This usually happens in March. In early summer, once its plans have been finalised, the government presents its draft budget itemising all of its proposed spending and expected revenue for the coming year as well as the aggregate medium-term fiscal plan. The Bundestag then deliberates upon the draft budget until November. It subsequently adopts the Budget Act (*Haushaltungsgesetz*), thereby approving the total expenditure and borrowing for the coming year. An important annex to the adopted Budget Act is the budget plan, which details all individual items of revenue and expenditure. If it later transpires that the spending authorisations are not sufficient or that further borrowing is necessary, the government has to submit a draft supplementary budget.<sup>1</sup> This basically undergoes the same procedure as the draft budget.

*Core budget subject to a set process governing how it is drawn up, ...*

As the budget is implemented, the Federal Ministry of Finance reports on how it is faring, publishing figures on a monthly basis. As soon as mid-January following the end of the budget year, the Federal Ministry of Finance presents preliminary outturns. The outturns for all individual items are published in summer in the budget accounts.

*... a timetable of frequent reporting that makes for transparency, ...*

Once all of the figures are available, the Federal Court of Auditors carries out its checks. The Bundestag ultimately grants the government discharge in respect of the implementation of

*... and final checks*

<sup>1</sup> When it comes to spending authorisations, there are exceptions for existing legal obligations or if deviations are of only a minor nature.

the budget. The budgetary process thus takes place under parliamentary governance, and the general public is also given extensive insight. By working under this model, central government ensures its compliance with important budgetary principles.

## Off-budget entities for specific tasks; justification important

*Off-budget entities each have their own budgets and scope for deficits*

Central government finances tasks not only via the core budget but also using separate off-budget entities. These off-budget entities are reserved for certain tasks and have their own budgets. These are typically mapped out in annual economic plans. In some cases, off-budget entities generate their own revenue (such as in the case of the Climate and Transformation Fund (Climate Fund) where revenue comes from carbon emission certificates). As a rule, however, the off-budget entities receive grants from the core budget. These can be put aside for use in later years. When that happens, the off-budget entity in question will initially record a financing surplus as the funds are injected. That will then be followed by a deficit – as funds flow out – until the reserves (the scope for deficits) have been used up. In some cases, off-budget entities also have their own borrowing authorisations. Ultimately, however, the core budget is also liable for these.

*Planning certainty and efficiency cited as advantages of subsidiary budgets*

Various reasons are given to justify the use of off-budget entities. One of those is that they offer greater planning certainty than the core budget. Specifically, within a given off-budget entity, a financial framework is generally allocated on a multi-year basis for a certain area of activity. In this respect, there is more protection in the event of, say, consolidation pressure in the core budget. Insofar as the economic plan is determined independently, situations where the core budget does not get adopted until well after the beginning of the year – as is most often the case after general elections – will not make any difference. If off-budget entities are

less tightly bound to the federal administration and its strict procedural rules, there is also potential for cost savings. Furthermore, an off-budget entity with exclusive responsibility for a particular field can quickly report on fund outflows in a comprehensive and targeted manner, focusing on that specific area. Another reason for setting up off-budget entities can be as a way of fencing off a special task from day-to-day political business: an example would be the winding-up of Hypo Real Estate's financial assets, a task that central government conferred upon the bad bank FMS Wertmanagement (FMSW). Off-budget entities are also sometimes utilised when central government co-finances specific state government tasks via larger one-off payments. It can set criteria for the release of funds and thus influence how the federal states use the money. The Fund to Promote Municipal Investment and the All-Day Childcare Fund are two examples here.

However, off-budget entities also present major disadvantages, which are directly associated with shifting activities outside of the core budget. This shift means that off-budget entities are not subject to the budgetary process described above, or that it applies to only a limited extent. As such, they generally lessen parliamentary governance and risk impairing the transparency of central government finances.<sup>2</sup> With off-budget entities, the core budget no longer fully reflects central government's revenue and expenditure, making it more difficult to see the big picture.<sup>3</sup>

*Disadvantages with regard to parliamentary governance and transparency*

<sup>2</sup> Basic principles and requirements for the transparency of public finances are outlined in, for example, International Monetary Fund (2019).

<sup>3</sup> In cases where off-budget entities are designed to facilitate the co-financing of federal state tasks, the issues lie mainly in the mixing of responsibilities. An alternative approach would be for central government to transfer shares of taxes over to the federal states when it wishes to provide them with assistance in specific areas. At the same time, it could make agreements with those federal states requiring them to provide progress reports that give a comparative overview of how the tasks in question are being carried out. This could eliminate a significant portion of the provisions currently responsible for slowing down the outflow of central government funds from off-budget entities.

*Advantages not always obvious in practice*

Moreover, the advantages over the core budget detailed above do not always hold true. For example, planning certainty remains limited even for off-budget entities, as legislators can make significant alterations to their statutory provisions at any time as well (for instance, if funds are needed in the core budget). Moreover, cost savings do not appear obvious in that, for example, ministries manage important off-budget entities in the form of special funds and remain bound by the procedural rules. Essentially, the core budget can often accomplish similar things to an off-budget entity.

- Revenue can be reserved for specific purposes in the core budget, too. That is the case, for example, for revenue generated by the heavy goods vehicle toll, which flows into central government's interstate highway system.
- There are instances of earmarked funds being utilised on a multi-year basis in the core budget as well. In 2019, unspent funds for military equipment were not forfeited but instead ring-fenced as a special-purpose reserve.<sup>4</sup> As intended, central government then released this reserve last year to procure military equipment.
- Furthermore, the Federal Government is free to publish specific information on certain areas of activity if it so wishes – even if the area in question falls within the remit of multiple ministries; there is no need to set up an off-budget entity for that to happen.

*Provide justification for off-budget entities, and safeguard information and governance by budgetary legislators*

Ultimately, the Basic Law (*Grundgesetz*) does provide for the possibility of off-budget entities. However, the core budget is the central element of central government's budgetary planning. To prevent its role from being undermined, it makes sense to ensure that off-budget entities remain well-justified exceptions and do not grow too large.<sup>5</sup> Overall, the transparency of central government finances should remain intact. It is important that the Bundestag keeps a close eye on government expend-

iture, even where it has been shifted outside of the core budget. In any case, the general public should be able to access information about the off-budget entities with ease.

## Off-budget entities with various legal forms

Off-budget entities take various legal forms, and their degree of independence from the core budget differs. A key feature they all have in common is that central government ultimately secures their funding and retains a substantial degree of control over them. In the statistics, the off-budget entities are allocated to the general government sector (see the annex on accounting and statistical recording on p. 76 f.).

The most important off-budget entities are special funds (see the overview on pp. 78 ff.). They do not have their own legal personality and are therefore usually subject to the debt brake rules. Specific establishment acts govern the economic management of special funds. The Bundestag is involved in the adoption of their economic plans in some cases but not in others. In addition to the establishment acts, there are general rules which are intended to give legislators an overview of these entities' finances. For example, the Federal Budgetary Regulations (*Bundeshaushaltsordnung*) stipulate that the budget plan for the core central government budget should additionally include overviews of the special funds' revenue and expenditure.

Off-budget entities also include legal persons governed by public law. For example, the annual economic plan of the Federal Agency for Real Estate Tasks is adopted by its Board of Dir-

*Off-budget entities with various legal forms and economic management rules: ...*

*... special funds not fully independent, but have their own budgetary rules, ...*

*... legal persons governed by public law, and several federal corporations*

<sup>4</sup> Like the general reserve, this consisted of deferred authorisations for follow-up borrowing. That said, the Federal Court of Auditors did express doubts as to whether this reserve was compatible with the budgetary rules. See Federal Court of Auditors (2020), p. 13.

<sup>5</sup> See, for example, Puhl (1996), p. 540, and Schmidt (2022), pp. 527 f.

ectors. In the case of FMSW (a bad bank in the form of a resolution institution), its Board of Directors decides on the resolution plan for financial assets. Off-budget entities also include a number of federal enterprises in the form of corporations.<sup>6</sup> One example is the motorway company Autobahn GmbH, which is an independent private legal person and thus more independent of central government, while still following political instructions.

*Some public-law institutions and federal enterprises fall outside general government sector and thus are not categorised as off-budget entities*

Alongside off-budget entities, there are other entities that have close ties to central government but are not included in the general government sector (and are not discussed further in this article). These include the Kreditanstalt für Wiederaufbau (KfW) and the Bundesbank, as public-law institutions. They differ from off-budget entities given their status as a bank and a central bank, respectively, which entails special rules in each case. Central government also has quite a number of participating interests in private-law enterprises that do not form part of the general government sector themselves (such as the Federal Printing Works). These enterprises cover at least the majority of their costs through sales proceeds, and have substantial operational independence.

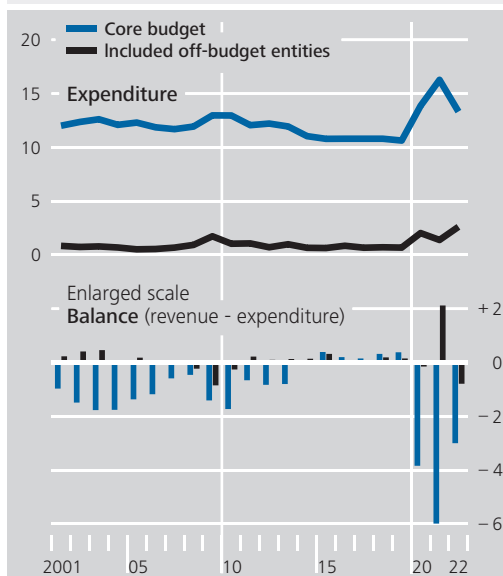
## Financial significance of central government off-budget entities has grown recently

*Longer-term developments as per budget accounts*

The next part of this article provides an outline of the longer-term financial developments for all central government off-budget entities on which the Bundesbank reports on a quarterly basis. First, there is a description of developments in the expenditure and balances as defined in the government finance statistics since the turn of the millennium, followed by an outlook. Then comes a brief overview of changes in the off-budget entities' debt. For more information on the Bundesbank's regular reporting in its Monthly Reports, see p. 68. The different statistical recording of off-budget entities in the

### Expenditure and fiscal balance of the core budget and off-budget entities\*

As a percentage of GDP



\* Government finance statistics. Reporting group as in the Bundesbank's quarterly report. Figures are missing, most notably, from the German Nuclear Waste Disposal Fund (financing of nuclear waste disposal, revenue of €24 billion in 2017), the bad bank FMS Wertmanagement (financial asset realisation, a total of €27 billion since 2012, primarily in 2021, 2013 and 2020), the Postal Workers' Pension Fund prior to 2007 (deficits in 2005 and 2006 totalling over €10 billion).

Deutsche Bundesbank

national accounts and the government finance statistics is explained in the annex (p. 76 f.).

## Expenditure and balances since the turn of the millennium

The financial significance of central government's off-budget entities was comparatively

<sup>6</sup> By contrast, there are no longer any federal enterprises without their own legal personality (under the Federal Budgetary Regulations and the Basic Law), as the last remaining small entities are now allocated to other entities such as the Federal Agency for Real Estate Tasks.



## How the Bundesbank reports on off-budget entities

The Bundesbank's Monthly Report discusses current developments in German public finances on a quarterly basis (in February, May, August and November). These reports also include the finances and plans for central government's off-budget entities.<sup>1</sup> The aim is to gain as broad a picture as possible and put developments into context.

First, recent developments in public finances are reported:

- Government finance statistics form the basis. At the cut-off date, data are available for the special funds with a potential for larger deficits (such as the Economic Stabilisation Fund for Energy Assistance (ESF-E), the Climate Fund and the Armed Forces Fund).
- The more independent off-budget entities are not taken into account because their data are not yet available at that point in time. Examples include Autobahn GmbH, which has been operating the central government's motorway network since 2021, the bad bank FMS Wertmanagement, responsible for winding up Hypo Real Estate's non-performing assets since 2010, and the German Nuclear Waste Disposal Financing Fund (KENFO Foundation) (see the annex on pp. 78 ff. for further details and more off-budget entities).<sup>2</sup> The Federal Statistical Office publishes the national accounts a few days after the Bundesbank's quarterly reports, using estimates to plug these gaps. Central government's off-budget entities are not shown separately, however; the figures refer only to central government as a whole.

This is followed by reporting on the plans and expected financial developments of the off-budget entities, especially in August (when the draft core budget is available)

and in February (when annual outturns and finalised plans are available):<sup>3</sup>

- It is not possible to determine the aggregate deficit of the off-budget entities or of central government as a whole using the documents provided along with the core budget. Although detailed economic plans are available in some cases (for the Climate Fund, for example), in others only token entries are listed (no amounts are given, as in the case of the 2013 Flood Assistance Fund). For economic plans where no amounts are stated, the expected deficits can sometimes be identified from the credit financing overview for the core budget. For a large number of off-budget entities, however, the documents do not provide any budgeted figures at all. From the following year onwards, the information is far more limited still: central government presents a medium-term financial plan only for the Climate Fund.
- The actual financial developments deviate, in some cases systematically and considerably, from the budgeted figures. This applies not only to special funds whose economic plans contain only token entries but also, for example, to the Climate Fund or the Digitalisation Fund. In this respect, the economic plans seem more a reflection of political wishes than expected outflows. This is why recent developments often provide a better basis for projections than the economic plans.

<sup>1</sup> Central government does not provide regular reports on these.

<sup>2</sup> Off-budget entities which, like the Kreditanstalt für Wiederaufbau (KfW), are not allocated to the general government sector are also not taken into account in the reports.

<sup>3</sup> See, for example, the summary table in Deutsche Bundesbank (2022a), p. 69, and the table in Deutsche Bundesbank (2023a), p. 69.

*At start of millennium, off-budget entities were only moderately significant for central government finances as a whole*

moderate in the period from 2000 to 2010.<sup>7</sup> Their expenditure remained below 1% of GDP, whilst expenditure in the core budget was around 12% of GDP. Off-budget entities also accounted for a relatively small share of the fiscal balance. They even recorded surpluses up to 2005, partly because of Bundesbank profits, which were high at times, and return flows from promotional loans. By contrast, the core budget posted deficits throughout, peaking at almost 2% of GDP.

*Greater importance in financial and economic crisis*

In the financial and economic crisis that began in 2008, off-budget entities took on greater significance for a time. For example, the Financial Market Stabilisation Fund (SoFFin) provided banks with capital injections, and the Investment and Repayment Fund provided loans for an economic stimulus programme.<sup>8</sup>

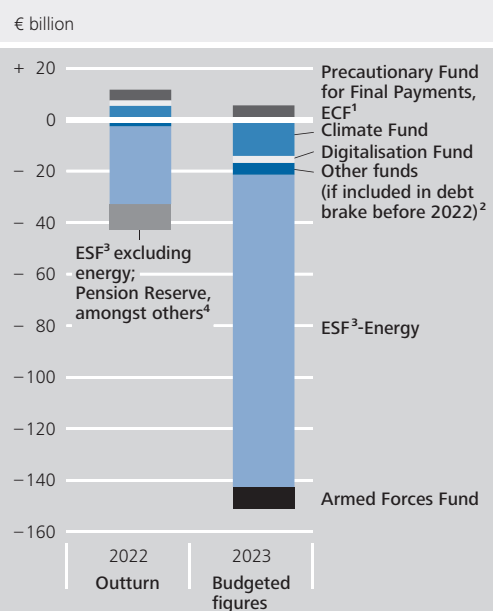
*Before pandemic, sound finances of core budget used for upfront funding of off-budget entities*

In the years that followed, the off-budget entities' expenditure fell back to around the pre-crisis level. Central government's core budget, too, recorded lower expenditure in relation to GDP, with falling interest rates making a significant contribution to this. From 2011 onwards, the off-budget entities posted surpluses, initially because banks were paying back the capital injections they had previously received from them. Later, the core budget, now in a sound financial position, allocated off-budget entities a substantial amount of money, which they did not spend in full in the same year. Most notably, central government prefinanced the Climate Fund, the 2013 Flood Assistance Fund, the Fund to Promote Municipal Investment and the Digital Infrastructure Fund (Digitalisation Fund).

*Importance of off-budget entities has grown since 2020*

Since the outbreak of the pandemic in 2020, the importance of off-budget entities has grown again significantly. At first, their expenses predominated, as coronavirus assistance loans to enterprises were financed by the newly established Economic Stabilisation Fund (ESF). In 2021, central government channelled substantial additional resources into the Climate Fund in particular, most of which re-

### Fiscal balance of central government off-budget entities for 2022 and 2023\*



\* Figures at budget outturn where reported by the Federal Ministry of Finance at the end of 2022. Budgeted figures according to documents in the central government budget plan for 2023. **1** Fund for the Expansion of Childcare Facilities. **2** Fund to Promote Municipal Investment, Flood Relief Fund 2013 and Flood Relief Fund 2021, and All-Day Childcare Fund. **3** Economic Stabilisation Fund. **4** Data for all of these entities exclude budgeted figures.  
 Deutsche Bundesbank

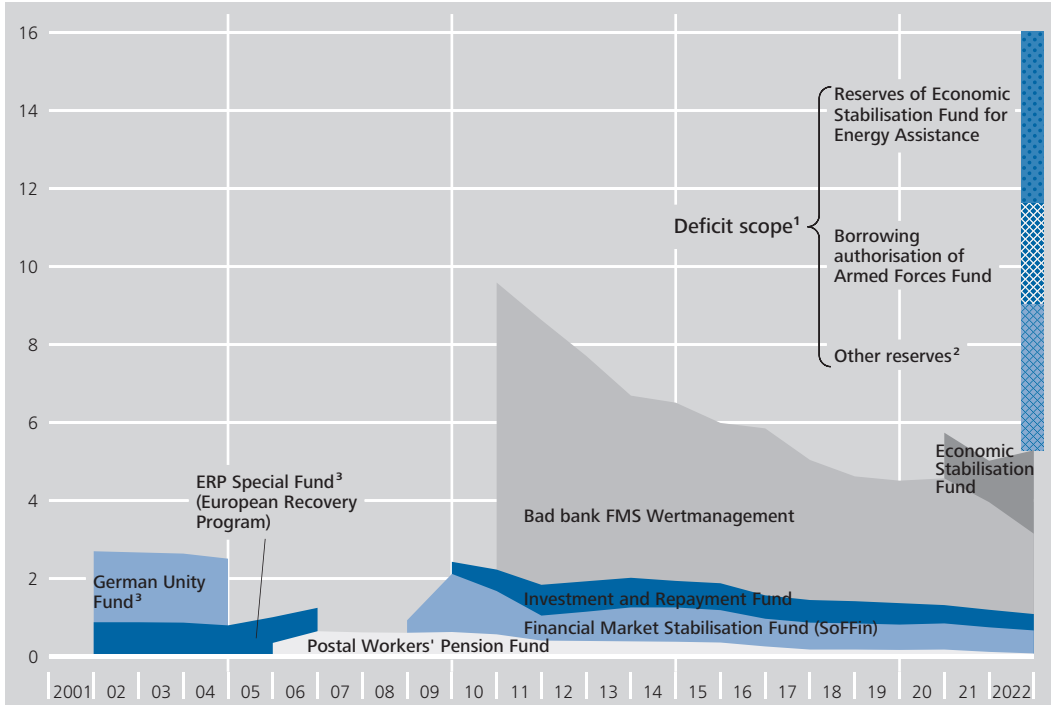
mained there initially. Central government financed these transfers via the escape clause for the core budget (see also the box entitled "Special funds in the budgetary rules" on p. 72 f.). Outflows from the Climate Fund (mainly subsidies for cheaper electricity) increased in 2021. However, this merely damp-

<sup>7</sup> Off-budget entities such as the German Unity Fund or the Debt Processing Fund had played a much greater role in financing the burdens associated with German unification. See Deutsche Bundesbank (1993). The Treuhand agency, which was responsible for the privatisation and winding-up of state-owned enterprises, formed part of the corporate sector. However, in 1995, its debt – like that of the Debt Processing Fund – was assumed by the Redemption Fund for Inherited Liabilities and paid off, in part, using Bundesbank profits and proceeds from mobile phone license auctions. The remaining unpaid debt was then assumed by the core budget.

<sup>8</sup> Capital injections by SoFFin were mostly classified as financial transactions and thus had no impact on the expenditure or balances in the national accounts. The government-owned bad bank FMSW, which is not included as an off-budget entity in the reporting group in this section, took on assets from Hypo Real Estate at book value in 2010. In the national accounts, the difference compared with market prices (just over 1% of GDP) was reflected in the deficit.

### Debt and scope for deficits of larger central government off-budget entities

As a percentage of GDP, year-end levels



Sources: Federal Statistical Office and Bundesbank calculations. **1** Excluding, most notably, the German Nuclear Waste Disposal Fund (financing of nuclear waste disposal). **2** Primarily the Climate and Transformation Fund. Debt incurred when drawing on the reserves is allocated to the core budget. **3** Debt assumed by the core budget.  
 Deutsche Bundesbank

ened the decline in expenditure among the off-budget entities as a whole resulting from the reduced granting of coronavirus assistance loans. Overall, upfront funding from the core budget in the form of grants very clearly outweighed the entities' outlays. The off-budget entities thus posted a substantial surplus in 2021 (2% of GDP), while the core budget recorded a deficit of 6% of GDP.

*Last year, deficit due to ESF-E, and deficit scope of off-budget entities expanded much further*

In 2022, off-budget entities then posted a significant deficit amid sharply rising expenditure outflows. Particularly sizeable expenditure was recorded by the ESF, which was, at that point, mainly financing assistance loans for energy companies hit by the energy crisis. Furthermore, central government legislators set up a separate branch within the ESF for energy assistance (ESF-E) with its own borrowing authorisation of €200 billion. This authorisation was issued via the debt brake escape clause, with the energy crisis as the stated justification. Of this authorisation, €30 billion was spent on

support measures, whereas the vast majority (€170 billion) was used to form reserves.<sup>9</sup> In addition, central government set up the Armed Forces Fund, granting it a borrowing authorisation of €100 billion outside the confines of the debt brake via a constitutional amendment. The Armed Forces Fund did not record any outflows last year.

### Substantial scope for deficits

All in all, central government's off-budget entities thus have substantial scope for deficits this year and in the years that follow. Including the reserves of other special funds and the borrowing scope of the Armed Forces Fund, borrowing of around €400 billion (10% of GDP in 2023) above the standard debt brake limit would currently be possible. This will enable

*Off-budget entities' extensive scope for deficits very important for central government finances*

<sup>9</sup> There is no scope for filling up reserves in the core budget using borrowing authorisations.



central government to comply with the debt brake rules this year despite planning a deficit of €146 billion for the off-budget entities (see the chart on p. 69). At €121 billion, the majority of this is accounted for by the ESF-E. However, the sharp fall in energy prices since planning was concluded should considerably reduce its deficit. As the law stipulates that assistance from the ESF-E is time-limited up to mid-2024, a large part of the ESF-E's reserves are likely to remain unused. Nonetheless, the Armed Forces Fund and the Climate Fund, in particular, have substantial scope for deficits in the medium term.

## Debt since the turn of the millennium

*Debt of off-budget entities reflects crisis-related burdens, but core budget also assumed debt*

After the turn of the millennium, the debt of central government's off-budget entities stood at around 3% of GDP (see the chart on p. 70). Subsequently, central government assumed the debt of the German Unity Fund and the European Recovery Program (ERP) Special Fund in its core budget. This redistribution meant that the off-budget entities' debt was still relatively low when the financial crisis began in 2008.<sup>10</sup> During the financial and economic crisis, central government created two new special funds, SoFFin and the Investment and Repayment Fund, which then borrowed money. In this crisis, however, the debt assumed by central government as part of the rescue of Hypo Real Estate was far greater in size. In 2010, it transferred this debt to its resolution agency FMSW, whose debt has fallen again significantly in relation to GDP in recent years. This is not least because previously acquired financial assets were realised and used to reduce debt in a favourable economic environment.

*Sizeable additional borrowing authorisations suggest that debt will rise significantly*

Recently, there has been new borrowing, especially for aid loans from the ESF. At the end of 2022, the off-budget entities' debt amounted to just over 5% of GDP. In addition, there were reserves,<sup>11</sup> above all, in the ESF-E and the Climate Fund and borrowing authorisations in the

Armed Forces Fund totalling almost 11% of GDP in 2022. These are likely to lead to a significant rise in debt over the next few years.

## Greater transparency of off-budget entities desirable

Fiscal transparency is a key requirement for government fiscal policy.<sup>12</sup> Without it, it is impossible to identify policy priorities and assess resultant financing shortages or reserves. Besides central government legislators, the general public also has a vested interest here. To ensure transparency, meaningful information on off-budget entities has to be readily available, too: both budget outturns (backward-looking) as well as plans and expectations (forward-looking). This is all the more important given the recent sharp increase in the significance of off-budget entities with very extensive scope for deficits.

*Transparency hinges on comprehensive information, including on off-budget entities, ...*

At present, the information provided by central government fails to fully satisfy these requirements. For example, central government's budget plan only contains economic plans for selected off-budget entities as an annex. In this respect, it is not even possible to obtain a complete overview of the planned overall stance of central government's fiscal policy for the respective financial year. The extent to which the Bundestag or its Budget Committee has an influence on these economic plans is also visible

*... which has been lacking so far, however*

<sup>10</sup> The core budget had already assumed the debt of the Redemption Fund for Inherited Liabilities and other special funds in 1999. The decline in the off-budget entities' debt thus does not reflect a reduction in the debt of central government as a whole.

<sup>11</sup> In 2022, the ESF-E, for example, borrowed €200 billion in budgetary terms and kept the majority as reserves. The formation of reserves only includes bookings that are not reflected in revenue or expenditure (national accounts and government finance statistics) or in the debt statistics. The relevant factor for booking here is the point when the reserves are ultimately used. That is when expenditure, deficits and debt are then booked. By contrast, the use of reserves by the other special funds is counted towards the debt level of the core budget.

<sup>12</sup> This can be seen, for example, in the fact that the IMF has drawn up a fiscal transparency code and transparency evaluation standards for fiscal management. See International Monetary Fund (2019).

## Special funds in the budgetary rules

The design of the budgetary rules appears to be a further factor determining how off-budget entities are used. The European rules address (for good reason) the government sector as a whole, and thus include all off-budget entities. The national debt brake has a narrower target group: it does not apply to independent legal entities outside of the core budget, even if they belong to the government sector (such entities must have specific credit limits enshrined in, for example, founding acts). Over time, legislators have, on several occasions, considerably changed the national rules for the special funds to which they generally apply. As a result, they are now treated differently in the national rules than in the European rules.

### **Extensive credit financing of special funds possible prior to debt brake**

Prior to the debt brake coming into effect in 2011, special funds could be exempted by law from the credit limit set out in Article 115 of the German Basic Law. As a result, they could be used for extensive credit financing, and indeed were – during German reunification and following the financial and economic crisis that broke out in 2008, for example.

### **Debt brake initially factored special fund balances into upper borrowing limit**

The escape clause for new borrowing authorisations for special funds ceased to apply as from 2011 with the implementation of the debt brake. Henceforth, these authorisations were to be factored into central government's structural upper net borrowing limit of 0.35% of GDP. Also with the aim of safeguarding the European

budgetary rules, the fiscal balance of special funds that have no borrowing authorisation initially counted towards net borrowing. This meant that, taken in isolation, a core budget grant to a special fund had no impact on the debt brake, as the resulting increase in borrowing in the core budget was offset by an improvement in the balance of the special fund. Subsequent payments by the special fund then resulted in it incurring a deficit. While this deficit in the special fund did not affect borrowing in the core budget, it did restrict the core budget's scope for debt under the debt brake. In this way, the debt brake restricted the total deficit of central government's core budget and special funds.

This provision also meant that central government was unable to use the escape clause to create additional leeway in special funds for future years. In 2020, for instance, the core budget granted €28 billion to the Climate Fund, which it used to fill its reserves. This had no impact on the debt brake: the Climate Fund's higher surplus offset borrowing in the core budget. Borrowing for the grant was therefore not recorded as an emergency loan in the repayment plan. Furthermore, any deficits in the Climate Fund resulting from outflows of funds would have correspondingly reduced the scope for debt in the core budget.

### **Inclusion of special funds revised in 2022**

Due to new rules passed at the beginning of 2022, the debt brake now only includes special funds' own borrowing. Their balances are not taken into account. This means that a core budget transfer to a special fund that has no borrowing authorisation directly affects the debt brake, but the

subsequent outflow of the funds held there no longer does.

Under normal conditions, the new rules have brought forward the point at which grants from the core budget for special fund expenditure take effect in the debt brake (i.e. upon allocation to the special fund rather than upon outflow from the fund). If the escape clause is used in the core budget, however, the opposite is the case, i.e. the debt brake then does not impose a limit on emergency loans taken out in the core budget. Nor does it take effect in the medium term when the special fund makes payments. Rather, the debt brake does not apply until the emergency loans have to be repaid.<sup>1</sup>

For the fiscal years 2021 and 2022, central government activated the escape clause and provided very extensive upfront financing for special funds under the new rules. In a supplementary budget for 2021 passed at the end of January 2022, the Climate Fund, for example, received €60 billion from coronavirus emergency loans. These were intended to finance future climate change mitigation measures and dampen electricity prices in order to stabilise aggregate demand. The Federal Constitutional Court is currently examining whether this parking of emergency loans is compatible with the requirements of the debt brake.<sup>2</sup>

Furthermore, in 2022, the Economic Stabilisation Fund for Energy Assistance (ESF-E) received its own borrowing authorisation of €200 billion via the escape clause. This is intended to alleviate the consequences of the rise in energy prices. The fund is permitted to finance assistance measures until mid-2024. Last year, it deployed €30 billion for capital assistance to gas trading companies and advance payments for gas and district heating (December immediate assistance). The fund put aside the remaining

sum without any further constraints being imposed by the debt brake. Repayments of emergency loans are scheduled to start in 2031 and be finished by the end of 2061.

In 2022, federal legislators established the Armed Forces Fund, giving it a borrowing authorisation of €100 billion. This fund was exempted from the debt brake by an amendment to the German Basic Law. In this respect, the budgetary legislators can allocate these funds, too, without annual limits. A repayment period of 2031 to 2061 is planned, as for the ESF-E.

Overall, in its off-budget entities, central government thus has total additional scope for deficits of around €400 billion (10% of GDP in 2023) beyond the limit imposed by the debt brake. The debt brake limits structural borrowing to 0.35% of GDP per year (€13 billion in 2023). The off-budget entities will therefore substantially increase the potential for deficit beyond this stipulated limit for the foreseeable future. Germany's current medium-term budgetary objective under the EU rules (including off-budget entities) is a structural general government deficit ratio of 0.5%. In this respect, the debt brake is less effective at ensuring compliance with European general government requirements.<sup>3</sup>

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<sup>1</sup> In another decision, the Bundestag postponed these repayments even further. They are now scheduled to start in 2028 (previously 2023 for emergency loans taken out in 2020, and 2026 for subsequent coronavirus emergency loans). The Bundestag extended the repayment period, which was formerly until 2042, to 2058.

<sup>2</sup> Beyond this specific case, the decision could provide guidelines for the use of emergency loans after the crisis situation has ended.

<sup>3</sup> Accordingly, the Independent Advisory Board to the Stability Council criticised the fact that the debt brake does not reliably ensure compliance with the EU rules; see Independent Advisory Board to the Stability Council (2022), pp. 19 ff.

to a limited extent only. Statistical information is likewise incomplete. For example, the national accounts do not publish separate figures for central government's off-budget entities and the government finance statistics do not provide any data for earlier years (for further information, see the annex on p. 76 f.).

*Legislators can ensure information is made available*

Legislators could better safeguard transparency by ensuring that the relevant information is made available. To this end, they can rule that this information has to be provided for off-budget entities. It would be a welcome move for central government to: ...

*Publish medium-term fiscal plans for major special funds*

– ... publish meaningful medium-term fiscal plans, at least for major special funds. The Federal Government already provides a medium-term outlook for the Climate Fund in the draft core budget, which clearly sets out the Federal Government's fiscal priorities for climate change mitigation in the coming years. Such medium-term plans appear to have been drawn up for both the ESF-E and the Armed Forces Fund as well. However, the Federal Government has not published these. As these entities likewise have considerable scope for deficits, the fiscal stance that central government is planning to take each year remains unclear.<sup>13</sup>

*Ensure realistic and complete budget figures in economic plans*

– ... ensure budget figures in all economic plans for the respective year are realistic and complete. This is in line with the budgetary principles of complete and true budget estimates. As with the core budget, all expected revenue and expenditure items have to be included in the planning. In the case of off-budget entities, however, there are quite often large deviations between planning and implementation. For example, in the Climate Fund, the funds approved for some programmes were disbursed to a very limited extent. This is easier to accept for new programmes where uncertainty regarding the degree to which they will be used is naturally relatively high. However, this also applies to older programmes, where planning

should actually be more reliable. Overall, the Climate Fund's programme expenditure (spending less bookings to the reserve) in recent years has been more than one-third less than the amounts approved. Some older special funds do not give any specific estimates for the individual expenditure items. Their economic plans therefore do not show a deficit either. The deficits anticipated in central government's borrowing plan for these special funds are sometimes quite different, without any explanation being offered.

– ... update fiscal plans at fixed points in time to show the impact of changes in developments and framework conditions. To this end, the Federal Government should provide both the Stability Council and the European Commission with updated projections on the agreed dates in the spring and autumn – and this applies to the core budget, too.<sup>14</sup> This would, for example, include new energy price paths for the ESF-E as well as new programmes and updated expenditure estimates for the Climate Fund.

– ... publish timely and meaningful information on developments in off-budget entities throughout the year. While the Federal Ministry of Finance does provide monthly fiscal balances and selected aggregate budget data for most special funds, central government should also publish data on outflows of funds for important budget items, as with the core budget. The larger climate change mitigation programmes and energy price brakes are examples of such items. Said information makes it easier to gauge the extent to which the outflow of funds is consistent with the programme plans. In add-

*Update fiscal plans for budgetary surveillance*

*Publish key figures for off-budget entities in a timely manner throughout the year*

<sup>13</sup> The Stability Council now publishes a medium-term overview of the fiscal balance of central government finances as a whole twice a year. However, this does not give a clear breakdown showing contributions from the off-budget entities.

<sup>14</sup> Weaknesses in this regard became particularly evident this year. For more information, see Independent Advisory Board to the Stability Council (2023), pp. 19 f.

ition, the government should provide more detailed documentation on the intra-year development of off-budget entities that use commercial double-entry bookkeeping. Quarterly reports, including key figures from government finance statistics, published shortly after the end of the quarter would be welcome.

there is a risk of these rules being weakened. Going off budget should therefore only be undertaken if this results in clear advantages that cannot otherwise be achieved. And, irrespective of the specifics of each case, it is essential to constantly review the transparency of central government finances as a whole.

*Publish consolidated information on central government plans and developments*

- ... make it easier to obtain an overview of its finances by publishing all the information on updated plans and outturns in a timely manner for the core budget, the individual special funds and in consolidated form. Besides the core budget, this should include at least the major special funds, institutions or corporations belonging to the government sector as well as information on the main asset and liability positions. In addition, an overview of the outturns for the most important federal enterprises outside the government sector would be welcome.

It has become increasingly difficult of late to keep track of central government finances. There are two main factors at play here. First, as the number of off-budget entities has grown, so has their scope for deficits and the sheer volume of tasks hived off from the core budget. Second, the information on off-budget entities' planning and outturns is sometimes incomplete or not easily accessible.

*Information deficits for off-budget entities widening*

In some cases, it would appear that off-budget entities have been set up partly with a view to creating additional budgetary leeway compared with the requirements of the debt brake. If the current fiscal rules are seen as too ambitious, they should be reformed in a transparent procedure geared to safeguarding stability.<sup>15</sup> Meanwhile, the binding effect of the debt brake is impaired if, for example, large-scale future expenditure in off-budget entities is funded upfront via the escape clause. A number of federal states have now used this option to create larger debt-financed medium and long-term fiscal leeway.<sup>16</sup> In addition, prefinancing from emergency borrowing means that, in future, the debt brake will be less effective in ensuring that Germany complies with the European budgetary rules, as these refer to general government deficits, including off-budget entities.

*Off-budget entities threaten to undermine fiscal rules*

## ■ Conclusion

*Large central government entities outside core budget*

In addition to the core budget, central government has a whole range of off-budget entities that execute many tasks on its behalf. Off-budget entities perform government tasks in the narrower sense and are part of the government sector. They comprise both special funds and institutions belonging to central government as well as corporations that essentially fulfil tasks mandated by central government, such as Autobahn GmbH.

*Review advantages and disadvantages of off-budget entities*

For some tasks, it may indeed be worth setting up an off-budget entity. However, having numerous large-scale off-budget entities takes its toll on the transparency of central government finances, with the core budget then reflecting only a part thereof. Both the Bundestag and the general public thus struggle to obtain an overview of fiscal policy and central government finances. If, as a result of this lacking information, it is more difficult to determine whether compliance with fiscal rules is given,

All in all, it is advisable to return to a situation where central government finances are more heavily concentrated within the core budget in

<sup>15</sup> The Bundesbank has discussed stability-oriented proposals for reforming national fiscal rules. These include, amongst other things, moderately raising the credit limit should the debt ratio fall below 60%. See Deutsche Bundesbank (2022b).

<sup>16</sup> See also Deutsche Bundesbank (2023b).



*Concentration within core budget and dissolution of special funds for co-financing advisable*

future and make less extensive use of off-budget entities. The latter also applies to special funds which central government uses to co-finance state government tasks. In this context, it would be logical to avoid mixed responsibilities and, if necessary, transfer additional resources to the federal states as well as to create incentives for efficient task management by stepping up the comparison of outturns. In the other areas, it should be examined whether off-budget entities can be brought back into the core budget. The aim should be to ensure that the core budget again provides a largely complete overview of central government finances. Moreover, if the tasks were to be

bundled to a greater extent in the core budget, the Bundestag would be able to manage central government finances more easily.

Irrespective of the extent to which they exist, it is important to provide transparent, consistent and comprehensive information on off-budget entities. This includes, amongst other things, presenting more detailed budget outturns as well as medium-term plans in a comprehensible manner. Regular updates on the outlook would be a welcome move. All in all, these steps could significantly improve the transparency of central government finances.

*Independently of this, provide meaningful budget figures and intra-year results in a consolidated manner*

## Annex: Accounting and recording of off-budget entities in statistics on government finances

### The different accounting systems used by off-budget entities

*Differences in accounting systems*

Central government's off-budget entities are split into entities that use a single-entry accounting system and those that use a commercial double-entry accounting system.

*Special funds book inflows and outflows*

Just as in the core budget, central government's special funds' transactions are booked as single entries. This means that the accounting system reports annual inflows and outflows (including budgetary transfers without cash payments from the core budget to special funds). Furthermore, it provides data for overviews of financial assets and debt.

*Institutions and corporations report income and expenses*

By contrast, off-budget entities that use the commercial double-entry system determine their results on the basis of income and expenses – similarly to private sector enterprises. This applies, in particular, to central government institutions and corporations. In this case, it is not investment expenditure, but rather write-downs and other revaluations that are reflected in the annual (net) result. Also, additional provisions are set aside on an annual basis for civil servants' pensions accrued in these off-budget entities. These are generally far higher than the annual payments to the precautionary funds made by the entities that use the single-entry system (as is the

case with the core budget) for equivalent staff. Moreover, the balance sheets also comprise a complete overview of real and financial assets, equity capital and liabilities.

### Off-budget entities in statistics on government finances

The results calculated for central government's off-budget entities on the basis of the different accounting systems are included in the official statistics on government finances. However, they are only shown separately in some cases. There are two different statistical reporting systems: the national accounts and the government finance statistics.

#### National accounts

The national accounts only show aggregated figures for central government finances as a whole. Data for central government off-budget entities are not published.

The national accounts comprise transactions for the economy as a whole, of which general government only represents one sector. Not least, the national accounts form a harmonised database in the European budgetary rules and are, therefore, of particular importance. These rules focus on general govern-

*Off-budget entities included in the national accounts and general government finance statistics*

*No data for off-budget entities exclusively*

*Harmonised national accounts rules act as a benchmark for EU budgetary rules: ...*



ment sector deficit and debt, which comprises, in addition to the central government (Federal Government), the state and local governments and social security funds.

*... delineation of the general government sector; ...*

The national accounts allocate entities outside of the core budget to the general government sector in accordance with predefined criteria. In most cases, enterprises are not assigned to the general government sector, even if state-owned. The prerequisites for recording them outside of the general government sector are as follows: the enterprise must cover the majority of its costs from its sales proceeds, have its own accounting system and be permitted to make decisions autonomously. Otherwise, the national accounts consider such entities to be general government sector off-budget entities.<sup>17</sup> Their deficit and their debt are thus counted towards the European fiscal limits.

*... transactions to be included; ...*

The national accounts data are generally derived from the government finance statistics figures on off-budget entities (see below). However, there are major methodological differences. For example, the national accounts do not record revenue from disposal of and expenditure on the acquisition of financial assets as transactions with an impact on the deficit (financial transactions).<sup>18</sup>

*... and data updates*

The national accounts figures are regularly updated, including for previous years. Data are amended whenever an entity is assigned to another sector as a result of new information or changes in accounting rules. Furthermore, national accounts figures in the first releases are still based in some cases on estimates, which are replaced by results collected at a later date.

### Government finance statistics

*Government finance statistics report individual results, but difficult to obtain an overview*

Currently, government finance statistics publish individual results for all central government off-budget entities. However, these statistics comprise only a few key figures and are currently solely available for 2020 and 2021.<sup>19</sup> The Federal Ministry of Finance provides more detailed and timely overviews, but only for individual larger special funds.

Government finance statistics map the public sector entities to their inflows and outflows. The results of the entities that use the single-entry system are largely recorded directly from their budget results. The accounting system of government entities that use commercial double-entry bookkeeping also includes financial flows. However, government finance statistics for these off-budget entities need to convert some of the income and expenses items into payments in order to obtain government finance statistics results.

*Government finance statistics use single-entry budget accounting, ...*

Government finance statistics use the sector classification from the national accounts. The national accounts' government off-budget entities are therefore included in the reporting group for the general government sector in government finance statistics on central, state and local government budgets.

*... use the sector classification from the national accounts, ...*

Unlike the national accounts, government finance statistics do not regularly or comprehensively revise results from previous years. This means that the aggregated government finance statistics result becomes distorted (when comparing results over several years) when an entity is assigned to a different sector retroactively or if it is not included in the reporting group until a later stage for some other reason.<sup>20</sup> Analyses of longer time series on central government off-budget entities have therefore only been possible to a limited extent in this respect, and have not been published in the Federal Statistical Office's Fachserien.

*... and do not comprehensively revise the results, making them somewhat distorted*

<sup>17</sup> Each year, the Federal Statistical Office publishes a list of all general government sector entities included in the regular data requests for the purpose of transparency. See the latest edition of this list: Federal Statistical Office (2022a). For the central government subsector, it includes around 150 entities. Should the classification of a sector be disputed, Eurostat, the European Commission's statistical authority, may be consulted.

<sup>18</sup> For further differences, such as additions for third-party transactions assigned by central government and the points in time at which taxes, social contributions, interest and construction investment are booked, see Heil and Leidel (2018).

<sup>19</sup> See Federal Statistical Office (2022b).

<sup>20</sup> There is a lack of important budgetary data from the start-up phase of central government's bad bank FMS Wertmanagement (FMSW), amongst other things.

### Overview of central government's key off-budget entities\*

Off-budget entity	Purpose	Year launched (dissolved)	Economic plan (i) Appendix to core budget (CB)? (ii) Medium-term planning published? (iii) Bundestag involved?	Reporting in the Bundesbank's Monthly Report (i) Results (Feb./May/Aug./Nov.)? (ii) Planning (Aug./Feb.)?	Metrics for 2022 in € billion			
					Debt/leeway (i) Debt <sup>1</sup> (ii) Borrowing authorisations (BA)/reserves (R) <sup>2</sup>	Surplus (+)/deficit (-) <sup>3</sup> (i) Planned (ii) Actual (iii) Planned 2023	Revenue (i) Transfer from CB (ii) Own revenue <sup>4</sup>	Expenditures <sup>5</sup> (i) Target (ii) Actual (iii) Target 2023
2013 Flood Assistance Fund	Reimbursement for flood damage	2013	(i) Yes; only token entries (ii) No (iii) No provisions contained in founding act	(i) Yes (ii) Yes	(i) No (ii) R: 0.9 (initial volume in 2013: 8.0)	(i) -0.5 (ii) -0.2 (iii) -0.2 Targets from borrowing plan	No	(i) - (ii) 0.2 (iii) -
2021 Flood Assistance Fund	Reimbursement for flood damage	2021	(i) Yes (ii) No (iii) Established in Bundestag	(i) Yes (ii) Yes	(i) No (ii) R: 14.0 (initial volume in 2021: 16.0)	(i) -15.6 / -3.2 (ii) -1.6 (iii) -12.4 / -3.0 Targets from economic plan/borrowing plan	No	(i) 15.6 (ii) 1.6 (iii) 12.4
All-Day Childcare Fund	Promoting the expansion of after-school care places for primary school children	2020 (2028 at the latest)	(i) Yes; only token entries (ii) No (iii) Established in Bundestag	(i) Yes (ii) Yes	(i) No (ii) R: 3.0	(i) -0.4 (ii) -0.1 (iii) -0.4 Target from borrowing plan	No	(i) - (ii) 0.2 (iii) -
Armed Forces Fund	Equipment for the Federal Armed Forces	2022	(i) Yes (ii) No (iii) Established in Bundestag	(i) Yes (ii) Yes	(i) No (ii) BA: 100.0	(i) -0.1 (ii) - (iii) -8.4	No	(i) 0.1 (ii) - (iii) 8.4
Autobahn GmbH	Construction, operation and administration of Federal motorways	2021	(i) No (ii) Investment plan 2021-25 (iii) Committees must approve	(i) No (ii) No	(i) No (ii) R: 0.2 (cumulative surplus 2021-22)	(i) Unknown (ii) +0.4 (iii) Unknown	(i) 7.5	(i) Unknown (ii) 7.3 (iii) Unknown
Civil Servants' Pension Fund	Provision to fund the pensions of Federal civil servants newly appointed from 2007	2007	(i) Yes; only token entries (ii) No (iii) No; FMI prepares and FMF approves	(i) Yes (ii) No	(i) No (see Pension Reserve) (ii) R: 9.4 (end-2021), + 1.9 – revaluation	(i) - (ii) +1.9 (iii) -	(i) 1.9	(i) - (ii) - (iii) -
Climate Fund (Climate and Transformation Fund; up to 2022, Energy and Climate Fund)	Climate protection, especially support for investment, electricity price subsidies	2011	(i) Yes (ii) Yes (iii) Established in Bundestag	(i) Yes (ii) Yes	(i) No (ii) R: 90.8	(i) -6.5 (ii) 5.3 (iii) -14.1	(i) 5.8 (ii) 13.2 from carbon emission permits	(i) 27.9 (ii) 13.7 (iii) 36.0

\* Selection mainly due to the size of the budget in 2022. Sorted by the name used in the text. **1** Included in Maastricht debt unless otherwise indicated. Off-budget entity borrowing as defined under budgetary law may vary. For example, the ESF-E borrowed as defined under budgetary law and set aside a reserve of €170 billion from the total. However, no borrowing was conducted on the market for this purpose (Maastricht debt level correspondingly lower). **2** Reported according to the cash statistics unless otherwise indicated. **3** Fiscal balance according to government finance statistics excluding financial transactions. **4** From a volume of €1 billion in 2022, excluding financial transactions. **5** Reported according to the cash statistics, excluding transfers to reserves and excluding financial transactions, unless otherwise indicated.

### Overview of central government's key off-budget entities (cont'd)

Off-budget entity	Purpose	Year launched (dissolved)	Economic plan (i) Appendix to core budget (CB)? (ii) Medium-term planning published? (iii) Bundestag involved?	Reporting in the Bundesbank's Monthly Report (i) Results (Feb./May/Aug./Nov.)? (ii) Planning (Aug./Feb.)?	Metrics for 2022 in € billion			
					Debt/leeway (i) Debt <sup>1</sup> (ii) Borrowing authorisations (BA)/reserves (R) <sup>2</sup>	Surplus (+)/deficit (-) <sup>3</sup> (i) Planned (ii) Actual (iii) Planned 2023	Revenue (i) Transfer from CB (ii) Own revenue <sup>4</sup>	Expenditures <sup>5</sup> (i) Target (ii) Actual (iii) Target 2023
Digitalisation Fund	Expansion of broadband networks and digital school infrastructure	2018	(i) Yes (ii) No (iii) Established in Bundestag	(i) Yes (ii) Yes	(i) No (ii) R: 6.4	(i) -0.2 (ii) +2.1 (iii) -2.7	(i) 2.6	(i) 3.4 (ii) 1.0 (iii) 3.5
Economic Stabilisation Fund	Coronavirus-related aid measures for enterprises (loans, equity) and aid loans in the energy crisis	2020	(i) No (not planned) (ii) No (iii) No; obligation to inform committees	(i) Yes (ii) No	(i) 52.4 (ii) Only continuation of measures and energy loans via KfW	(i) No target (ii) +0.1 (iii) No target	(i) No	(i) No target (ii) -0.1 (iii) No target
Economic Stabilisation Fund for Energy Assistance	Assistance in the energy crisis	2022	(i) Yes (ii) No (iii) Established in Bundestag	(i) Yes (ii) Yes	(i) 30.2 (ii) R: 169.8	(i) - (ii) -30.2 <sup>6</sup> (iii) -121.2 <sup>6</sup>	No	(i) - (ii) 30.2 <sup>6</sup> (iii) 121.4 <sup>6</sup>
European Recovery Program (ERP) Special Fund	Promotional loans, rebuilding following Second World War	1948	(i) No (ii) No (iii) Established in Bundestag	(i) Yes (ii) No	(i) No (2007 assumption by CB) (ii) BA: 0.3; net financial assets 2021: 22.5	(i) -0.5 (ii) -0.4 (iii) -0.5	(i) 0.0	(i) 0.9 (ii) 0.4 (iii) 0.9
Federal Agency for Real Estate Tasks	Administration and construction of real estate for central government	2005	(i) Yes (ii) No (iii) 5 out of 13 seats on the Supervisory Board for the Bundestag	(i) No (ii) No	(i) No (but construction loans from central government: 0.9) (ii) R: 14.1 Annual Report 2021	(i) +1.2 (ii) Outstanding (iii) +1.4 Commercial accounting according to economic plan	(i) No; distribution of 2.3 to CB (ii) According to economic plan revenue 5.3 (4.3 rent from central government)	(i) 4 (ii) Outstanding (iii) 4 From economic and financing plan
Federal Railways Fund	Pension payments for German Federal Railways civil servants	1994	(i) Partly (ii) No (iii) No; only ministries have to agree	(i) Yes (ii) No	(i) No (1999 assumption by CB) (ii) No	(i) +0.0 (ii) +0.0 (iii) +0.0	(i) 5.4 (deficit offset) (ii) 1.0 (especially from Fed. Railways for civil servants)	(i) 6.5 (ii) 6.4 (iii) 6.4
FMSW (FMS Wertmanagement "bad bank")	Winding-up of Hypo Real Estate's financial assets	2010	(i) No (ii) No (iii) No; to be approved by central government oversight body	(i) No (ii) No	(i) 79.5 (ii) According to the Annual Report 2022, equity: 1.8, impairment not fully taken into account	(i) Unknown (ii) +0.5 (iii) Unknown	(i) No (ii) 5.4 (interest income)	(i) Unknown (ii) 4.9 (iii) Unknown

For footnotes \* and 1 to 5, see p. 78. 6 As in the national accounts, recapitalisations of gas trading companies are not classified as a financial transaction but as a capital transfer.

### Overview of central government's key off-budget entities (cont'd)

Off-budget entity	Purpose	Year launched (dissolved)	Economic plan (i) Appendix to core budget (CB)? (ii) Medium-term planning published? (iii) Bundestag involved?	Reporting in the Bundesbank's Monthly Report (i) Results (Feb./May/Aug./Nov.)? (ii) Planning (Aug./Feb.)?	Metrics for 2022 in € billion			
					Debt/leeway (i) Debt <sup>1</sup> (ii) Borrowing authorisations (BA)/reserves (R) <sup>2</sup>	Surplus (+)/deficit (-) <sup>3</sup> (i) Planned (ii) Actual (iii) Planned 2023	Revenue (i) Transfer from CB (ii) Own revenue <sup>4</sup>	Expenditures <sup>5</sup> (i) Target (ii) Actual (iii) Target 2023
Fund for the Expansion of Childcare Facilities	Promotion of the expansion of care facilities for small children	2007 (2025 at the latest)	(i) Yes; only token entries ii) No iii) No provision in the founding act	(i) Yes ii) Yes	(i) No ii) R: 0.7	(i) - / -0.6 ii) -0.4 iii) - / -0.4 Target from economic plan/borrowing plan	No	(i) - ii) 0.4 iii) -
Fund to Promote Municipal Investment	Assistance for financially weak local governments	2015	(i) Yes, only token entries ii) No iii) No provision in the founding act	(i) Yes ii) Yes	(i) No ii) R: 2.1 (initial volume: 2 * 3.5 from 2015-16)	(i) - / -1.2 ii) -0.4 iii) - / -1.0 Target from economic plan/borrowing plan	No	(i) - ii) 0.7 iii) -
German Unity Fund	Financing of new Federal states prior to inclusion in the state government revenue-sharing scheme	1990 (2019)	-	-	(i) - (2005 assumption by CB, but repayment with Federal states' participation)	-	-	-
Helmholtz Association with numerous individual institutes	Research	Various	(i) Yes (for each institute) ii) No iii) No (e.g. DESY research centre: decision of the Foundation Council)	(i) No ii) No	(i) No ii) Unknown	Individual results only	(i) 3.4 (target) ii) approx. 2 (third-party/Federal State funds according to Annual Report 2022)	Individual results only
Investment and Repayment Fund	2009 economic stimulus package: car scrapping premium, investments	2009	(i) Yes, only token entries ii) No iii) No provision in the founding act	(i) Yes ii) No	(i) 16.3 ii) Residual interest expenditure entitlement: 1.8	(i) - ii) -0.2 iii) -	No	(i) - ii) 0.2 iii) -
KENFO Foundation	Financing radioactive waste disposal from compensation payments of German nuclear power plants	2017	(i) No ii) No iii) Board of Trustees (with MPs) decides, FMEC approves	(i) No ii) No	(i) No ii) Equity 2021: 22.0 for the purpose of the foundation (foundation endowment 2017: 24.1)	(i) Unknown ii) -0.8 iii) Unknown Actual from Annual Report 2021: change in equity	(i) No; foundation reimburses CB expenditure on disposal	(i) 0.6 according to Annual Report 2021 for the purpose of the foundation ii) Outstanding iii) Unknown
Pension Reserve	Partial provision to fund the pensions of civil servants for the years 2032 to 2046	1998 (2046)	(i) Yes; only token entries ii) No iii) No; FMI prepares and FMF approves	(i) Yes ii) No	(i) No, but accrued liability: 820.1 (end-2021) ii) R: 18.7 (end-2021) +1.3 - revaluation	(i) - ii) +1.3 iii) -	(i) 0.8	(i) - ii) - iii) -

For footnotes \* and 1 to 5, see p. 78.

### Overview of central government's key off-budget entities (cont'd)

Off-budget entity	Purpose	Year launched (dissolved)	Economic plan (i) Appendix to core budget (CB)? (ii) Medium-term planning published? (iii) Bundestag involved?	Reporting in the Bundesbank's Monthly Report (i) Results (Feb./May/Aug./Nov.)? (ii) Planning (Aug./Feb.)?	Metrics for 2022 in € billion			
					Debt/leeway (i) Debt <sup>1</sup> (ii) Borrowing authorisations (BA)/reserves (R) <sup>2</sup>	Surplus (+)/deficit (-) <sup>3</sup> (i) Planned (ii) Actual (iii) Planned 2023	Revenue (i) Transfer from CB (ii) Own revenue <sup>4</sup>	Expenditures <sup>5</sup> (i) Target (ii) Actual (iii) Target 2023
Postal Workers' Pension Fund	Civil servant pensions (Post Office, Postbank, Telekom)	1994	(i) No (ii) No (iii) No; approved by BMF	(i) Yes (ii) No	(i) 3.0 (ii) R: 0.5	(i) Unknown (ii) 0.4 (iii) Unknown	(i) 8.9 (ii) 1.1 (contributions by successors to Post Office)	(i) Unknown (ii) 9.6 (iii) Unknown
Precautionary Fund for Redemptions (for inflation-indexed Federal securities)	Accruals-based transfers by the Federal Government for repayment premiums	2009	(i) Yes (Overview) (ii) No (iii) Bundestag adopts overview with budget plan	(i) Yes (ii) Yes	(i) No (ii) R: 6.7 target volume in 2021 according to budget accounts	(i) + 4.8 (ii) + 4.8 (iii) + 6.0	(i) 4.6	(i) – (ii) – (iii) 4.2
Redemption Fund for Inherited Liabilities	Repayment of debt inherited from the GDR	1995 (2015)	–	–	(i) – (1999 assumption by CB)	–	–	–
Restructuring Fund	Stabilisation of the financial market when resolving banks	2010	(i) No (not planned) (ii) No (iii) No; obligation to inform committees	(i) Yes (ii) No	(i) No (ii) R: retained contributions from banks: 2.3 end-2021	(i) Unknown (ii) +0.0 (iii) Unknown	No	(i) Unknown (ii) – (iii) Unknown
SoFFin (Financial Market Stabilisation Fund)	Funding assistance to banks during financial crisis	2008	(i) No (not planned) (ii) No (iii) No; obligation to inform committees	(i) Yes (excluding loans to FMSW) (ii) No	(i) 22.9 (ii) Only continuation of measures possible	(i) No target (ii) –0.2 (iii) No target	No	(i) No target (ii) 0.2 (iii) No target

For footnotes \* and 1 to 5, see p. 78.

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