PRESS RELEASE

Anchoring additionality and transparency in the Special Fund to improve growth prospects

- The additionality and investment orientation of expenditures from the Special Fund for Infrastructure and Climate Neutrality (SVIK) is largely lacking in financial plans to date.

- The investment ratio in the federal government's core budget should be calculated more consistently. In addition, the legal provisions for additionality should be tightened. Continuous monitoring should ensure that funds are used appropriately.

- The SVIK should not be abused to create leeway in the core budget for financing questionable measures. Necessary consolidation in the medium to long term should be addressed in a timely manner.

Berlin, 12.11.2025 – The currently planned expenditures from the Special Fund for Infrastructure and Climate Neutrality (SVIK) will have only a small positive effect on gross domestic product (GDP), and the debt-to-GDP ratio will rise significantly in the coming decade. The funds should be spent on investments that exceed preplanned investments, but in the current budget legislation, the additionality and investment orientation are too low. Therefore, the legal provisions designed to ensure additionality should be tightened. There is also a lack of clear rules for the federal states and the Climate and Transformation Fund (KTF) to ensure that the SVIK funds are used there for additional investments.

Lack of additionality undermines growth potential

Only 98 billion euros of the SVIK expenditures planned until 2030 can currently be classified as additional expenditure for climate neutrality and investments. This means that the “additionality” is below 50 per cent of total expenditures planned for this period. As a result, the expected growth is lower than under a fully investment-oriented plan. With the current expenditure plan, the debt ratio will rise to over 85 per cent of GDP in 2035. If the funds were used entirely in an additional and investment-oriented manner, the positive effect on the overall economy would be significantly higher and the debt ratio would rise less sharply.

State the investment ratio in the core budget more precisely by law

“Currently, the investment ratio calculated for the core budget is artificially inflated because the term ‘investment’ is defined too broadly and includes investment in the defence sector inconsistently,” says Martin Werding, council member. To ensure the additionality of debt-financed investments, the defence spending should not count towards investments out of the core budget. Instead, expenditures under the exemption rule for defence spending should be uniformly excluded from both the numerator and the denominator of the investment ratio in a transparent and consistent manner. This is currently not the case. Furthermore, the investment ratio should be applied not only to planned investments, but should also be reached in terms of budget implementation. If implementation falls short of the planned investment volume, the planned investments could be carried over to the next budget year via a binding catch-up rule.

Extend additionality to the federal states, municipalities and the KTF

It is essential that not only federal SVIK funds but also the SVIK funds transferred to the federal states are spent on additional investments. As a result, defining state-specific investment ratios may be appropriate. Furthermore, necessary consolidation efforts in the federal states' budgets should not be undermined by the use of SVIK funds.

Municipalities are key providers of public investment in education and transport infrastructure. To ensure that the SVIK funds allocated to the federal states are used effectively, municipalities should receive at least 60 per cent of the federal states' share of the SVIK.

So far, no institutional arrangements are in place for the KTF to ensure that SVIK funds are used as additional expenditures to achieve climate neutrality. The current federal financial plan suggests that SVIK allocations to the KTF will mainly be used to fill existing gaps. To prevent this, measures that were already included in previous business plans for the KTF (before 2025) could be excluded from SVIK funding.

Anchoring monitoring in law

Systematic monitoring is necessary to ensure that SVIK funds are used in a manner that efficiently targets additional investments. A legally established independent supervisory body could monitor the use of funds and point out undesirable developments. A rolling five-year financial plan for the federal and state governments would support the management of expenditure and create transparency and reliability. A nationwide project register that records all relevant information and milestones on project progress can contribute to further transparency.

Addressing the need for consolidation in a timely manner

The federal budget must be stabilised in the long term. In the short term, questionable expenditures such as the expansion of mothers' pensions, the reduction of VAT in the catering industry, the increase in the income tax allowance for commuters and the reintroduction of diesel fuel subsidies for agriculturing and forestry should be avoided. Even with these conso-lidation measures, the federal budget is far from being able to fully address the current financial and economic challenges. Expenditures on infrastructure and defence should be financed from the core budget again as soon as the SVIK has been spent and the backlog in defence spending has been covered, to ensure the sustainability and crisis resilience of public finances.

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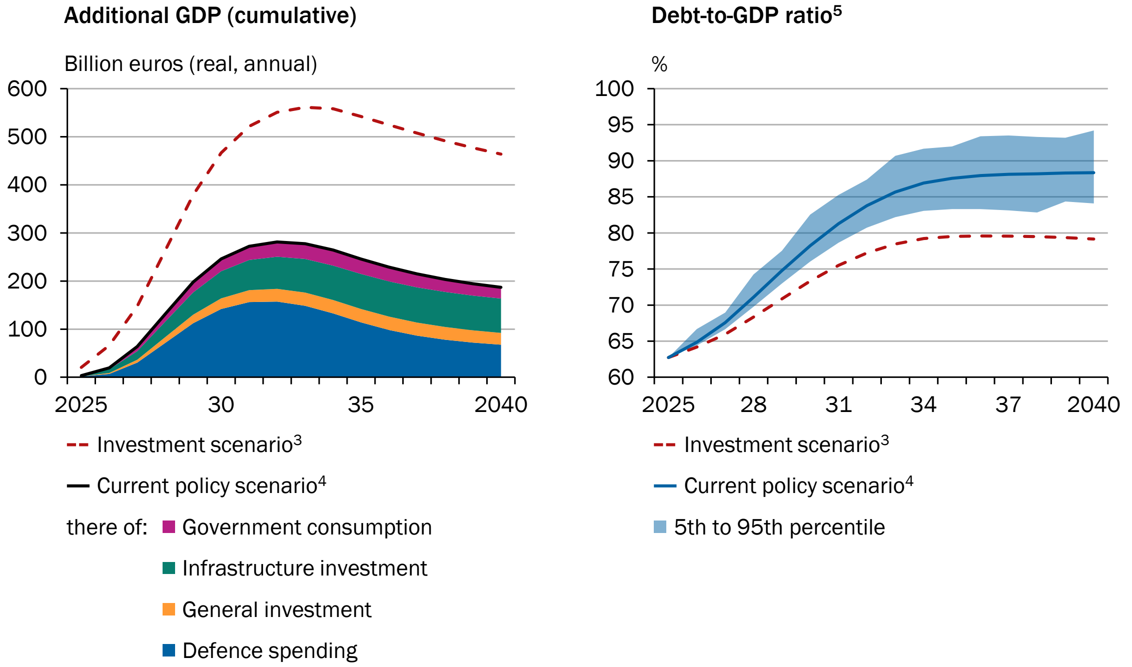
Development of GDP and Debt-to-GDP ratio in the current policy and investment scenario[1]



1 – For defence expenditure outside the debt brake, it is assumed that it will increase to 2.5 % of GDP from 2026 up to and including 2029 and then fall to 0.5 % of GDP by 2035. In both scenarios, it is assumed that defence expenditure amounting to 0.5 % of GDP will be shifted from the core budget each year. One tenth will be used for additional consumption and the rest for already planned expenditure. 2 – Expenditure is based on the paths in Box 10 in the chapter "Anchoring additionality and transparency in the Special Fund to improve growth prospects". 3 – In the investment scenario, the special fund is mainly used for additional investments. 4 – In the current policy scenario, an average additionality rate of 50 % is assumed. 5 – The simulations are based on the debt-to-GDP ratio in 2025, the projected growth in real potential output up to 2040 (see items 76 f.) and an average GDP deflator of 1.6 % per year, the additional credit-financed expenditure according to the two expenditure paths and the resulting implied GDP growth (see Box 10). There is a 20 % probability of emergency situations occurring. In the event of emergency situations, the general government budget deficit excluding expenditure under the financial package will amount to 3 % of GDP. Otherwise, it will amount to 0.7 % of GDP. 100,000 paths are simulated for each scenario.

Sources: Federal Statistical Office, Ochsner and Zuber (2025), own calculations

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