

# Germany's National Recovery and Resilience Plan

## Latest state of play



### OVERALL RESOURCES

Germany is set to receive €25.6 billion in non-repayable support from the Recovery and Resilience Facility (RRF), the unprecedented EU response to the crisis triggered by the coronavirus pandemic. This amount corresponds to 3.7 % of the entire RRF and to 0.7 % of Germany's 2019 gross domestic product (GDP). The National Recovery and Resilience Plan (NRRP) for Germany amounts to €27.9 billion (0.81 % of 2019 GDP) and does not include requests for loans. Excluding value-added tax, this corresponds to a net amount of at least €26.5 billion, slightly above the maximum financial contribution of €25.6 billion (0.74 % of 2019 GDP) that Germany can expect.<sup>1</sup> For most of the measures, additional funding will also come from national sources. There is a strong focus on the green transition. Measures relating to climate protection –including key actions on mobility and housing – reach at least 42 % of the allocation. The German RRP shows an even stronger digital ambition, reaching at least 52 % of the allocation and ranging from industry, to education, social policy and healthcare, to public administration.

Recovery and Resilience Facility (RRF): €25.6 billion

RRF grants: 100 %



#### Investment timeline



#### Major objectives

Green transition: €10.9 billion 42.6 %

RRF target: 37 %

Digital transformation: €13.5 billion 52.7 %

RRF target: 20 %

Following Council approval of the plan, the European Commission, on 26 August 2021, disbursed €2.25 billion to Germany in pre-financing, equivalent to 9 % of the country's financial allocation under the RRF. (Germany did not ask for a higher share of pre-financing because the €2.25 billion was already reflected in budgetary acts adopted earlier). The remaining 91 % will be paid in five instalments once Germany has satisfactorily fulfilled the milestones and targets

identified in relation to RRF implementation. An amount of €16.3 billion will be available to be legally committed by 31 December 2022. The European Parliament strongly advocated the establishment of a common EU recovery instrument. Parliament participates in interinstitutional cooperation and discussions on its implementation and scrutinises the European Commission's work.

#### Key steps



This briefing is one in a series covering all EU Member States.

## Country-specific challenges

In the context of the European Semester, the [Council](#) adopts country-specific recommendations (CSRs), providing Member States with policy guidance on how to boost jobs, growth and investments, while maintaining sound public finances. NRRPs under the [RRF](#) aim to contribute to effectively addressing at least a significant subset of the challenges identified in the 2019-2020 CSRs.

The European Commission groups the CSRs issued to Germany in [2019](#) and [2020](#) into 10 challenges: 1) far-reaching measures to sustain the economy and support the ensuing recovery; 2) the need to invest in sustainable mobility; 3) the transition to a climate-neutral economy requiring sizable investment in clean, efficient and integrated energy systems and networks; 4) improvements to the affordability of housing in large German cities; 5) the expansion of digital infrastructure and the further development of digital skills and public services; 6) a reduction in the regulatory and administrative burden for businesses; 7) a strong boost to investment in research, development and innovation; 8) the reduction of disincentives to work more hours, particularly for low-wage and second earners; 9) the enhancement of learning outcomes and skills in disadvantaged groups; 10) an improvement of the pension system's long-term sustainability and the adequacy of pensions.

In 2020, the Council [recommended](#) that Germany take all necessary measures to alleviate the immediate consequences of Covid-19, effectively address the pandemic, and mobilise adequate resources to strengthen the resilience of its healthcare system. More broadly, Germany was advised to increase public and private investment, focusing on investment in the green and digital transition, while paying particular attention to transport; a clean, efficient and integrated energy system; digitalisation; education; housing; and research and development (R&D).

The Council also recommended improving the digitalisation of public services and small and medium-sized enterprises (SMEs), reducing regulatory and administrative burden, and strengthening competition in business services and regulated professions. Moreover, in its July 2021 [implementing decision](#) on the approval of the assessment of the NRRP for Germany, the Council invited Germany to shift taxes away from labour, reduce disincentives to work more hours (including the high taxation of labour earnings, in particular for low-wage and second earners), safeguard the long-term sustainability of its pension system, support higher wage growth, and improve the educational outcomes and skills levels of disadvantaged groups.

## Objectives and structure of the plan

Figure 1 – Breakdown of funding by mission



On 28 April 2021, Germany submitted its NRRP ([Deutscher Aufbau- und Resilienzplan](#)) to the European Commission.

Based on a study by the German Institute for Economic Research ([DIW](#)), the government estimates that the RRF-funded measures will lead to a significant increase in productivity. Furthermore, in the long term, employment is estimated to be up by 230 000 jobs

(or 0.53 %) compared with the baseline scenario. GDP in 2040 is forecast to be 1.89 % higher than it would without RRF measures being taken.

Germany's NRRP addresses the seven flagships areas for investments and reforms identified by the [Commission](#) for the RRF.<sup>2</sup> The plan is structured around six fields of intervention ('missions') and includes 10 components (see Table 1 below). The **six missions** have the following objectives:

- 1  **'Climate policy and energy transition'** aims to support the ongoing transition of Germany's economy to a decarbonised future. In this regard, the German plan focuses on three areas: the promotion of renewable hydrogen; climate-friendly mobility; and climate-friendly renovation and construction;
- 2  **'Digitalisation of economy and infrastructure'** is aimed at promoting technological transformation through digitalisation and the development of efficient infrastructure. Relevant measures focus on data and data-driven innovation and the digital transformation of various economic sectors;
- 3  **'Digitalisation of education'** will be promoted to raise the German economy's long-term growth potential and promote wealth creation. This mission stems from the government's recognition that Germany is facing considerable challenges in the field of digital literacy;
- 4  **'Strengthening of social inclusion'** is based on the realisation that a strong sense of community is the hallmark of a resilient economy and society. The plan acknowledges that – owing to the coronavirus pandemic in particular – many social groups need additional support. This mission thus envisages, among other things, measures to promote labour market participation and appropriate wages and pensions;
- 5  **'Strengthening of a pandemic-resilient healthcare system'** seeks to improve public healthcare services, including those relevant to tackling the pandemic, and increase digitalisation in the healthcare system;
- 6  **'Modern public administration and reduction of barriers to investment'** seeks to promote a public administration that is capable of effective action and, at the same time, reduces administrative barriers to forward-looking investments. The coronavirus crisis has highlighted yet again that there is still a great deal to be done in this area. Effective regulation that encourages innovation is also key to ensuring that reforms are implemented as smoothly as possible.

Across its six missions, the German NRRP exceeds the **expenditure targets** set by Regulation (EU) 2021/241 on the Recovery and Resilience Facility ('[RRF Regulation](#)') at 37 % of NRRP resources for the **green transition** and at 20 % for the **digital transformation**. The total shown in Table 1 adds up to €27.9 billion because of the incorporation of value-added tax (VAT), where applicable.

Table 1 –Components of Germany's NRRP

| Mission (M)  | Component (C)   | RRF resources (€ billion) | Share  |
|--|---|---------------------------|--------|
| Mission 1: <b>Climate policy and energy transition</b>         | M1C.1. Decarbonisation solutions using renewable hydrogen in particular | 3.3                       | 11.7 % |
|  | M1C.2. Climate-friendly mobility  | 5.4                       | 19.4 % |
|  | M1C.3. Climate-friendly renovation and construction                     | 2.6                       | 9.2 %  |
| Mission 2: <b>Digitalisation of economy and infrastructure</b> | M2C.1. Data as raw material for the future                              | 2.8                       | 9.9 %  |
|  | M2C.2. Digitalisation of the economy                                    | 3.1                       | 11.2 % |
| Mission 3: <b>Digitalisation of education</b>                  | M3C.1. Digitalisation of education                                      | 1.4                       | 5.1 %  |
| Mission 4: <b>Strengthening of social inclusion</b>            | M4C.1. Strengthening of social inclusion                                | 1.3                       | 4.5 %  |

|  |  |             |               |
|--|--|-------------|---------------|
| Mission 5: <b>Strengthening of a pandemic-resilient healthcare system</b>              | M5C.1. Strengthening of a pandemic-resilient healthcare system | 4.6         | 16.3 %        |
| Mission 6: <b>Modern public administration and reduction of barriers to investment</b> | M6C.1. Modern public administration                            | 3.5         | 12.4 %        |
|  | M6C.2. Reduction of barriers to investment                     | 0.1         | 0.2 %         |
|  | <b>Total</b>   | <b>27.9</b> | <b>100.0%</b> |

Data source: Deutscher Aufbau- und Resilienzplan. Figures may not add up due to rounding.

## Reforms

The NRRP for Germany assigns each of the 10 components to at least one of the six pillars as defined by the RRF Regulation, namely: green transition; digital transformation; smart, sustainable and inclusive growth; social and territorial cohesion; health and economic, social and institutional resilience; and policies for the next generation.

All six missions, and eight of the components, include at least one reform, bringing the total number of reforms to 15. However, as stated in the Council implementing decision (more under 'Council decision and pre-financing' below), 'the plan 'has a strong focus on promoting investments and tackling investment bottlenecks'. Even in components in which reforms are predominant (e.g. component 6.2), they serve primarily to reduce investment bottlenecks (see Table 2).

Table 2 – Reforms to receive support under Germany's NRRP

|                 |  1                              |  2                                   |  2 |  3                                      |  1 |  6  |
|-----------------|--|---|---|--|---|--|
| Reform measures | - Extension of the initial registration period for granting the 10-year tax exemption for purely electric vehicles | - Innovative data policy for Germany<br>- Federal programme 'Building continuing education and training (CET) networks' | - Education platform<br>- Educational centres of excellence                           | - Social guarantee 2021<br>- Educational support for students with a learning backlog<br>- Digital pension overview portal | - Strengthening of the digital and technical resources of the public health sector      | - European identity ecosystem<br>- Digitalisation of the administration – implementation of the Online Access Act<br>- Acceleration of planning and approval procedures in the transport sector<br>... |

Data source: Council implementing decision on the approval of the assessment of the RRP for Germany ([annex](#)).

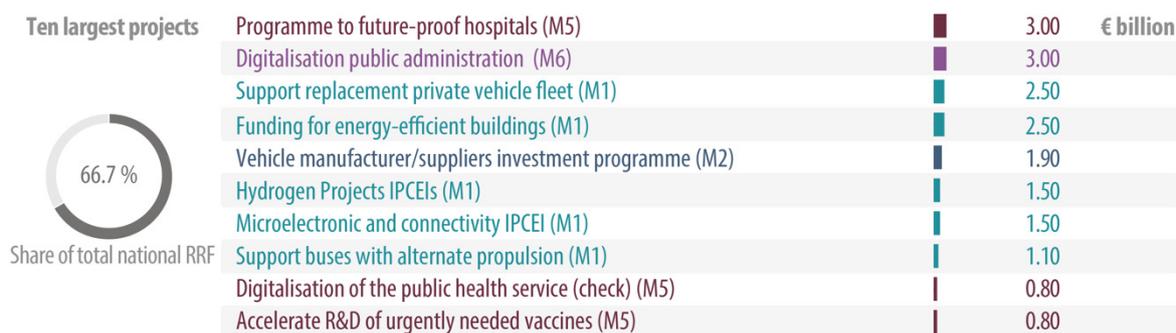
## Investment

A relatively [low level of investment](#), particularly in infrastructure, is deemed one of the factors that has limited the German economy's growth potential since the end of the investment boom following reunification in 1990.

The investment component in the German NRRP aims to address this challenge, focusing its €26.5 billion in resources on 40 measures that should help increase the country's long-term growth potential. Table 3 provides an overview of projects and resources, including the three largest investments (where available), and examples of activities for each project.

Table 3 – Largest measures to be supported under Germany's NRRP, by mission

|  | Mission 1  | Mission 2   | Mission 3   | Mission 4  | Mission 5  | Mission 6  |
|--|--|---|---|--|--|--|
| Allocation<br>€ billion                    | 11.30  | 5.90  | 1.40  | 1.30   | 4.60   | 3.60   |
| No of projects                             | 15   | 7   | 4   | 5  | 3  | 6  |
| Three largest projects in % of the mission | Support for the replacement of the private vehicle fleet: 22.1 %<br>Building renovation: federal funding for energy-efficient buildings: 22.1 %<br>Hydrogen projects within the framework of important projects of common European interest (IPCEIs): 13.3 % | Vehicle manufacturers/ supply industry investment programme: 32.2 %<br>Microelectronics and connectivity project (IPCEI): 25.4 %<br>Next generation cloud infrastructure and services project (IPCEI): 12.7 %   | Education platform: 43.9 %<br>Investment programme for teacher devices: 35.7 %<br>Modernisation of the Federal Armed Forces' educational and training facilities: 7.1 %   | Apprenticeship support: 55.8 %<br>Investment programme 'childcare-financing' 2020-2021: special fund 'child day-care expansion': 38.5 %<br>Digital pension overview portal: 2.7 %  | Programme to future-proof hospitals: 65.2 %<br>Strengthening of the digital and technical resources of the public health service: 17.8 %<br>Special programme to accelerate R&D of urgently needed Covid-19 vaccines: 16.3 %   | Digitalisation of the administration – Online Access Act: 56.3 %<br>Digitalisation of the administration – modernisation of registers: 7.8 %<br>European identity ecosystem: 5.7 %   |
|  | Examples of activities   | Build large electrolysis capability to produce renewable hydrogen in locations where sufficient renewable electricity is available<br>Support the replacement of the private vehicle fleet<br>Support the production of fuel cell components and serial testing of hydrogen components and vehicles | Contribute to a large-scale cross-border initiative aimed at fostering the development and first industrial deployment of smart cloud and edge solutions<br>Support R&D projects in the field of automated driving and innovative powertrains<br>Support regional innovation clusters for the transformation of the vehicle industry<br>Conduct research on critical infrastructures, artificial intelligence, etc. | Equip all teachers with mobile digital devices on a lending basis<br>Equip up to 60 education institutions of the Federal Armed Forces with up-to-date information technology (IT) | Promote the establishment of new childcare facilities and the refurbishment of existing facilities, which will create 90 000 additional places, through the provision of support to the German states (Länder) and local authorities<br>Provide financial support to SMEs that take on apprentices and maintain current levels of training, create additional apprenticeships, or take on apprentices from insolvent companies | Enable hospitals to invest in their modernisation within a short timeframe, e.g. to improve digital infrastructure, telemedicine, robotics or IT, and cybersecurity<br>Support German vaccine producers to increase their development and production capacity and increase patient numbers for clinical trial phases |



Data source: Deutscher Aufbau- und Resilienzplan.

## Governance

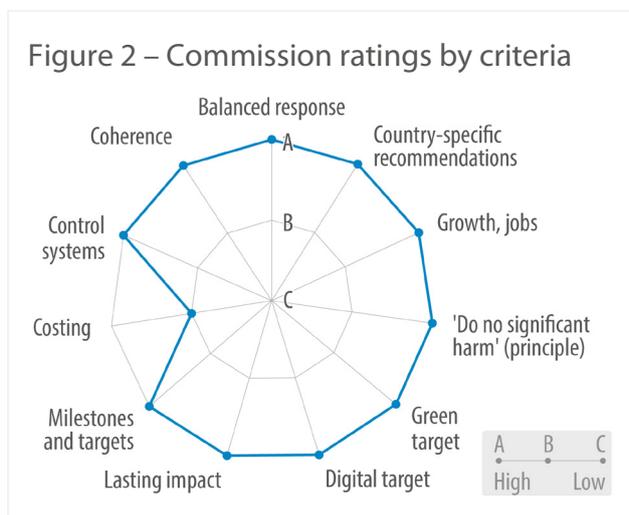
Monitoring and implementation of the NRRP for Germany will take place according to the following [arrangements](#): a coordination unit in the federal Ministry of Finance will monitor the plan's implementation. The unit will coordinate monitoring of and progress reporting on milestones and targets, perform qualitative controls on all financial data, and submit payment requests. It will also be responsible for identifying and correcting any potential undesirable developments early on. In addition, it will coordinate monitoring and implementation of the audit and control measures.

The unit's coordinating function is based on established national systems and regulations. The relevant national legal provisions and mechanism for monitoring and control will apply, including the corresponding reporting obligations. Disbursement of funds for the NRRP measures to the final recipients will be carried out in compliance with the general funding guidelines for the respective measure, in accordance with the general administrative regulations, and based on individual funding decisions (i.e. administrative acts) in favour of the final recipients.

The coordination unit in the federal Ministry of Finance will also act as counterpart for the European Commission, sign the management declaration provided for in Article 22(c)(i) RRF Regulation, countersign both the Federal Court of Auditors' summary of audits and the audit and control reports from the internal control units within the implementing ministries.

## Commission assessment

On 22 June 2021, the European Commission positively assessed the German NRRP, [proposing](#) that the Council approve it. For 10 out of the 11 assessment criteria set in the RRF Regulation (Annex V), the Commission attributes the highest possible rating (A) to the plan (see Figure 2). Assessment criterion 9, cost justification, is the only one to receive a B (medium), the same rating the Commission attributed to all NRRPs it had positively assessed by that date. Under criterion No 1, the



Commission concludes that Germany's NRRP provides a comprehensive and adequately balanced response to the economic and social situation, contributing appropriately to the six pillars under the RRF. Moreover, according to the Commission's assessment, the NRRP includes an extensive set of coherent and mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the 2019 and 2020 CSRs (assessment criteria Nos 2 and 11).

The Commission finds that the German NRRP focuses on growth-enhancing reforms and investments expected to have a high impact on improving Germany's growth potential, labour market conditions and economic, social and institutional resilience (criterion No 3). According to [QUEST model simulations](#) carried out by the Commission, the NRRP's economic impact could increase Germany's GDP between 0.4 % and 0.7 % by 2026. However, these simulations do not include the possible positive impact of structural reforms, which may be substantial.

A wide range of NRRP reforms in key policy areas are meant to address long-standing barriers to economic growth, which should enable the plan to promote structural changes and have a lasting impact on the German economy and society as a whole (criterion No 7). To this end, effective and swift implementation will be key. Medium- and long-term increases in productivity growth should stem from various measures (such as investments in digitalisation, the green transition, and education and research) and from reforms such as of public administration. As the assessment states, these measures are expected to unwind the backlog in public investment and make the business climate more investment-friendly in the long run. Furthermore, investments in healthcare, housing and in better access to skills for vulnerable youth should not only enable sustainable and inclusive growth but also increase economic resilience and social and territorial cohesion.

The Commission estimates the share of the allocation dedicated to the green transition to reach at least 42.4 % (criterion No 5), which is an upward revision of the government's assessment (40 %) and even goes beyond the RRF requirement (37 %). The NRRP for Germany is consistent with the Commission's 2020 [country-specific](#) guidelines on the implementation of the [German national energy and climate plan](#) for 2021 to 2030. Examples of measures include energy efficiency in residential buildings, production and use of renewables (primarily but not exclusively clean hydrogen), reduction of greenhouse gas emissions from transport and agriculture, and investments in sustainable urban mobility and railway infrastructure.

As for digital transformation (criterion No 6), Germany's NRRP dedicates at least 52.6 % of its allocation to support this goal, exceeding by far the RRF requirement of 20 %. The wide range of measures in this area include enhanced connectivity (e.g. in the health and education sectors), the digital transformation of the administration (including the armed forces), and the promotion of investments in digital capacities and advanced technologies.

According to the Commission, none of the NRRP measures harms environmental objectives significantly, in line with the '[do no significant harm](#)' principle embedded in the RRF Regulation (criterion No 4). While the volume and quality of information on the cost estimates vary across measures, the estimated total costs of the NRRP are deemed reasonable, plausible, in line with the principle of cost-efficiency, and commensurate with its expected impact (criterion No 9).

Moreover, the assessment considers that the control systems put in place by Germany adequately protect EU financial interests, concluding that the plan provides sufficient details on national measures to prevent, detect and correct cases of conflict of interest, corruption and fraud in the use of financial resources (criterion No 10). A multi-level governance system to ensure effective implementation and monitoring of the German NRRP already broadly exists at the national level and has been adapted to the plan's exigencies. Finally, the assessment finds that the monitoring and reporting mechanisms, which include clear, realistic and appropriate milestones and targets, are well-defined and in line with the intended purposes (criterion No 8).

## Council decision and pre-financing

On [13 July 2021](#), EU economic and finance ministers approved the assessment of the German NRRP as part of the first batch of 12 implementing decisions adopted by the Economic and Financial Affairs (Ecofin) Council under the RRF.

The annex to the Council implementing decision on the German NRRP reviews the reforms and investment projects under the plan, the arrangements and timetable for its monitoring and

implementation, including the relevant milestones (qualitative achievements), targets (quantitative achievements) and related indicators (see 'Reforms' above).

Council confirmed that Germany is set to receive €25.6 billion (current prices, rounded) over the plan's lifetime, in grants only. The grant consists of two parts: a fixed allocation amounting to €16.29 billion to be committed by 31 December 2022; and a provisional allocation of €9.32 billion for 2023 commitments, to be updated based on the relevant provisions in the RRF Regulation.

Following Council approval, the European Commission and Germany signed a financing agreement, which cleared the way to the payment of pre-financing equivalent to 9 % of the country's allocation. On [26 August 2021](#), the Commission disbursed €2.25 billion in pre-financing, which enabled Germany to begin implementing its NRRP.

Part of the pre-financing will cover projects already ongoing between 2020 and 2021; this is consistent with RRF provisions, which enable Member States to cover measures starting from 1 February 2020 (the onset of the pandemic). In particular, the target of supporting the purchase of 240 000 electric vehicles was planned to be completed by the end of the first quarter of 2021.

Subsequent payments will be made in five instalments, subject to progress in the implementation of investments and reforms, and based on a decision by the Commission that Germany has satisfactorily fulfilled relevant milestones and targets (see below). The Commission may pay the pre-financing and the instalments in one or several tranches, depending on the availability of funding. The pre-financing will be cleared over time by being proportionally deducted against payment of the instalments. The final deadline for the completion of milestones and targets is 31 August 2026.

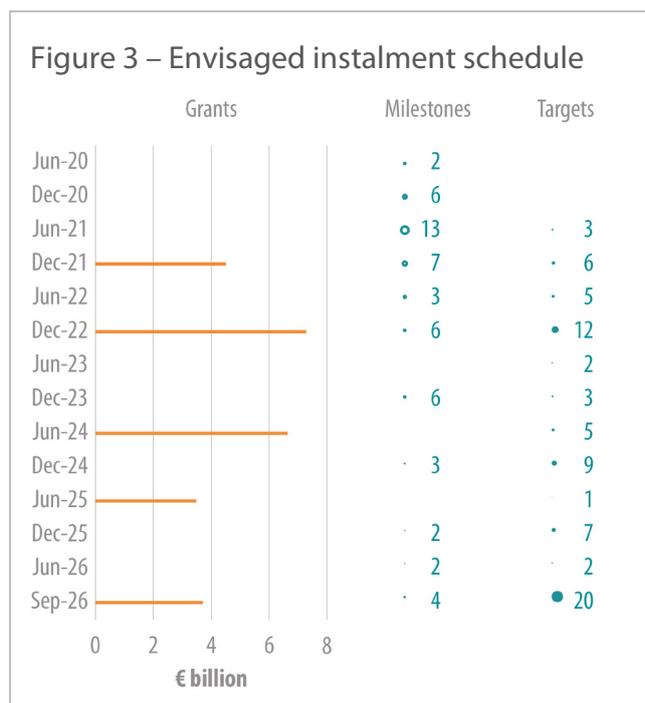
## European Parliament

Following the outbreak of the pandemic, the European Parliament was a [major advocate](#) of launching a common EU recovery instrument, and established the RRF as co-legislator with the Council. Based on the RRF Regulation and the Interinstitutional Agreement ([IIA](#)) on budgetary matters, Parliament can [scrutinise](#) the Commission's work on the assessment of national plans.

Within Parliament, the Conference of Presidents has set up a standing [working group](#) on the scrutiny of the RRF, comprising Members from the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON). The working group prepares and follows up on the recovery and resilience dialogue that Parliament holds every two months with Commission representatives.

Moreover, the IIA provides for interinstitutional meetings between Parliament, Council and Commission on the implementation of the broader Next Generation EU recovery instrument. These meetings will be held *in camera* at least three times a year.

## Milestones and targets



All NRRP payments, except for the 9 % pre-financing disbursed in August 2021, will depend on progress in the German plan's implementation. In total, five instalments are planned, each linked with the achievement of several (qualitative) milestones and (quantitative) targets. According to the RRF Regulation, Germany has to commit RRF resources by the end of 2023, with payments having to be made at the latest by the end of 2026. Overall, Germany will have to meet 54 milestones and 75 targets of its NRRP. The former are predominant in the first part of the plan. Various milestones and targets may be linked with a single investment or reform, corresponding to different steps in their implementation.

The first instalment (the milestones and targets of which are to be met by December 2021) amounts to €4.5 billion. It includes, in

particular, measures for launching the different projects, such as the completion of expression of interest procedures, the entry into force of funding guidelines (e.g. for the construction of charging infrastructure or the development of electro-mobility), and the successful completion of pilot projects (e.g. for railway digitalisation).

Several milestones and targets under the first instalment are also meant to pave the way to launching investments, e.g. through the signature of project contracts for the armed forces, the agreement between the federal government and the *Länder* to provide learning support for students and teachers, and the completion of individual agreements for the digitalisation of the administration.

## Views of German stakeholders

There were some public discussions in the period between the presentation of the first draft and the submission of the final draft of Germany's NRRP by the federal government to the EU, focusing for instance on the issue that, under the first draft, the 37 % target for environmental projects would not have been met. Conversely, there have been very few comments following the presentation of the final draft. While the German NRRP envisages coordination between all levels of government, there was [strong criticism](#) by the German *Länder* of their late and insufficient involvement in the plan's preparation. Environmental Action Germany ([Deutsche Umwelthilfe](#)) has criticised, in particular, that most of the measures in the NRRP for Germany are not new, but were already part of the German June 2020 relaunch package.

## EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

D'Alfonso A., [Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic](#), EPRS, European Parliament, July 2020.

D'Alfonso A. et al., [Economic and Budgetary Outlook for the European Union 2021](#), EPRS, European Parliament, January 2021.

Karaboytcheva M., [Recovery and Resilience Facility](#), EPRS, European Parliament, March 2021.

Sapala M., [Recovery plan for Europe: State of play](#), EPRS, European Parliament, June 2021.

## OTHER SOURCES

Eurostat, [European statistical recovery dashboard](#), website.

## ENDNOTES

- <sup>1</sup> The graphics and tables in this briefing are based on data from the [Deutsche Aufbau-und Resilienzplan](#), the Commission [assessment](#), the Council [implementing decision](#) and the annex thereto and on information provided by the European Commission. Data used reflect their source at the time of extraction; moreover, there may be discrepancies between data from different sources.
- <sup>2</sup> These flagship areas are: 1) Power up – Clean technologies and renewables; 2) Renovate – Energy efficiency of public and private buildings; 3) Recharge and Refuel – Sustainable transport and charging stations; 4) Connect – Rapid broadband services; 5) Modernise – Digitalisation of public administration; 6) Scale-up – Data cloud capacities and sustainable processors; 7) Reskill and upskill – Education and training to support digital skills.

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