

Act on the Granting of Consolidation Assistance (Consolidation Assistance Act)¹

Date of signature: 10 August 2009

Full citation:

Consolidation Assistance Act of 10 August 2009 (Federal Law Gazette I, p. 2705)

Section 1 – Consolidation assistance

(1) As assistance for compliance, from 1 January 2020 onwards, with the provisions of paragraph (3) of Article 109 of the Basic Law, the *Länder* of Berlin, Bremen, Saarland, Saxony-Anhalt and Schleswig-Holstein may, on the basis of an administrative agreement in accordance with this Act, receive, for the period from 2011 to 2019, consolidation assistance of 800 million euros annually from the federal budget.

(2) The annual amount under subsection (1) above shall be distributed across the designated *Länder* as follows:

Berlin	80 million euros
Bremen	300 million euros
Saarland	260 million euros
Saxony-Anhalt	80 million euros
Schleswig-Holstein	80 million euros.

(3) The Federal Ministry of Finance shall on 1 July of the current year pay out two thirds of the annual amounts of consolidation assistance. The payment of the remaining third shall be

¹ This working translation of the *Gesetz zur Gewährung von Konsolidierungshilfen (Konsolidierungshilfengesetz – KonsHilfG)* is provided by the Language Service of the Federal Ministry of Finance. Only the German text of this Act is authentic.

effected on 1 July of the subsequent year if the preconditions under section 2 are satisfied. Otherwise, the two thirds received are to be repaid as well.

(4) There shall be no simultaneous granting of consolidation assistance and budget rehabilitation assistance on the basis of an extreme budgetary emergency.

Section 2 – Consolidation obligations

(1) The *Länder* designated in section 1 subsection (1) showing a financial deficit in 2010 shall, in the period from 2011 to 2020, be obliged to reduce the structural financial deficit completely. The annual upper thresholds of the financial deficit shall be complied with. The upper threshold for 2011 shall be calculated by reducing the 2010 financial deficit (baseline) by one tenth. For subsequent years, the annual upper threshold shall be calculated by reducing the previous year's upper threshold by one tenth of the baseline respectively. *Länder* under section 1 subsection (1) showing a financial balance at least in equilibrium shall be obliged to show a financial balance at least in equilibrium in the period from 2011 to 2019 also. Consolidation assistance granted shall not be taken into account in determining the financial balance. For the purposes of this Act, financial balance shall mean the financial balance plus the balance of financial transactions; adjustment for changes induced directly by the economic cycle is permissible.

(2) Upon the expiry of a calendar year, the Stability Council formed under section 1 of the Act on the Establishment of a Stability Council and on the Avoidance of Budgetary Emergencies² shall conduct a review and determine for each *Land* under section 1 subsection (1) separately whether the upper threshold of the financial balance for the past year has been complied with. In justified exceptional cases, the Stability Council may determine that the exceeding of the upper threshold of the financial balance under subsection (1), second to fifth sentences, above is inconsequential. The decision of the Stability Council shall be taken by 1 June of the subsequent year.

(3) Where compliance with the upper thresholds of the financial balance under subsection (2) above cannot be identified, the Stability Council shall caution the affected *Land*. The affected *Land's* entitlement to consolidation assistance for this year shall lapse.

² Gesetz zur Errichtung eines Stabilitätsrates und zur Vermeidung von Haushaltsnotlagen

Section 3 – Financing

The financial burden resulting from the granting of the consolidation assistance shall be borne equally by the Federation and the *Länder*. The Federation's share of the payments under section 1 subsection (2) shall be 400 million euros annually. Where the entitlement of one or more *Länder* to consolidation assistance lapses under section 2 subsection (3) above, the shares of the Federation and the *Länder* shall decrease accordingly.

Section 4 – Administrative agreement

The payment of the consolidation assistance shall be effected on the basis of an administrative agreement regulating the details in accordance with this Act, especially the arrangements for the payment of the assistance, the definition and amount of the financial balance for 2010, the course for the reduction of the financial deficit existing in 2010 for the respective *Land*, the details for the Stability Council's monitoring of the reduction of the financial deficit as well as the procedure in the event of a *Land's* non-compliance with reduction increments.