

12 Impulses  
for parliament and government  
on the 20<sup>th</sup> electoral term



Federal Performance  
Commissioner

*„Being efficient does not only mean to have nice figures. Efficiency above all means that basic government functions are performed in an efficient manner. Today, this is more important than ever.“*

## Preface

### Seizing the opportunities presented by the new legislative period

On 26 September, Germany voted for a new parliament: the 20th German Bundestag. The Members of Parliament and the new Federal Government face enormous challenges. Urgent reforms are pending or lost in day-to-day operations. The pandemic has painfully reminded us of some of the often-forgotten challenges. The members of the newly-instated parliament and government need to tackle all of these challenges. The faster and more determined they act, the better.

The “12 Impulses” draw the attention to key fields of action, which – as our audit and advisory work of recent years has shown – require swift and decisive action. The impulses are each based on the independent and fact-based work of the Bundesrechnungshof.

In my capacity as Federal Performance Commissioner, I wish to make a substantive and unbiased contribution to assist parliament and government in solving problems in key policy areas. The impulses are no patent remedy. Rather than that, they are supposed to raise awareness among policy-makers and to support informed decision-making in areas where facts are not in dispute.

Kay Scheller,

Federal Performance Commissioner

Bonn, September 2021

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# 1 Federation

## 1.1 Lessons learnt from the pandemic and natural disasters: We need a national crisis mechanism which ensures swift decision-making and execution in times of crisis

Crises at national and global levels require bodies of all government levels to cooperate and to act in a fast, pragmatic and thorough manner. Where life is at peril there is no time to question duties and responsibilities. Each body's responsibilities need to be clear in advance. Therefore, we should build a constitutional crisis mechanism to be better prepared for future crises.

### 1.1.1 Taking lessons from the pandemic and natural disasters seriously

The pandemic is our teacher. It is a force of nature – as was this summer's flood disaster. We need to take these events seriously as they showed us: viruses and weather conditions ignore borders between countries and within a country. They revealed the weaknesses of Germany's government structure when it comes to making and implementing decisions fast and courageously within hours or days. Who is responsible, who decides, who executes decisions made? Who provides funds? Who deals with legal issues? How can external expertise be utilized? And do all these pieces fit together? Will the government's crisis management contribute to an effective crisis response? These questions are also applicable to the natural disasters we have lived through in recent months.

### 1.1.2 Defining crisis mode now

We need to answer these questions – prior to the next crisis. We need to gear up today. We need to establish a national crisis mechanism that is laid down in the German Constitution and determines the responsibilities and procedures in making and implementing decisions for all government players in a transparent and binding manner. So that all players know what to do in times of crisis.

### 1.1.3 Crises require leadership

At the heart of this mechanism should be a national crisis team in which the federal government plays a prominent role in case of a national crisis. This is not a shift away from federalism. Rather than that, federal states and local governments are still important players on the ground. But the interaction between all government bodies needs to be streamlined. Team composition and tactics need to be consistent, as well as flexible and adaptable. This point is

crucial. Not only because future threats may be completely different from recent crises. But also with regard to the Federation and its government bodies. Only if our federal structures manage to hold up in a crisis that puts lives and livelihood at risk, and the government lives up to its responsibility to protect the citizens' lives, health, and belongings, the Federation will affirm its legitimacy. And only in this case, the citizens' confidence in the government's ability to act will be preserved.

#### 1.1.4 Crises require confidence

Without such confidence it is not possible to effectively put an end to a national threat in a democratic community. Constitutional democracy is built on its citizens. Inversely, the citizens may expect government bodies to provide the best level of protection. What counts is the result. It is not important which government body or level manages and provides such protection. The government bodies need to provide protection irrespective of responsibilities and procedures. Therefore, the federal structure must be adapted to the extraordinary threats we experienced amid the pandemic and recent natural disasters.

## 2 Digital transformation

### 2.1 Taking digital trends seriously: pushing digital transformation to the future

Looking back: the last coalition agreement included large digital initiatives. Have these initiatives been implemented? There are new laws, strategies and task forces. But: often, the initiatives did not bring the desired success. The future federal government needs to do better and accelerate the shift to digital technologies.

#### 2.1.1 Digital public services – still under construction

When it comes to providing digital services to citizens and enterprises, Germany falls short of the mark: the European Commission's digital transformation index ranks Germany in the lower third of all countries. Often, citizens do not know that the government offers digital services. Some services, such as the electronic health insurance card, are announced – but their introduction has been deferred again and again. The new federal government needs to address this issue in a more determined manner and needs to look at it from the same perspective as the citizens and the enterprises: digital services for all must be in focus!

## 2.1.2 Consistent controlling

It is not sufficient to set ambitious goals. The federal government needs to ensure that these goals are achieved. The government's IT is built upon very complex structures: the government plans to have a flexible, future-oriented and secure IT. But: shortcomings in control structures, reassignment of responsibilities and lengthy multi-player decision-making processes are often in the way of effective solutions. The government needs to better control and coordinate its activities and resources. The same is true for the government supporting the digital shift in enterprises. The government needs to follow a more systematic approach. It needs to stay on top of the issue – and harmonise funding. The government needs to set measurable goals in order to be able to gauge success in a timely manner and to make adjustments where necessary. The less the government spends on organisation and administration, the more the government will have to spend on enterprises.

## 2.1.3 Non-integrated solutions are pointless – especially in IT

Europe, federal government, federal states and local governments – each player has its own digital approach. If they are not made compatible in time, the systems will lack interconnectivity. Unexpected events will severely impact these systems. Pandemics, natural disasters, cyberattacks or terrorist attacks do not stop at borders. Digital instruments are needed to facilitate action across all levels. The federal government needs to focus closely on European requirements. It needs to link with federal states and local governments. All players will profit, not only in times of crisis: For example, tax authorities could work more effectively. €600 billion in taxes collected annually by the federal government and federal states need to be managed efficiently by means of a single tax IT system. Additionally, the federal government should engage with federal states to use digital technology in implementing construction projects.

# 3 Labour

## 3.1 Germany needs to use its capacities in a more targeted manner and make labour fit for the future

The labour world faces enormous challenges and undergoes a dramatic transformation. This is made even more challenging by economic dislocations and budget constraints. The federal government needs to accelerate modernisation by taking targeted and resource-saving action. This is the only way to secure freedom and wealth.

### 3.1.1 The future is made today

The labour world is facing drastic changes and challenges, not seen since the industrial revolution. The COVID-19-pandemic, globalisation, digital transformation, demographic change and the transition to green technology triggered by climate change call into question current employment and investment models. The locations and ways of adding value are subject to change. Germany must face and react to these challenges in order to protect and further ensure the German Constitution's promises and fundamental rights, such as professional freedom and property.

### 3.1.2 What comes after furlough schemes? Innovation!

The pandemic fallout was cushioned by granting furlough money. However, the sustainability and further impact of this measure remains to be seen. By all means, furlough schemes are an effective instrument to bridge crises in the short term. These schemes should not be used excessively though: it could, in the long run, result in the proliferation of outdated business models and structures. This would tie up financial resources and prevent innovation, which is essential for Germany in an increasingly competitive world. This must become a focal point.

### 3.1.3 Funding capacity building: leave no one behind

Germany's budgetary situation will be difficult in the coming years due to record indebtedness following the pandemic. More than ever, limited funds need to be used in a targeted and meaningful manner. The federal government is right to use funds to strengthen capacity building as qualified workers are a prerequisite for implementing innovative business models. In this respect, Germany has great potential – through our educational models, permanent education schemes, and the integration of people who are not fully integrated in the labour market. Defined rules, structures, checks, targeted control, guidance and close assistance should ensure that as many people as possible may participate in capacity building in accordance with individual needs and that funds are not misspent by implementing meaningless or ineffective programmes. Labour market policy must 'promote and oblige'. What is more: the federal government must not leave anyone behind.

### 3.1.4 Technical and financial responsibilities should be assumed by one authority

Where technical and financial responsibilities are assumed by different bodies, government action often proves inefficient – as seen, for example, in providing basic benefits for job-seekers. The federal government has agreed to help local governments by defraying all the costs incurred for accommodating refugees. Some municipalities, however, billed costs amounting to more than twice the rent usually paid in the given municipality. In individual

cases, they even billed the rent for non-occupied rooms. Consequences? None. On the contrary: The federal government gives more money without any effective control or enforcement mechanisms in place. The bodies responsible even amended the Constitution in order to prevent the federal government from exercising delegated management and monitoring tasks. This action is not reasonable and difficult to explain to tax payers. Technical and financial responsibilities should be assumed by one authority. This would help to avoid misspending funds and taking inefficient action – a ‘must’ in the context of increasing budget constraints for governments.

## 4 Federal budget (part I)

### 4.1 Sound finances to secure the state’s ability to act

Sustainable public finances are vital to sustain core public services and to advance necessary reforms. This means that parliament and government must leave their comfort zone. In the aftermath of the pandemic, public finances, which have been turned upside down, need to be stabilised on the basis of an honest stocktaking.

*“Undermining or abolishing the debt rule would mean to surrender even before having discussed potential solutions.”*

#### 4.1.1 Resilient finances

The federal government is fighting the coronavirus pandemic by means of an expansive budgetary policy of historic proportion. Net borrowing of over €470 billion is planned for the years 2020 to 2022. This amounts to almost half of the existing debt accrued over the last 70 years. And this figure does not yet include the impact of the flood disaster. This means that the federal government has no additional financial leeway. Now is the time for a restart in terms of fiscal policy in order to make public finances resilient. Otherwise it will not be possible to shape the future or to build resilience for the next crisis.

#### 4.1.2 Debt rule as a tool of responsible fiscal policy

The constitutional debt rule provides orientation in this regard. The debt rule is not an end in itself; on the contrary. It combines intergenerational equity with the flexibility required to enable decision-makers to shape public policy. The debt rule has proved successful before and after the crisis. With the enormous new borrowing required during the pandemic, it becomes even more important to spread the burden equally between generations. Of course, undermining or even abolishing the debt rule seems to be the easier way to go. However,

that would be a mistake. Taking it easy now will put us in a bad spot for when it comes time to take serious action again.

### 4.1.3 Time for inconvenient questions to be asked

Now, we have to face the truth: in the prosperous years before the crisis we failed to address many structural problems and risks. Can the welfare state continue to expand as it did in previous times? How do we cope with demographic change? What importance do we give to education, climate protection, energy transition and digital transformation? Is the division of responsibilities and expenditure at federal government and state level still appropriate? Is the tax system fair and is it suitable to fund the provision of public services? How do we use limited financial resources efficiently and effectively for the benefit of future generations? How does Germany fulfil its increasing international commitments?

### 4.1.4 Time for sustainable strategies to be developed

Waiting and hoping for better economic times will not be enough to restore financial sustainability. We cannot expect a repeat of what happened after the 2008 financial and economic crisis, where low interest rates and rising tax revenues allowed a consolidation at zero cost. Now is the time to act. What is needed is a clear analysis, convincing strategies with a prioritisation of tasks and a balancing of interests.

## 5 Funding policy

### 5.1 Making federal government funding more effective

*“We need to adjust funding policies. It is high time to optimise management processes.”*

Germany faces enormous challenges: especially the imminent climate change, the current COVID-19-pandemic and the demographic change demand quick solutions. Funding education, science, the economy, cultural life, and infrastructure is key in this context. For a successful funding policy, the following aspects need to be defined in detail: who or what entity is funded, and, above all, who or what entity provides funding and which funding instruments are used. Every single euro must be used effectively.

#### 5.1.1 Funding must be transparent – and spending principles observed

When using federal funds, the federal government needs to adhere to the principle that federal funds may only be used where an urgent federal interest is given. Often, the

government may only take action hand in hand with federal states. This methodology, however, is quite error-prone. It is therefore necessary to follow the advice reiterated by the Bundesrechnungshof for years and to eliminate overlaps in responsibilities. Additionally, it is key to ensure transparency. The government needs to have a better overview of financial needs and the use of federal funds.

### 5.1.2 Funding must be effective – gearing and monitoring

Entities applying for funding need to prove the need for such and clearly define funding goals. Only when project goals are set can we move to the planning stage and take appropriate measures. Where goals are not set or measurable, it is impossible to thoroughly evaluate performance. Setting goals is therefore a central prerequisite for control and needs to always take priority. Otherwise federal funds may be misspent. To avoid the abuse of funds, the focus clearly needs to be on the way funds are used.

### 5.1.3 Funding must be efficient – auditing and adjusting

Especially given current budget constraints, tax revenues are to be used as efficiently as possible in order to create leeway for decision-makers. At the planning stage, the bodies responsible have to closely examine as to whether it is actually necessary to use funds. They have to avoid deadweight effects and duplicate funding and to cut excessive implementation costs.

On-going funding programmes should be reviewed at regular intervals. Programmes trying to achieve the same goals should be examined together. Where programmes do not show the desired effect or prove to be inefficient for other reasons, they should be reshaped or discontinued. This is the only way to prevent inefficient funding structures from being perpetuated and financial means from getting lost.

## 6 Climate protection

### 6.1 Consistently pursuing climate goals

Climate protection is a task for all of society, affecting all areas of life. The federal government needs to embrace its responsibility and bring its climate goals in line with social and economic goals. It is important to act effectively and not to leave citizens behind.

### 6.1.1 Germany will and needs to contribute to climate protection

Global warming jeopardises our natural resources. Academia and the community of states agree that this process needs to be stopped – if possible, faster than in the past. For doing nothing today infringes civil liberties tomorrow and costs more in the long run than protecting climate effectively.

The Federal Constitutional Court therefore expressly reminded the federal government of its responsibility: the government has the constitutional duty to protect the climate today and for future generations. This duty is also laid down in international law: Germany acceded the Paris Convention and EU pacts, pledging to reduce emissions. If Germany fails to meet its duties, it will have to make compensation payments running into billions. In addition, Germany wishes to contribute to achieving the 17 goals of the United Nations' 2030 Agenda – which include climate protection goals.

### 6.1.2 Paving the way to greenhouse gas neutrality

In the long run, greenhouse gas emissions need to match the amount of greenhouse gas that is absorbed by natural and technical processes. Germany plans to achieve greenhouse gas neutrality by 2045. To this effect, further efforts are needed: the federal government needs to act with more resolve and trigger fundamental changes in all areas of life. It is not sufficient to only set emission goals. The government needs to know how exactly each of its programmes contribute to achieving climate goals and how their effectiveness may be increased and programme success be measured and monitored.

### 6.1.3 Climate protection needs to be socially reasonable and efficient

At the same time, the federal government needs to ensure that its programmes launched to achieve set climate goals are economically and socially reasonable. For example, this is to be considered in driving the energy transition. Two factors are essential in this context: security of supply and affordability.

The federal government needs to optimise its planning activities and examine scenarios that realistically reflect future need and existing risks: how much additional electricity will be needed once heating and transport move in that direction? What about hydrogen production? How much electricity may be generated through wind power and photovoltaics, and how can remaining needs be covered? How much further must, and how fast can electricity grids be expanded? One thing is clear: the bodies responsible must always be able to cover the need for electricity and heating.

Furthermore, the government eventually needs to communicate its opinion as to what defines a well-priced energy supply. The financial capacity of private households and enterprises must not be overstrained. At the end of the day, taxes and levies should be reduced.

This could be compensated by a reasonably high CO2 price which also offers an incentive to reduce emissions.

#### 6.1.4 Confidence builds on reliability

It is key to know the costs and to ensure security of energy supply also in the future. Only then citizens and enterprises will accept changes. Germany will only be able to make a significant contribution to combating climate change if the federal government creates the required framework conditions and teams up with all other players.

*“Doing nothing costs more than effectively protecting the climate”*

## 7 Transport

### 7.1 Learning from failure: finally tackle reforms in the transport sector

The federal government should redefine its transport policy fundamentally: sound infrastructure, punctual trains, a public transport in service of our citizens and more climate protection are possible. But all this requires efficient structures and clear responsibilities.

*“Subsidiary companies that do not strengthen the rail system should be divested. The corporate structure must be put to the test. No taboos at Deutsche Bahn AG.”*

#### 7.1.1 Construction site large-scale projects

For many years, Germany’s large-scale projects have been plagued by huge cost overruns and delays. Stuttgart 21 and the Berlin airport are prominent examples. Overloaded bridges, delayed trains and technical defects are common. So far, shifting traffic and goods from road to the environment-friendly rail has not been successful. The construction of waterways has also encountered enormous delays and cost increases.

#### 7.1.2 The federal government needs to live up to its mandate and to act on its responsibility

It’s the federal government’s job to ensure that adequate transport services are offered. But Deutsche Bahn AG has moved away from the core business to provide rail services in Germany. It has moved toward international activities and became a diversified group of

companies. This group is economically unstable. In the meantime, Deutsche Bahn AG has accumulated debt amounting to €32 billion. Although the federal government is the owner, it is not successful in steering Deutsche Bahn AG: government and Parliament are not involved in important decisions. There should be no taboos anymore when redefining the structures of the group. The federal government is well advised not to make the same mistakes in the road sector. It must keep a firm grip on the new motorway company.

### 7.1.3 Federal government and federal states: get out of the jungle of grants-in aid

When duties are assigned to federal government and federal states, financial intertwining and joint responsibilities get in the way of a transparent, efficient and rapid implementation. It is true that the states and the municipalities are responsible for public transport, but it is often the federal government that is funding it. This has led to an opaque jungle of federal grants. The federation does not even have exact insight as to the final beneficiaries and the impact of its funding. The federal states, however, make savings at the cost of the federal government and they spend too little of their own revenue. They even put federal funds away for years without spending them. Immediate action is required. If the federal government adheres to funding public transport, it has to ensure that the funds are used for a more climate-friendly public transport. That is why the Legislature must act.

### 7.1.4 Plan before you start construction

Furthermore, better planning is necessary. What are the costs – especially in the long term – for the taxpayer? How long will construction take? Will the chosen plan deliver the highest value for money? How can we reverse climate change? Only solid plans can answer these questions. This also means each step has to be taken in the correct order: only once the planning phase has truly been finalized, the construction phase should start. Often, there is a lack of adequate capacities for planning.

## 8 Federal budget (part II)

### 8.1 Embedding sustainability where the grounds are laid: in the federal budget

For more than 20 years, sustainability has been a guiding principle for government action. Now it is time to visibly embed this principle in the federal budget. This will strengthen the political will and will impose responsibilities on policymakers. Implementing sustainability will also strengthen parliament's power over the budget and will enhance transparency and accountability.

“Sustainability only becomes real if it is included in the budget as a binding commitment that is to be fulfilled in practice.”

### 8.1.1 Embedding sustainability as a guiding principle ...

“Our goal is a sustainable, economically efficient, socially just and environmentally beneficial development”. With this commitment laid down in a coalition agreement in 1998, sustainability was declared the guiding principle of government action for the first time. More than 20 years have passed since then. In the meantime, this guiding principle has become a national consensus and it is time to visibly embed sustainability in the federal budget. After all, political shaping is done on the basis of allocated funds. It is not without reason that the budget is also referred to as the “government’s programme expressed in figures”.

### 8.1.2 ... throughout the budget cycle.

Going forward, the sustainability goals should be linked to the budget and should be taken into account by policymakers in all four phases of the annual budget cycle. This begins with the federal government’s proposal outlining the planned allocation of revenue and expenditure. Submitting its departmental budget, each government department should explain how it intends to implement the guiding principle within its remit. Thus, the government commits itself in a way that is verifiable for all. This also strengthens parliament’s power over the budget since, in this way, parliament may help shape the government’s sustainability policy.

### 8.1.3 Making responsibility binding ...

Embedding sustainability in the budget will strengthen the political will and will impose binding commitments on government departments. They must fill the guiding principle with life and take it into account in all decision-making with a bearing on the budget. Up to now, this has been done only in half of the cases. Government departments must aim at significantly increasing this rate. Avoiding, neglecting or simply forgetting to act sustainably must not be tolerated. By embedding the sustainability goals in the budget, the federal government is committed to implementing them. The sustainability goals are a yardstick to assess government action, and government will be held accountable by parliament and the public.

### 8.1.4 ... may also be ensured by cash-based accounting.

Contrary to what is sometimes claimed, sustainable financial management does not depend on the underlying accounting system but on political decision-making. The overarching goal is to ensure sustainable public finances. This may also be achieved by cash-based accounting which is suitable to provide the necessary information. The federal government should

therefore not hesitate or wait for better times, but should implement sustainability right now when drafting the budget.

## 9 Retirement system

### 9.1 There is no time left. The intergenerational contract reaches its limit. Funding problems as to the retirement system need to be solved.

The statutory pension insurance scheme faces significant funding issues caused by the demographic change. The increase in benefits granted in recent years, the COVID-19-pandemic, and surging federal debt amid the pandemic worsen the financial situation today and in the longer term. The new federal government must act now: the financial burden needs to be spread amongst pensioners, contributors, and the federal government, i.e. the taxpayers.

#### 9.1.1 System in distress

The demographic trend in Germany shows that, on the one hand, the number of pensioners and the duration of retirement go up. On the other hand, the number of contributors declines. The soaring need for funding, which is also caused by the slowing momentum in revenue growth, requires that the financial burden is spread amongst all players.

#### 9.1.2 Catalysts of the trend: increase in benefits, COVID-19-pandemic

Although being fully aware of these issues, the legislator has gradually increased pension benefits since 2014: mothers' pension I and II; extension of supplementary periods I, II, and III; retirement at the age of 63; double bounds and contribution rate guarantee; consolidation of the two retirement schemes in place for East and West Germany; and basic pension. Such benefit increases burden on a system already under pressure.

Due to the pandemic and pandemic-related market trends, contributions rose slower than expected. On top of that, 2020 pension payments trended higher again amid the economic crisis. It is true that short-time working has absorbed the negative impact on the retirement system; but it is also true that furlough schemes add to the pressure on the government and that the government's funding capacities took a hit amid the pandemic.

### 9.1.3 Solutions?

So far, the federal government has failed to present any solutions for the statutory retirement system. The former federal government has assigned the responsibility to the commission “Reliable Intergenerational Contract”, which has not yet tabled any specific reform proposals. However, the problem ultimately requires a solution.

### 9.1.4 ... are on the table!

It is time to put the retirement system’s funding on a solid basis for the long term. To this end, novel innovations or commissions are not necessary: the solutions have been on the table for years. The retirement system only needs some moderate changes to be sustainably reformed.

More and higher federal grants to close funding gaps are an inadequate long-term solution. This would run counter to the idea of a contribution-financed system and overburden the federal budget. Therefore, the Bundesrechnungshof at present is closely looking into this issue, urging the government to ensure high transparency standards and to seek solutions. The Bundesrechnungshof will provide advice to the government. However, it is clear even today: Parliament and federal government need to use the legislative period that has just started to make long overdue decisions.

*“It is high time to put the retirement system’s funding on a solid basis for the long term.”*

## 10 Healthcare

### 10.1 Change is necessary: Optimised healthcare for patients and a fair distribution of costs are key.

Profit-oriented hospitals, staff shortages, complex billing rules and federal states that do not fully meet and control their investment obligations – the health system is in bad condition. Optimised healthcare and a fair distribution of costs and tasks must be enforced. To this effect, the federal government needs to initiate necessary reforms.

#### 10.1.1 Putting an end to misdirected developments – healthcare is key

Our hospital system must do more to prioritise healthcare. The federal states responsible do not have a healthcare-centred plan that includes all key aspects. The result is that in some regions there is an undersupply, in other regions there is an oversupply. The majority of hospitals suffer from deficits. Rare medical staff is employed in inefficiently working hospitals or

hospitals that may be considered irrelevant in terms of supply. The financial pressure is even increased by the fact that the federal states do not fully meet their investment obligations. There is an annual investment gap of €4billion. This lowers the treatment and billing quality and inhibits digital transformation. The responsible bodies' planning activities need to be meaningful and supply-oriented; funding needs to be adequate. In-patient treatments could – in the patients' interest – in many cases be replaced by out-patient treatments. Highly complex interventions should exclusively be made in specialised hospitals. "Billing optimisation" could be addressed through simplified billing procedures.

### 10.1.2 Transparent and fair funding of statutory health insurance schemes

The funding of statutory health insurance schemes is not fully transparent. The federal government pays a lump-sum of €14.5 billion to subsidise so-called non-insurance benefits. What is more, the government has been compensating for pandemic-related revenue shortfalls or overspendings. To this end, the government has increased 2020 and 2021 subsidies to hit €18 billion and €19.5 billion respectively. However, non-insurance benefits have not been defined. This uncertainty may come at the expense of the statutory health insurance schemes or the taxpayers. In order to effectively address an arbitrary determination of subsidy amounts, non-insurance benefits need to be clearly defined. This requires transparency and fairness.

### 10.1.3 Future federal government activities need to be meaningful

The federal government spends a lot on the health system. Billions of euros go into the enhancement of structures and digital technologies. On top of that, billions have gone into propping up the finances of hospitals amid the pandemic. This, however, means that the government is providing funding without calling the shots. Investments in hospitals fall within the remit of the federal states. In other words, the federal government does not have any authority to implement structural improvements. Going forward, funds should only be given out by the government if it goes hand-in-hand with maintaining the authority to wield powers and to trigger required reforms.

## 11 Federal Armed Forces

### 11.1 Clear priorities for effective armed forces: Tasks and funds need to be harmonized

The Federal Armed Forces are torn between a variety of tasks and scarce public funds. Equipment problems and complex organisational structures impair their performance.

Often, the Federal Armed Forces are blocking themselves: even well-meant perfectionism can lead to stagnation. Problems are known and have been specified. Now, it is time for clear prioritisation and tight structures.

### 11.1.1 Defence budget is overstretched

Politics define the tasks of the Federal Armed Forces: e.g. international crisis management, national crisis and risk prevention and the national and Alliance defence which is back in the centre of attention. As a consequence, the Federal Armed Forces develop military capabilities (e.g. submarine warfare, air defence) and calculate how much funding is necessary for staff, equipment and infrastructure. Although the defence budget has been increased by 27 per cent since 2017, the budgeted resources will not be sufficient for the plans of the Federal Armed Forces.

### 11.1.2 Capacities: prioritise and cooperate

For its multifaceted tasks, various capabilities and skills are necessary. Especially the focus on national defence and Alliance defence requires an adaptation of skills. Therefore, politics have to decide between spending more and setting priorities. The difficult situation of the federal budget after the coronavirus pandemic, however, does not leave much room to manoeuvre. Politics and the Federal Armed Forces need to realize that the military capabilities are competing financially and therefore have to be prioritized, and that some of them may have to be given up. If the motto is “width is better than depth”, we will have armed forces which are good at everything but can only fulfil a limited number of tasks perfectly.

To avoid capability gaps, the Armed Forces should intensify cooperation with international partners. Sometimes, this cooperation seems to be tedious work, but it can build synergies and save resources. The cooperation with European partners in the field of air transport is a good example.

### 11.1.3 Equipment: purchase material that is ready for market

Often, the Federal Armed Forces ask the industry to develop military equipment although appropriate equipment is already available on the market. The reasons for this policy are specific requirements and aspects of armament policy. Frequently, the military equipment was disappointing in the end: time-consuming development, soaring costs, limited performance (e.g. armoured infantry fighting vehicles, combat helicopters). Products which are ready for market imply compromises right from the beginning. Often, “80 per cent solutions” are more helpful than lengthy and risky in-house developments. Armament policy should not stand in the way of military equipment that will do the job.

#### 11.1.4 Organisation: impact instead of administration

Many problems of the Federal Armed Forces are aggravated by complex processes involving numerous bodies. Six competing military organisational elements with non-uniform structures cause duplication and losses due to friction. The already initiated reduction constitutes a step in the right direction. In doing so, the Armed Forces should identify the scope of redundant administrative tasks. With the released staff, the Federal Armed Forces can fill vacancies and strengthen areas that are directly necessary for the mission performance of the armed forces. In addition, they need to check whether jobs can be cut.

Conclusion: The findings are on the table. Now parliament, government and the Federal Armed Forces should work together to make the armed forces more effective.

## 12 Government's ability to act

### 12.1 Key tasks of the government need to be brought to the fore again: only if the government delivers what matters confidence will return.

The erosion of government's ability to act needs to be stopped. Internal and external security, legally protected interests and protection of fundamental rights, education, infrastructure, opportunities for freedom and climate action. Such key areas require the government to make the right decisions, stay in control and take a proactive approach. If not, the government loses legitimacy and cannot keep the promises of liberty laid down in our Constitution.

#### 12.1.1 Change: from stagnation to progress

The list of government's shortcomings in the recent past is long. The topics addressed here provide examples for these shortcomings: dilapidated infrastructure, unbalanced social security systems, slow progress in digital transformation, Federal Armed Forces' limited readiness to deploy, half-hearted climate action, education lags behind. In many key areas, the government did no longer carry out its responsibilities properly and could not provide reasonable solutions. That must change.

#### 12.1.2 Confidence and stability through action

Addressing weaknesses and finding solutions is important for the citizens, but also for the government. A government that is weak, lethargic in key areas of services of general interest and of the protection of its citizens, overburdened or in denial loses the support of the

people and weakens itself. Furthermore, social conflicts increase. However, a strong government which is able to act and focused on its citizens builds confidence, thus laying the foundation for its legitimacy and for governmental and social stability. This is crucial for a democratic system such as ours.

*"... and where the deed does not speak, words will not be to much avail."*

Johann Christoph Friedrich von Schiller, Physician, poet, philosopher and historian (1759 – 1805)

### 12.1.3 Identify obstacles...

There is often a lack of governmental clout. For example, many posts and positions in the area of internal security exist on paper, but are not staffed. Nothing is achieved by that. Even legislation is outsourced now and then. However, such key areas of the government should not be handed over to the private sector because this would result in public institutions losing control over their areas of responsibility. In addition to that, roles and responsibilities are blurred. The situation also becomes more and more complex because competence and financial responsibility fall apart. Furthermore, the government overregulates, thereby inhibiting itself. Rigid, bloated and overly complex decision-making and approval structures and bureaucratic red tape are ineffective. Working through procedures is no end in itself. It is the result that counts! We need a change in thinking in this regard.

### 12.1.4 ...and regain clout

The government must take matters into its own hands! Wherever the government is responsible for taking action. Wherever fundamental issues are addressed. Wherever the implementation of fundamental rights and freedoms of our Constitution are at stake. For that purpose, the government needs to show competences and earn clout. The government must not hide behind consultancies. The government needs the best people. The government needs to be an attractive employer – and capable of solving problems. Operational effectiveness requires clarity. The money needs to be spent on the task ahead. A separation of tasks may help in this regard. A streamlined, digital and learning administration with agile processes must be the standard. Only then can the government and administration better cope with current requirements.

For the public interest. For us.

# Federal Performance Commissioner

The Federal Performance Commissioner shall put forward proposals, reports and opinions designed to enhance the efficiency of and accordingly organise the federal administration, including off-budget funds and trading funds. The Commissioner may provide advice at the suggestion of the Federal Government, of individual federal ministries, of either House of the German Parliament or on her or his own initiative. Advice shall also extend to the legislative activities of the Federation, in which the Commissioner is always to be involved at an early stage. Following established tradition, the President of the Bundesrechnungshof shall serve ex officio as Federal Performance Commissioner.

The Federal Performance Commissioner neither has staff nor budget funds of her/his own but relies on the findings and the resources of the Bundesrechnungshof. While she/he consults the audit panels, she/he is exclusively responsible for the decisions taken.

Her/his designation shall be by order of the Federal Government. Her/his functions and authorities are laid down in a guideline.

The origin of this tradition dates back to the Weimar Republic. At that time, the function of Reich austerity commissioner was introduced. The commissioner was entrusted with searching the budget for saving potentials and to submit saving proposals. In the course of time, this function evolved into what became the Federal Performance Commissioner.

Further information about the Federal Performance Commissioner may be viewed here: <https://www.bundesrechnungshof.de/en/about-us/who-we-are/the-president-of-the-bundesrechnungshof-as-federal-performance-commissioner-2>

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