



Budgetary and Subsidy Policy: Strengthening Sustainable Development

Discussion Paper

To be capable of acting, a state needs a sound budget. Consequently, society should not live off its capital. Great challenges need to be mastered in order to achieve this goal, such as demographic change. The population decline to be expected and the change in the age structure of our society are already putting substantial pressure on public-sector budgets.

Sustainable subsidy policy

The Parliamentary Advisory Council on Sustainable Development (Parlamentarischer Beirat für nachhaltige Entwicklung – PBnE) welcomes the fact that the principle of sustainability has been embedded in the Federal Government's guidelines on subsidy policy. Among other things, these guidelines already provide for subsidies to be subject to time limits, structured in degressive fashion and reviewed at regular intervals. The Subsidy Report, submitted to the Bundestag and Bundesrat by the Federal Government every two years, now also has to explain whether and to what extent subsidies are sustainable. The expansion of these guidelines to include the aspect of sustainability is an important step in the right direction. This sustainability impact assessment should be performed by an independent institution.

Many subsidies are still not sustainable. In energy policy, there is a need for long-term, thoroughly considered scenarios that examine not only the reliability of supplies and affordable electricity prices, but also the associated jobs, the progress of technical development and ecological targets, as well as implementing the gradual switch from fossil to regenerative energy sources. The PBnE calls for the elimination of counteracting political measures. The task of a sustainable subsidy policy must be to consistently employ public funds in a manner that promotes economic development that is sustainable and thus has a secure future.

Sustainable budgetary policy

The PBnE welcomes the endeavours of the Federal Government to progressively consolidate public-sector budgets. The 2014 federal budget involved no new borrowing for the first time since 1969. Moreover, to permanently cap the national debt, a "debt brake" was already embodied in the Basic Law in 2009.

However, a sustainable budgetary policy involves more than that. It particularly strengthens those forms of government spending that are important for the economic, ecological, social, and thus sustainable, development of the economy and society. The public sector must take on a model role in this respect and strengthen sustainable and innovative procurement.

In this context, the PBnE members refer to the forthcoming reform of public procurement law and the associated opportunities for in future demanding ambitious sustainability criteria in



calls for tenders, while at the same time improving legal certainty for contracting authorities. When implementing the European regulations in the near future, the Federal Government will also have to be gauged against its own goal, according to which aspects of sustainability are, wherever possible, to be given greater consideration in future (cf. Federal Cabinet Resolution of 7 January 2015, IV). Even today, contracting authorities can already give consideration not only to the best price-to-performance ratio, but also to social, environmental or innovative aspects. The PBnE therefore demands that, in the framework of the reform of public procurement law, the overall legal system be structured in such a way that greater consideration of these aspects can be effectively brought about in the foreseeable future.

The PBnE furthermore demands that the sustainability impact assessment also be applied more constructively to the federal budget.