



Summary

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The Government's input to the Riksdag during the pandemic

– additional amending budgets in 2020 and 2021

Summary

The Swedish National Audit Office (Swedish NAO) has audited whether the Government managed and designed the additional amending budgets in 2020 and 2021 effectively. The Swedish NAO's overall conclusion is that this was the case, given the circumstances. However, improvements are needed in several important respects to ensure that the Riksdag can fulfil its tasks – deciding on laws and the central government budget – ahead of future crises in the best possible way. At the same time, the Swedish NAO wishes to underline that extensive use of additional amending budgets risks weakening budgetary discipline and limiting democratic elements in the budget process.

In spring 2020, the impact of the COVID-19 pandemic on all of society was unprecedented. To manage the consequences of the pandemic, the Government submitted 20 additional amending budgets in total to the Riksdag in 2020 and 2021. The additional amending budgets contained over 200 independent proposed measures, together amounting to more than SEK 400 billion and large amounts for raised guarantees and loan options. Most of the proposed measures were aimed at the expenditure side of the central government budget.

In a crisis situation when decisions must be made quickly, it is particularly important that the input clearly describes what is being proposed, why it is being proposed, and how much it will cost.

Audit findings

At an overall level, the Swedish NAO assesses that the Government's extensive management of proposals in additional amending budgets was necessary and was carried out in a reasonable way. The sudden outbreak of the pandemic and its unpredictable development required faster action than could be handled through the regular budget process. However, there is a need for improvements in several important respects.

The Swedish NAO assesses that extensive use of additional amending budgets has led to material deviation from the basic ideas of the budget process. The sharp increase in expenditure ceilings in 2020 and 2021 meant that measures were not weighed against each other. This has increased the risk of less effective use of central government resources and weakened budget discipline. Democratic and quality assuring elements have also been limited, and the Riksdag's prospect of maintaining a holistic perspective of the central government budget has deteriorated. In light of this, the Government should more clearly have justified why the extensive proposals were submitted outside the scope of the regular budget process.

The Swedish NAO also assesses that the decision support in the additional amending budgets can be developed in several respects to give decision-makers a clearer picture of what crisis measures are being proposed, why they are being proposed and how much they will cost. This applies in particular to proposals for expenditure that do not follow from legislative proposals. For measures submitted in the form of legislative proposals and guarantees provided, the reporting is in most cases sufficient.

Most of the proposed measures in the additional amending budgets in 2020 and 2021 affected the expenditure side of the central government budget and were not accompanied by any legislative proposal. In many of these cases, the description of the proposal's background and context is too scant to clearly answer the questions about what is proposed and why. A sufficiently detailed description of the proposal's costs was even less frequent, as it is neither clear how the amount was arrived at nor how long the funds would last. Furthermore, there is no reasoning about the uncertainty of the proposed amounts, which the Riksdag also noted previously.

The Swedish NAO also assesses that the Government could present the overall impact of the proposals on the central government budget in a better and clearer way. This is important for the Riksdag's ability to overview the central government budget in its entirety. It is particularly important when several additional amending budgets are submitted within a short time span.

If the fiscal readiness had been higher – with better prepared measures to quickly put into use as needed – it is likely that more pandemic measures could have been activated under the regular decision-making processes. The number of proposed measures of various kinds could have been fewer, as well as the scope of budget decisions outside the regular process. It is also likely that the additional amending budgets during the pandemic could have been fewer.

Recommendations

The Swedish NAO makes the following recommendations to the Government

- Consider investigating whether the process for how necessary decisions taken during a society-wide crisis needs to be adjusted, and whether the fiscal readiness – for example in the form of prepared, thoroughly investigated measures – can be developed. This would reduce pressure on the additional amending budgets in terms of what they should be able to handle.
- For each individual proposed measure, state the special grounds for submitting an additional amending budget. Clarify the time gain in relation to the regular budget process, including the regular amending budgets.
- Develop the decision support submitted to the Riksdag in additional amending budgets so that the background and context of each individual proposal is clear. How the cost was calculated and what time period the funds are intended to cover should also be included. Assess and report any uncertainties concerning the effect and cost of the proposal.
- Increase the transparency and readability of the decision support; for example by presenting each individual proposal in an additional amending budget under a heading of its own.
- Develop reporting so that the total impact on the central government budget is also shown in table form. Ensure that the consequences of the combined proposals for financial savings as a share of GDP are reported, as well as, where applicable, proposals on guarantees and loan authorisation.
- Consider also reporting the accumulated consequences of additional amending budgets submitted since the latest Spring Fiscal Bill or the Budget Bill was decided.

The Swedish NAO makes the following recommendation to the Government Offices (Ministry of Finance)

- Develop the Ministry of Finance's internal instructions on budget work (budget circular) with a point of departure in the recommendations to the Government.