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The COVID crisis: the risks of sureties and loans to public finances

Financial/compliance audit

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FULL REPORT (NL) EN SUMMARY

What we assessed and why

The Dutch government established various schemes between March and August 2020 to avoid economic fallout from measures to prevent the spread of COVID-19.

On top of several billion euros in extra expenditure and lost income, the government also provided guarantees, extended existing guarantee schemes and granted loans. Although guarantee schemes do not immediately result in expenditure, they do entail the risk of (considerable) expenditure if called upon.

The government has therefore already laid down strict rules governing the establishment of guarantee schemes and the provision of loans.

We investigated which guarantees and loans the government had provided between March and the end of August 2020 and whether it had followed the rules.

We also investigated whether and how parliament had been informed about these guarantees and loans and whether parliament's budgetary rules had been complied with.

What we found

Between March and the end of August 2020, the government established or extended 14 guarantee schemes. This increased the total amount of outstanding Dutch government guarantees by €60.9 billion. The government expects this to lead to €2.6 billion in additional expenditure. In addition, the government issued eight loans totalling €1.8 billion in the same period.

The guarantees and loans issued by the government between March and the end of August therefore increased the amount of public money at risk by €62.7 billion. This raised the total amount of public money at risk to a level almost equal to the record high seen during the credit crisis (€245.5 billion).

Our investigation also showed that the government had not consistently applied its own rules for establishing or extending guarantee schemes and loans. For instance, the compulsory assessment framework had not been used for every new or extended scheme. In those schemes where they had been used, the degree of thoroughness in completing assessment frameworks varied. Also, not all completed assessment frameworks had been sent to parliament in time, as is mandatory. As a result, parliament was unable to familiarise itself with the content of the amended budget laws before approving them.

Finally, our investigation shows that for six of the 22 schemes created or extended, the government had not informed parliament of their entry into operation before it had a chance to discuss the amended budget law. Under the Dutch Government Accounts Act, a minister must notify parliament in writing about the introduction of a scheme if, in the national interest, it needs to be introduced before parliament has a chance to discuss and approve the bill amending the budget.

What we concluded

We concluded that the government had not consistently applied its own policy and rules for establishing or extending guarantee schemes and loans. We also concluded that parliament had not always been duly notified in good time, and in a few cases had thus violated the Dutch Government Accounts Act.

We recommended that the Minister of Finance should review the rules governing the establishment or extension of guarantee schemes and the granting of loans in terms of their use in crisis situations. We also recommended that the Minister of Finance do more to ensure that parliament is notified properly in good time. We also recommended better informing parliament about the risks of the schemes, expected losses and the level of reserves available for this purpose. Finally, we recommended evaluating the schemes introduced specifically to combat the economic consequences of the COVID-19 crisis as soon as possible, focusing in particular on their effectiveness.

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