

Evaluation of the effectiveness of the federal savings programmes

Federal Finance Administration

Key facts

According to the debt brake introduced in 2003, the Confederation's financing statement must not budget for more expenditure than expected receipts in cyclically adjusted terms. If higher structural deficits become apparent in the multiannual financial plan and these cannot be adjusted in the annual budget, the Federal Council decides whether it wants to put together a package of relief measures. If so, it instructs the Federal Finance Administration (FFA) to draw up a savings programme in the form of a separate dispatch from the regular budgeting process.

In view of the fact that between 2003 and 2018 the Confederation was able to reduce its debt by around CHF 27 billion thanks to the surpluses achieved in the state financial statements, the question arises as to what contribution the five savings programmes made to this. In this audit, the Swiss Federal Audit Office (SFAO) concluded that it is difficult to quantify the effective impact of the savings programmes. It found that regular forecasting errors, especially concerning interest payable, led to the budgeted expenditure being greatly overestimated in some cases.

Parliament targets largely achieved and at times significantly exceeded

Assuming that the relief is sustainable, the volume of the expenditure-related measures proposed by the Federal Council for all five savings programmes will amount to a total of CHF 7.7 billion per year from 2019. Only just over half of these measures have actually been approved by Parliament. It rejected the consolidation programme for 2012/13, and it reduced the implementation period from three years to one year in the 2014 consolidation and task evaluation package. However, it was possible to implement a large number of the package's relief proposals in the regular budgeting process. Finally, it decided on additional relief measures at Confederation level in the 2017–2019 stabilisation programme.

However, there is no accountability for the deviations in the form of an easily accessible comparison between the Federal Council's relief proposals and the parliamentary decisions on the savings programmes. The SFAO recommends that the FFA report these differences in a transparent manner for future savings programmes.

The Federal Council took the three-year financial plan figures from the previous year's budget as a reference for the savings programmes. In its analysis, the SFAO subtracted the agreed relief from these planned figures and compared them with the corresponding ordinary expenditure according to the state financial statements. The analysis showed that the expenditure targets for the years affected by the savings programmes were exceeded by a total of around CHF 33 billion between 2004 and 2016, including CHF 5.8 billion in 2006 alone. In 2017 and 2018, the expenditure reduction targets were missed by CHF 1.9 billion and CHF 350 million respectively, although the financial statements still posted a surplus thanks to additional receipts.

A quarter of relief measures are forecast clarifications

Based on their description in the five dispatches, the SFAO grouped the 369 expenditure-related relief measures by type and financial scope. Three quarters of the reductions proposed by the Federal Council can be interpreted as savings in the true sense. They restrict government action, delay it, require it to be more efficient or require a particular service not to be provided. Just under half of them, i.e. one third of the relief volume, consists in cutting services, and around 12% are delays. The remaining quarter shows updates of assumptions or forecast clarifications relative to the original plan. These relief measures are achieved without restricting government action or cutting back on the provision of services.

Pressure to make savings due to errors in interest payable forecasts now eliminated

The audit revealed that large systematic forecasting errors, especially concerning debt servicing, led to a pressure to make savings. The SFAO assumes that the expenditure forecasts for interest payable in the financial plans for 2011–2018 sometimes exceeded the actual amounts by billions. In retrospect, therefore, the SFAO considers that at least two of the five savings programmes would not have been absolutely necessary in order to comply with the debt brake requirements.

The problem has since been defused as part of the optimisation of the accounting model. Interest payable expenditure has been forecast more accurately since 2017 as a result of a change in accounting practice.

With regard to future reform packages, the SFAO considers it appropriate to highlight the reliability of the forecasts for major expenditure items and to justify the need for savings programmes on the basis of the expected consequences and likelihood of occurrence. This is similar to the approach already adopted in the budget for direct federal tax and withholding tax, and for inflation adjustments.

No conclusions on the durability of relief measures

When selected credits were examined individually as part of the case studies, both temporary and permanent relief became apparent. However, it was not possible to quantify the extent to which the savings programmes continued to have an impact on the overall financial situation beyond their terms of mostly three years. The reasons for this are ongoing adjustments of the individual credits caused by changes in legislation, forecast corrections for receipts and expenditure, as well as internal restructuring within the Administration.

The primary objective of savings programmes is to ensure that the debt brake is adhered to within the financial plan framework. Due to the above-mentioned complexity of the interdependencies within a state financial budget, it is very laborious to provide an account of the true effects of savings programmes in proportion to the expected added value. This may explain why the effects of savings programmes have never been subject to accountability before. In view of this, relief measures within the regular budgeting process are preferable.

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