

Information supplied to Parliament on European financial stability arrangements

In different connections Parliament has requested up-to-date information on the financial crisis that began in autumn 2008 and subsequently evolved into the euro crisis as well as overall evaluations of Finland's commitments and risks. Parliament receives information on European Union matters in Government communications according to section 96 of the Constitution and in Government reports according to section 97 of the Constitution. In addition Parliament receives information on Government proposals and statements as well as the Prime Minister's announcements. The point of departure in the audit was to examine whether Parliament has received correct, reliable, up-to-date and adequate information on European financial stability arrangements. Other questions were: i) Have commitments and financial risks been evaluated so that the state can bear its responsibilities under the Constitution? ii) What risk management arrangements have been made by the Ministry of Finance and how do these affect the picture that has been given to Parliament concerning liabilities, risks and commitments associated with the financial crisis? iii) Do Finland's collateral arrangements with Spain and Greece correspond to the information provided in public official documents?

The audit found that the information provided of the documents under audited to Parliament by the Ministry of Finance concerning the EU's financial stability arrangements has been correct in essential respects. The Ministry of Finance has revised its information in official documents as the euro crisis has unfolded. With regard to technical details there are still some inaccuracies, but they do not weaken the reliability of information. Furthermore the picture given by the Ministry of Finance concerning Spain's and Greece's stability arrangements is correct. In contrast the overall benefits of collateral for Finland remain partly unclear on the basis of the information that has been provided.

The Ministry of Finance has informed Parliament conscientiously and mainly in an up-to-date manner, although the rapid unfolding of the crisis and the lack of clear preparation processes by euro summits have hampered the provision of up-to-date information. In spite of the euro group's unofficial nature and confidential dialogue with the ECB, the Grand Committee has received almost all essential information on EU-level discussions. Nor has the functioning of the European Stability Mechanism (ESM) and the European Financial Stability Facility (EFSF) outside EU institute affected the ministry's ability to keep Parliament involved in decision-making.

Parliament has also been supplied plenty of up-to-date information on technical details, but overall financial commitments and risks have been given relatively little consideration except for the Government proposal concerning the approval of the ESM agreement (Government proposal 34/2012). Finland's policy objectives in crisis management and the effectiveness of crisis measures have also been dealt with in a cursory manner.

On the basis of the documents that have been submitted to it, Parliament has been given a rather narrow basis on which to discuss different options in the euro crisis. The National Audit Office considers that the Ministry of Finance should produce more comprehensive information on risks and liabilities linked to the EU's financial stability arrangements. A clearer overall picture of matters to be decided, different options and risks as well as essential impacts is needed as a background for Parliament's decision-making.

Forming a picture of Finland's overall liabilities and risks is hampered by the fact that indirect liabilities through the European Central Bank are not combined with the Finnish state's liabilities by any actor in Finland. This is because of the ECB's independence and different reporting practices. Since the ECB plays a significant role in crisis management, it is necessary to find procedures so that overall liabilities and risks can be presented together and in the same parliamentary document.

The Ministry of Finance evaluates different risks associated with the crisis and prepares scenarios in a broad manner. The official parliamentary documents that are submitted to Parliament deal with these matters only quite narrowly, however. Including different scenarios in parliamentary documents in writing may be difficult and cause problems owing to signal effects and resulting market reac-

tions. Informing Parliament on confidential matters mainly takes place orally, although oral reports are only meant to supplement the information in parliamentary documents. The National Audit Office recommends that the Ministry of Finance consider together with Parliament operating models and means so that it can more systematically submit confidential written materials to Parliament to support decision-making.

At the Ministry of Finance attention has been focused on occupational health, the division of labour and the flow of information as a result of the euro crisis. Clear progress has taken place compared with the situation a year ago. The audit nevertheless found that the Ministry of Finance does not have guidelines on quality assurance and that core tasks in the euro crisis have been largely centralised. The National Audit Office recommends that the Ministry of Finance strengthen quality assurance and internal control so as to ensure the ministry's ability to produce adequate and reliable information for Parliament.