



## Summary:

# The impacts of economic policy – Deficiencies in information on central government initiatives

## Conclusions and recommendations

For a long time there has been a lack of information on companies that benefit from central government economic policy initiatives. In 2010 the Government instructed the Swedish Agency for Growth Policy Analysis (Growth Analysis) to create a database of all companies that benefited from these economic policy initiatives. The ensuing report in 2012 noted that there were deficiencies. In 2014 the assignment was written into the instructions for Growth Analysis, but no measures have been taken to ensure that the database includes all companies. This has prompted the Swedish National Audit Office (NAO) to conduct an audit.

The purpose of the audit has been to investigate the opportunities and obstacles which exist for creating a database containing information on all companies that have benefited from economic policy initiatives. The purpose of such a database is primarily follow-up and evaluation of the relevant initiatives.

In accordance with Chapter 9, Art. 7 of the Instrument of Government (1974:152), appropriations from the Riksdag may not be utilised otherwise than as determined by the Riksdag. A certain type of information must exist in order to be able to follow-up how the funds have been utilised and assess that the handling does not contravene EU state aid regulations for example. Furthermore, Chapter 1, Section 3 of the Budget Act stipulates efficient use of public resources and good financial management. Chapter 10, Section 3 of the Budget Act also states that the Government should submit a report on the results achieved in relation to the determined targets.

The Swedish NAO has audited the conditions that exist to follow-up and evaluate central government economic policy initiatives. In this audit these conditions are an operationalisation of the requirements of the Budget Act concerning efficient resource

utilisation. The problems which initiated the audit concerned the lack of information from several actors and this obstructs, and in certain cases prevents, follow-up and evaluation of the initiatives. The overall conclusion of the audit is that the information on these initiatives is currently inadequate. It is thereby difficult to ensure that the provisions of the Instrument of Government and the Budget Act are complied with. At the same time in its interviews the Swedish NAO has noted that all actors, including the Government, believe that evaluation and follow-up of the initiatives are important.

That the information is inadequate has also been pointed out by the Swedish NAO previously. For example, the Swedish NAO's audit 2014:1 points out that there is not even coordinated information on who is a state actor within capital supply and that there is no knowledge on the impacts of risk capital investments. However, this is not a new problem. Already in 2009 it was pointed out that the lack of information constituted an obstacle to follow-up and evaluation of the economic policy initiatives. Therefore in 2010 the Government instructed Growth Analysis to set up a comprehensive database of companies that have benefited from the initiatives. When this assignment was reported in 2012, it emerged that the basic problem remained. In the audit the Swedish NAO received no information that the Government had conducted any further measures from 2014 aimed at facilitating collection of data for the database. It is also considered that the problem could increase in the future if new state financing actors are established and the disclosure of information is not already regulated initially on formation of limited liability companies or foundations, for example.

The State invests significant amounts in various types of support and initiatives to individual firms. The total amount in 2011 was almost SEK 37 billion. This amount also includes tax concessions and cash grants. Of this, funds which have been allocated for central government capital supply to individual firms comprise approximately SEK 10 billion.

## **Lack of information makes it difficult to detect effectiveness deficiencies**

The basic problem of the audit is that the information deficiencies which exist make it difficult for the Government to give a credible and comprehensive opinion on the impacts of economic policy investments targeting individual firms and thereby ultimately be able to state credibly that the investments made fulfil the requirements of the Budget Act for efficient resource utilisation. According to the Swedish NAO, the fact that information on companies benefiting from initiatives in the form of loans or capital procurement initiatives is lacking from a number of actors has resulted in the Government having

limited or no opportunities to follow-up or evaluate material components of the economic policy initiatives which target individual firms. The lack of information primarily applies to loan financing and risk capital provision to individual firms. The only possibility which currently exists is that voluntary agreements on disclosure of information are made at the times of evaluations and/or follow-ups. There are two ways in which follow-up and evaluation are limited: for natural reasons there is no opportunity to follow-up or evaluate the activities for the actors which do not provide information, and the opportunities to evaluate the actors which have provided information are limited since an impact evaluation requires a control group of companies which did not benefit from the same or a similar central government economic policy measure. This is currently a risk.

The conditions mentioned above concerning disclosure of information may change. If information on all firms that benefit from economic policy initiatives is registered, better conditions are created for assessment of whether initiatives within the economic policy area are used effectively. Furthermore, the conditions for greater transparency within the area are improved.

### **Knowledge on the impacts of state funded activities cannot depend on individual agreements**

There is currently a divergence of decisions concerning disclosure of information between actors. There are actors that already provide information and there are actors who claim to be willing to provide information. There are also actors who allege that they cannot disclose information. However, the Swedish NAO is of the opinion that even in the cases information is provided, or where there is a willingness to provide information, the issue of which and/or how information on initiatives should be provided should not be based on individual agreements and interpretations. Therefore, the Swedish NAO is of the opinion that it should and could be possible to create a system for how and which information should be provided. This system should be designed so that it allows follow-up and evaluation, while taking into account the workload it causes for those submitting data. One possibility is that the information which is required for follow-up and evaluation is covered by the Official Statistics of Sweden. These statistics are also subject to an obligation to provide information. Agencies, state-owned enterprises and sole foundations formed by the State should have such an obligation to provide information as regards information that allows evaluation and follow-up of economic policy initiatives. To the extent individual firms are covered by this

information, the Personal Data Act (1998:2004) is not considered as constituting any obstacle to the disclosure of data.

At the same time, the Swedish NAO is aware that there may be agreements between state-owned enterprises and foundations and their partners and customers that can be interpreted to prohibit the disclosure of information. In order to access historical data, it is appropriate to make a written request for consent to disclosure of information to companies that have previously benefited from initiatives.

#### Recommendations to the Government

The Swedish NAO recommends that the Government, together with Growth Analysis, investigates possibilities, for example as part of the regulation of official statistics, to introduce a statutory obligation to provide information that enables follow-up and evaluation of economic policy initiatives.

#### Recommendations to Growth Analysis

In connection with the collection of new data, Growth Analysis should direct this inquiry to all support and financing actors with the aim of creating a comprehensive database.

In consultation with the actors, Growth Analysis should also go through the data requested so as to minimise the workload for its disclosure, while still enabling follow-up and evaluation.

### **Recommendation to the state-owned enterprises and foundations**

As regards historical data the Swedish NAO recommends that the state-owned enterprises and foundations obtain written consent to disclosure of information for follow-up and evaluation. This recommendation refers to situations where there are existing agreements or similar, or where the interpretation can be made that information may not be disclosed.