



Value for Money in Government

SWEDEN 2013



Value for Money in Government: Sweden

2013

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Foreword

This report is the fourth country assessment to be published as part of the OECD *Value for Money in Government* series. The study, launched in 2008 on the initiative of the Dutch government, aims to identify new developments in the organisation of central government that are leading to better value for money: better services at lower costs for taxpayers. The first report in the *Value for Money in Government* series was published in 2010 under the title *Public Administration after “New Public Management”*. Since then country assessments have been published on the Netherlands (2010), Denmark (2011) and Australia (2012).

The OECD Value for Money study aims to provide useful information for all OECD countries, but it uses data from a limited number of countries that have pledged to provide these data and to participate in an advisory committee for the study. These countries are: Australia, Austria, Canada, Denmark, Finland, France, Ireland, the Netherlands, New Zealand, Norway, Spain, Sweden, and the United Kingdom.

The Swedish country assessment was prepared by an OECD team consisting of Dirk Kraan (OECD Secretariat), Gwen Carpenter (consultant from the Danish Technological Institute), Joanne Kelly (consultant, professor at the Australia/New Zealand School of Government), Colin Forthun (OECD Secretariat), and Knut Klepsvik (OECD Secretariat). Statistical assistance was provided by Emmanuel Job (OECD Secretariat).

The OECD team, or some members of it, undertook missions to Stockholm from 22 to 25 March 2010 and from 23 to 24 May 2011. The team met with numerous officials of central government, both in the ministries and in the agencies. The discussions covered many topics. Much attention was given to the organisation of ministries in Sweden, as well as to sharing of support services and merging of agencies. The reforms proposed in this study for Sweden are inspired by similar reforms that have taken place in other OECD countries. However, the team has thoroughly discussed the basic ideas of these reforms with the Swedish interlocutors, particularly those of the Ministry of Finance. In many cases, this led to a more focused approach tailored to the Swedish circumstances. The team is grateful for the

open and constructive discussions with the Swedish colleagues. The most important ideas that have been developed in this study have grown out of those discussions.

The team wishes to thank in particular Lena Westin, Director, Martin Sparr, Deputy Director, and Jonas Jarefors, former Deputy Director, from the Division of State Administration, as well as Asa Leander, Deputy Director, and Christina Padron, Director, from the Budget Department of the Ministry of Finance for their numerous suggestions and contributions to the report. The team is particularly grateful to Lena Westin, who organised both missions and who helped throughout the conduct of the study to find information, trace documents or contact people.

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Executive summary

The Value for Money in Government study

This report presents the results of the assessment of the organisation of the central government of Sweden. The report is part of a series of similar assessments that have been carried out for the OECD Value for Money in Government study, which is a multi-annual project that aims to identify reforms currently undertaken or planned in OECD countries that are interesting from the point of view of value for money. The study looks at reforms that are aimed at improving the quality of services (more value) and efficiency (less money) in central government.

This assessment is based on an inventory of some 70 reforms and reform trends concerning the organisation of central government currently undertaken or planned in OECD countries. These reforms and reform trends will be presented in the final report of this series entitled *Building on Basics* (forthcoming).

Information for the OECD Value for Money in Government study has been provided by the 13 OECD countries that are taking part in the project: Australia, Austria, Canada, Denmark, Finland, France, Ireland, the Netherlands, New Zealand, Norway, Spain, Sweden, and the United Kingdom.

Benchmarks for Sweden

Compared to the other countries included in the Value for Money study, the size of general government employment (including local government) is large in Sweden, even when excluding health and education (which are almost entirely inside the general government in Sweden), as is the case in other Scandinavian countries. Sweden has the second largest employment in general government, surpassed only by Denmark. The large public employment in Sweden is concentrated at the local level. Sweden's centralisation rate (excluding health and education) is 28.2, which is the second lowest of all of the countries participating in the study (only

Denmark has a lower rate, at 23.0). This can be explained by the fact that the delivery of social services in kind is largely delegated to local government.

Central government excluding health and education is quite similar in all countries participating in the Value for Money study (3-5% of domestic employment, 14-22 government employees per 1 000 inhabitants). In Sweden, central government employment is 4.4% of domestic employment and there are 18.9 employees per 1 000 inhabitants.

Information about administrative employment is collected for the Value for Money study by statistical surveys called “snapshots of the public administration”. These surveys distinguish between core ministries, arm’s-length agencies and independent agencies. An arm’s-length agency is defined as an agency for which the minister is responsible as far as executive policy is concerned, but not necessarily for handling individual cases. An independent agency is defined as an agency for which the minister is not responsible as far as executive policy is concerned (nor for the handling of individual cases). In accordance with these definitions, Swedish agencies are mostly classified as arm’s-length agencies.

It appears from the snapshot data that the Nordic countries (including Finland) stand out from the rest in that they have very small core ministries. Sweden has the smallest core ministries of all of the countries participating in the study (4.2% of administrative central government employment versus 22.6% on average). Sweden hardly has any employment in independent agencies (0.2% of administrative central government employment), but it should be kept in mind that Sweden’s arm’s-length agencies are relatively autonomous compared to those of other countries in that the responsible minister is not allowed to interfere in individual cases. Countries that have a clear policy as to the status of independent agencies, based on explicit criteria (Austria, the Netherlands), tend to have a larger share of administrative employment in independent agencies.

In line with the tenor of employment data, it turns out that Sweden is very decentralised from the perspective of expenditure data (47.9% local government versus 29.7% on average). From the expenditure perspective, Sweden stands out even more starkly than from the employment perspective as one of the most decentralised of all countries participating in the Value for Money in Government study, second only to Denmark.

Sweden spends about average on collective services in kind (21.4% versus 21.1% on average) and on collective cash transfers (35.3% versus 36.5% on average). The Swedish central government spends less than average on individual goods in kind (24.5% versus 27.6% on average), mainly because of the decentralisation of health care spending (which is the responsibility of local government in Sweden). Sweden spends substantially

more than average on individual cash transfers (40.2% versus 33.1% on average), mainly due to generous social security arrangements.

Patterns of spending have an impact on government employment, mostly via two channels. The first is the rate of outsourcing, which reduces government employment. The second is the labour intensity of outputs. It turns out that the rate of outsourcing in the Swedish central government is 54.7%, which is about average in the Value for Money countries (53.6%). The labour intensity of Swedish central government output is relatively high (the share of employment compensation of total spending on goods in kind excluding health and education is 26% versus 20% on average). This is mostly due to the fact that the Swedish central government has much larger employment in social service provision in kind than other countries included in the Value for Money in Government study, where social service provision is more decentralised while still largely financed by central government.

In Sweden, the own tax share in total revenue of local government is the highest of all of the countries participating in the Value for Money in Government study (66.9% versus 40.5% on average), largely due to the fact that income is mostly taxed by local government. The largest part of other local revenue consists of grants. A smaller part of other local revenue consists of non-tax revenues: sales, fees, property income and subsidies.

Previous reforms in Sweden

During the 1980s, public expenditure grew at a steady pace. In the mid-1980s, there was an increasing political consensus that the growth of expenditures had to be halted. A report from the Swedish National Audit Office from 1984 showed that there were considerable shortcomings in expenditure control procedures which led to overspending. The combination of rapid spending growth and public criticism of limited budget transparency built up the political pressure for a reform of public finance management.

The Government Bill on Management of Central Government Administration addressed issues concerning the information on the operation of agencies available to the *Riksdag* (the Swedish Parliament) and the government, and the capacity of the latter for effective steering of the agencies. The proposals presented were intended to strengthen the *Riksdag*'s and the government's continuous monitoring of the work of the agencies. The main aim of the law was to ensure that the focus of operations corresponded to the politically declared guidelines and priorities and to check that money had been used in a cost-efficient way.

In the early 1990s the Swedish economy experienced a deep economic crisis, leading to massive bank failures. GDP fell and unemployment rose dramatically. The crisis had serious consequences for public finances. At the

end of 1993, the central government debt corresponded to 76% of GDP, an increase by 30 percentage points since the beginning of the decade. The increase in consolidated gross debt was almost as large. The central government borrowing requirement was almost 17% of GDP. In 1994-95, there were long-term interest rate differentials to Germany of the magnitude of three to four percentage points for ten-year government bonds.

The Social-Democratic government which took office in 1994 rejected fiscal policy expansion. The assessment was that the initial position did not allow any expansive experiments. Instead, credibility was strengthened and lower interest rates promoted by a deliberate consolidation programme, extending over a number of years.

The definitive turn came after the change of government in 1994 when awareness of budget consolidation became clear. A new model for the parliamentary budget process was introduced in the Central Government Budget Act. Henceforth, the budget was to be decided in two stages. First, the *Riksdag* was to determine the framework for each expenditure area; second each area envelope was to be distributed of appropriations. A few years later, the Central Government Budget Act was revised. The overall objective of the reformed budget process was to put in place a more rigorous process and tighten control of expenditure growth. The revision led to the introduction of a fixed expenditure framework based on an aggregate ceiling for general government as a whole. The revision also specified more clearly the role of the *Riksdag* during budget preparation. The changes intended to prevent Sweden from once again ending up in the similarly difficult fiscal situation of the beginning 1990s.

The Central Government Budget Act established clearer formal requirements for the government to report the results of operations to the *Riksdag*. It stated, among other things, that the government must report to the *Riksdag* the objectives set and the results achieved in the various areas of activity. In the Budget Bill for 1998, the prescribed changes concerning the reporting of results and the explanation of the link between objectives and results within each expenditure area were implemented.

Efforts to improve the reporting of results continued during the late 1990s and led to the introduction of a new reporting structure in each expenditure area in the Budget Bill for 2001. However, one consequence of the activities structure was that draft budgets and results were reported in two different structures. Draft budgets were reported on the basis of an appropriation structure within each expenditure area, whereas the results were monitored in an activities structure, made up of policy areas, areas of activity and branches of activity which had no transparent relation to the appropriations structure.

The *Riksdag* criticised this new reporting structure. In light of this criticism, the government reformed its procedures for agency steering with a view to more stability and more pragmatic working methods. In the Budget Bill, the activities structure was abolished. Instead, the results of the activities financed by an appropriation within an expenditure area are reported. Reports will be tailored to the government's and the *Riksdag*'s need for information and the nature of the activity. This means that greater flexibility has been introduced in the design of the government's reporting of results to the *Riksdag*.

Since 2009, the agencies' instructions, or equivalent documents, have been the key policy documents for the government's management of agencies and activities. The instructions establish the agencies' basic tasks and areas of responsibility. They are the basis for the interaction through steering and reporting between the ministry and the agency. The basic premise is that the agencies are to report and to be assessed on the basis of the results they can control. To a decreasing extent, the government's steering task is implemented through extensive appropriation directions.

Ten priorities for reform

This report presents the ten reforms or reform trends from the list of 70 to be presented in the forthcoming *Building on Basics* that in the view of the OECD Secretariat are particularly interesting for Sweden.

The reforms are organised by type of government task:

- Policy development:
 1. Introduction of a top civil servant in the line ministries.
 2. Stricter rules for political advisors in the line ministries.
 3. Strengthening policy development in the line ministries.
 4. Streamlining policy evaluation.
 5. Creating an independent forecasting institution.
- Policy execution:
 6. Process sharing and merging of agencies.
- Administrative supervision and regulation:
 7. Independent regulatory and supervisory agencies.

- Support services:
 8. Service sharing by agencies.
 9. Introducing spending review.
 10. Financing e-government.

The proposed reforms lead to the following recommendations.

Reform 1: Introduction of a top civil servant in the line ministries

- The Swedish government may consider introducing top civil servants in the line ministries (“permanent secretary” or “secretary general”) tasked with harmonising expert views and factual information that serve as the objective basis for political decision making, including formulating options for policy development. In addition, the top civil servant could be tasked with the operational management of the ministry. In the latter areas, the top civil servant could: *i)* supervise operational management of the core ministry; *ii)* direct support services located in the line ministry; *iii)* supervise operational management of the agencies under the umbrella of the ministry and advise the minister on the financing of the agencies; and *iv)* take care of decentralised standard setting on operational management for both the core ministry and the agencies within the government-wide rules on operational management set by the government.
- In order to prepare such a reform, the Swedish government may consider establishing a special commission to look simultaneously at reducing the number of political advisors.

Reform 2: Stricter rules for political advisors in the line ministries

- The Swedish government may consider commissioning a study on the role of political advisors along the lines of the Danish report “Civil Service Advice and Assistance to the Government and its Ministers (2004)”. The study could also address the need for political advisors in connection with possible civil service reforms and develop options for reducing their number. The study should be commissioned to a high-level working party including external experts (possibly including experts from other Scandinavian countries) and senior civil servants.

- The Swedish government may consider establishing a statute for political advisors containing rules for appointment, term of office, standards of conduct different than those for the civil service, declaration of private interests and publication of names, job descriptions and profiles. It may also consider establishing an independent procedure for handling and investigating breaches and imposing sanctions as recommended in the OECD report *Ministerial Advisors: Role, Influence and Management*.

Reform 3: Strengthening policy development in the line ministries

- The Swedish government may consider strengthening the policy development capacity of core ministries by:
 - promoting the career development of the permanent civil service within the broad policy area (circulation of civil servants between core ministry, agency, private research institutes and local government, all within the policy area);
 - ensuring that core ministries have access to relevant and independent policy research and analysis. This requires that dedicated resources for this purpose be made available.
- The Swedish Government may consider articulating more clearly the role of the core ministry in the commissioning process, while maintaining the important role of executive agencies; the latter can be tasked with elaborating proposals to be submitted by the commission.

Reform 4: Streamlining policy evaluation

- The Swedish government may consider:
 - establishing government-wide evaluation standards that set out clear guidelines and standards of best practice in evaluation methodology to ensure that all policy and programme evaluations are conducted using appropriate and rigorous analytic methods in accordance with the Canadian framework and the United Kingdom’s *Green Book*;
 - abolishing the evaluation tasks of agencies and transferring the conduct of evaluation to universities and private sector research institutes. The Danish reform of public research institutions provides a model for undertaking this reform.

- Some of the savings made by abolishing a large number of the 35 autonomous evaluation agencies could be reinvested in: *i)* building evaluation expertise within line ministries; and *ii)* allocating each line ministry a dedicated policy evaluation budget.

Reform 5: Creating an independent forecasting institution

- The Swedish government may consider merging the National Institute of Economic Research and the Swedish Fiscal Policy Council into an independent fiscal institution (IFI), while further strengthening its independence by providing it with the legal statute and establishing a supervisory board of prominent academic economists that approves its work programme.
- The Swedish government may consider using the forecasts and costing estimates of the IFI as the basis for its budgetary and financial policy and integrating the forecasting and costing of staff of the Ministry of Finance in the IFI.
- The Swedish government may consider strengthening the costing role of the IFI by ensuring that costing services are freely available to parliamentarians and parliamentary factions and tasking the supervisory board to see to it that the services in this area are provided in a non-partisan way. Before parliamentary elections, the institute could offer to provide costings for electoral platforms to all political parties represented in Parliament.
- The supervisory board could also see to it that costing services are provided to civil society at cost price in a way that enables the institute to serve as a generally accepted costing institute for government policy.
- If the Swedish government should consider establishing an IFI along the lines of the previous recommendations, it should take the OECD Principles of Independent Fiscal Institutions fully into account.

Reform 6: Process sharing and merging of agencies

- In light of the high number of Swedish executive agencies, the Swedish government may consider conducting a government-wide study on potential savings to be realised by establishing common process agencies and wholesale merger of agencies. The study could focus on similarity of services or of clients.

- Funding and operational management of common process agencies or merged agencies should remain the responsibility of a single line ministry. Other client ministries should negotiate their financial contributions with the owner ministry (not directly with the common process or merged agency) before the conclusion of the funding contract with the agency.
- All client ministries should have a role in the permanent performance dialogue with the common process agency or the merged agency. The performance dialogue should be conducted in a co-ordinated way under the leadership of the owner ministry (not by each client ministry separately).

Reform 7: Independent regulatory and supervisory agencies

- The Swedish government may consider introducing special legal statutes for administrative supervisory and regulatory agencies (both economic and social supervisory and regulatory agencies) that grants them independence for their executive policies in addition to their already existing independence concerning decisions in individual cases.
- In order to strengthen the skills and competences of the staff of economic supervisory and regulatory agencies, the Swedish government may consider merging agencies that carry out tasks that require similar forms of expertise.

Reform 8: Service sharing by agencies

- The Swedish government has taken important steps towards increasing the use of shared service providers. The government should, however, consider a stronger central push (top-down approach) on agencies to take up the services provided. This may be necessary to harvest the gains and accomplish the ambitious vision of cost savings.
- The Swedish government should ensure that, in the elaboration of the governance arrangement for the new National Government Service Centre, the responsibility for financing and operational management should rest with a single ministry (preferably the Ministry of Finance). The responsibility for the co-ordination of the permanent performance dialogue with the client agencies should be attributed to the same ministry. All client ministries should participate in the permanent performance dialogue.

- The potential for shared services in additional functions should be investigated, for instance in procurement and accommodation, real estate and facilities.
- As Sweden has established standards for operational management on several functions, there might be additional savings in standards on the remaining functions like communications and accommodation, real estate and facilities. The government should consider establishing central standards for these functions.

Reform 9: Introducing spending review

- The Swedish government could consider strengthening the spending review procedures by introducing a multi-year review cycle in which all major spending programmes are reviewed. This may follow the Dutch and British examples where a comprehensive review is undertaken periodically in line with the update of expenditure limits (United Kingdom) or in the year before elections (Netherlands).
- The government could formalise key features of the system as this will reduce the need for budget analysts to “reinvent” the system with each review. Essential elements are: the Minister of Finance should decide on the selection of policy areas to be reviewed and the composition of the working parties. The system could be strengthened by establishing a clear set of expectations in terms of both the content and the treatment of recommendations from spending reviews. For example, in the Dutch system, spending reviews are expected to provide at least two options for new policy, one of which needs to provide a 20% reduction in current spending levels. Individual spending reviews should be carried out by working parties that include the responsible line ministry, the Ministry of Finance, the Prime Minister’s Office and other ministries involved in the policy area. The working groups should be chaired by independent officials (who do not carry responsibility for the policy area) and include external experts. Spending reviews should be published and made available to Parliament, the public and political parties.
- The Ministry of Finance should create a spending review unit to support the review process and undertake some of the initial research. This is the current practice in the Netherlands and

Australia, where teams of approximately ten officials provide the expertise and technical skills to support working parties undertaking individual reviews. The secretariat should also provide an interface between the individual reviews and the broader budget process by ensuring that the reviews are conducted in a timely manner and that they remain focused on questions that lead to recommendations that can be used in the budget process.

- The reviews should focus on the efficiency and effectiveness of current policies including the appropriateness of current service levels and delivery systems. Reviews should contain policy options to improve efficiency and effectiveness and also include obligatory savings options of a certain percentage (at least 10% to be determined at the start of each round of reviews). Options to increase expenditures should not be allowed in spending reviews as such options can be developed by the line ministries themselves.

Reform 10: Financing e-government

- The Swedish government may consider introducing a stronger gateway procedure to ensure the quality of e-government projects. This process should always lead to an unambiguous conclusion on whether a proposed e-government project will lead to savings in the medium term against the baseline of current policy. The business case proposed by the responsible minister should be explicit about costs and savings, year by year, for a period covering the medium term. E-government projects that do not lead to savings should only be decided if proper compensation is provided in accordance with the rules of the budget process.
- The Swedish government may consider taking further steps in the development of a strategic, long-term view on the organisation of ICT support. It is important that the new shared service centre develops its own ICT unit that can fulfil all tasks in the area of ICT that the Swedish agencies need (systems development, advice on ICT procurement of hardware and software, management of portals, intranets and help desks, office automation).

Table 0.1 provides an overview of the quality improvements and potential savings of the ten priority reforms discussed in this report. Savings are characterised in relation to current operations costs of the units concerned. Savings could not be quantified by the OECD Secretariat but are

estimated as moderate or large in the light of available information. A moderate saving (less than 20%) of large units can be larger than a large (more than 20%) saving on small units.

Table 0.1. **Survey of value for money effects**

	Reform	Quality improvement in administration	Quality improvement in service delivery	Savings
Reform 1	Introduction of a top civil servant in the line ministries	X		
Reform 2	Stricter rules for political advisors in the line ministries	X		
Reform 3	Strengthening policy development in the line ministries	X	X	
Reform 4	Streamlining policy evaluation	X		L
Reform 5	Creating an independent forecasting institution	X		
Reform 6	Process sharing and merging of agencies		X	M
Reform 7	Independent regulatory and supervisory agencies	X		
Reform 8	Service sharing by agencies	X		M
Reform 9	Introducing spending review	X		M
Reform 10	Financing e-government	X		M

Chapter 1

Introduction to the “Value for Money” assessment of Sweden

This chapter describes the background for the OECD study on value for money in government and the content of this report on Sweden.

The Value for Money in Government study

This report presents the results of the assessment of the organisation of the central government of Sweden. It is part of a series of similar assessments that are being carried out for the OECD Value for Money in Government study, which is a multi-annual project that aims to identify reforms and plans for reform currently undertaken or planned in OECD countries that are interesting from the point of view of value for money. The study looks at reforms that are aimed at improving the quality of services (more value) and efficiency (less money) in central government.

This assessment is based on the inventory of some 70 reforms and reform trends concerning the central government currently undertaken or planned in OECD countries. These reforms and reform trends will be presented in the final report of the Value for Money in Government study entitled *Building on Basics* (forthcoming).

In order to collect information, the OECD Secretariat has gone on fact-finding missions to countries for which country assessments will be published. Thus far these countries include: Australia, Denmark, the Netherlands, Norway and Sweden. Furthermore, three questionnaires were sent to seven additional countries that offered to provide information for this study. These countries include: Canada, Finland, France, Ireland, New Zealand, Spain and the United Kingdom. Furthermore, information has also been collected from OECD databases as well as those from other international organisations.

Quantitative data on employment and expenditures are drawn from the OECD *Public Finance and Employment Database* (PFED). To date this database covers 18 European countries. As far as the countries of the Value for Money in Government study are concerned, the PFED does not cover Australia, Canada or New Zealand. In addition, data have been provided to the OECD about administrative employment (the snapshots of the public administration) by most of the countries participating in the Value for Money in Government study (with the exception of Ireland, New Zealand and the United Kingdom).

Variety of institutions, common language

In spite of having features in common, such as representative democracy, rule of law, market economy and broad public social security arrangements, the variety of the public administration institutions in OECD countries is large. This variety is the result of centuries of historical development, geographical circumstances, national values and political traditions. As a consequence, the vocabulary that is used for describing the

administrative institutions is different between countries. Terms may have a different meaning or connotation in the vocabulary of another country. Examples include such elementary terms as agency, ministry, service delivery, administration, civil service, etc.

Therefore, a comparative description can only begin after a common language has been established. Such a common language will surely be at odds with the national ways of speaking about institutional arrangements. This study uses existing terms, but gives them new meanings, while alerting the readers that these meanings do not coincide with those of the national vocabulary. When necessary, the terminology is explained in the text. In addition, it is summarised in the Glossary.

Building on basics

During the 1980s and 1990s, the organisation of government was profoundly influenced in all of the countries participating in the Value for Money in Government study by the ideas of New Public Management. Some countries have gone further than others in reforming their governments along these lines. Among the ones that went the furthest are New Zealand, Australia and the United Kingdom. Sweden has also gone rather far. Since then, it has become clear in all countries concerned that these reforms led to some unexpected results, such as undesired growth of support services and administrative executive agencies, an accumulation of public funds in agencies outside the control of government and loss of control at the centre of government (Office of the Prime Minister and the ministries responsible for finance and operational management).

Critics say that New Public Management has also led to loss of service quality for citizens and businesses in many areas of public service delivery and demotivation of professionals in service delivery (care providers, teachers, police officials, etc.). The difficulties with the New Public Management reforms will further be analysed in the forthcoming Value for Money report, *Building on Basics*. For the current report it suffices to observe that in a number of countries that have provided information to the project, a distinct swing back from the New Public Management reforms can be observed. A swing back is particularly noticeable in the countries that the OECD Secretariat has thus far visited on fact-finding missions (Australia, Denmark, the Netherlands, Norway, Sweden).

However, new trends cannot simply be described as back to basics. They are also driven by new developments, for instance in information and communication technologies (ICT). Current trends include:

- reallocation of resources from administration to service delivery;

- a more consistent division of tasks between levels of government;
- vertical integration: better use of executive and professional expertise in policy development;
- horizontal integration: process sharing among executive agencies and merging of agencies; sharing of support services;
- stricter standards of operational management;
- separation of financing of agencies from steering and control of outputs.

ICT creates new opportunities for improving service quality and ease of communication with the government, and with more tailor made service provision to citizens and business. In this light, the current developments in public administration are presented in the Value for Money in Government study under the heading of “Building on Basics”.

Contents of the assessment

Chapter 2 provides a number of facts and quantitative benchmarks on the Swedish central government compared to other countries. Chapter 3 briefly reviews the reforms concerning the organisation of central government that have been undertaken over the last decades in Sweden. Chapter 4 focuses on ten areas of reforms that are interesting for Sweden in view of what other countries have achieved or are envisaging to achieve. The ten reforms selected are by no means the only reforms identified in the Value for Money in Government study that are relevant for Sweden. The present country assessment has selected the ten that were considered the most interesting for Sweden in view of current policy developments and economic circumstances. For each area of reform, recommendations will be provided focused on the Swedish situation. Chapter 4 concludes with a survey of the effects on the quality of services and potential savings. Since the savings are dependent on factors that the OECD Secretariat cannot estimate, the size of the savings are characterised in qualitative terms.

Chapter 2

Benchmarks for the Swedish central government

This chapter describes basic features of the Swedish government, including quantitative data on employment, expenditures and revenues.

Basic features

Sweden is a country of large size in terms of territory and of intermediate size in terms of population and GDP. Its constitutional structure characterises it as a parliamentary democracy. Parliament is elected on the basis of proportional representation. Table 2.1 provides basic statistics on Sweden.

Table 2.1. **Basic statistics on Sweden (2009)**

Land and population	
Area (1 000 km ²)	411.6
Population (x 1 000)	9 299.0
Inhabitants (per km ²)	21
Employment (x 1 000)	4 499.1
of which:	
Agriculture	97.5
Industry and construction	905.6
Other	3 496.0
Gross domestic product (USD billions)	404.2
Gross domestic product per head (USD 1 000)	43.5
Total expenditures (% of GDP)	55.2
Total revenues (% of GDP)	54.2
Deficit (ESA 95) (% of GDP)	-0.9
Public debt (% of GDP)	52.0
Composition of Parliament (seats; elections 2010)	349
Social Democrats	112
Moderates	107
Greens	25
Liberal People's Party	24
Centre Party	23
Sweden Democrats	20
Christian Democrats	19
Left Party	19

Sources: *OECD National Accounts*, OECD Publishing, Paris; CIA (2010), *The World Factbook*, Central Intelligence Agency, Washington, D.C.

General government employment

The size of employment in general and central government is strongly affected by the organisation of the education and health sectors. In most countries, including Sweden, private education is outside the general government sector, but its size relative to public education varies from country to country. Hospitals and doctors may be inside, partly inside or outside the general government sector. In Sweden, they are almost entirely inside, but in the Netherlands, for instance, they are outside.

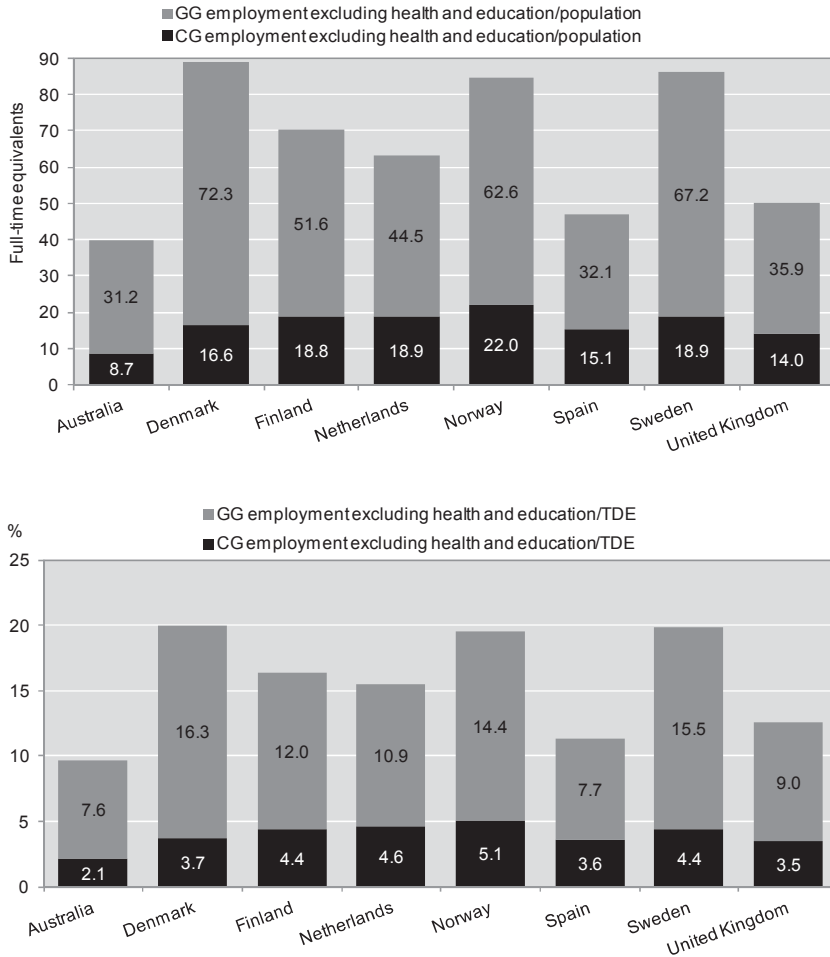
In this light, a sensible comparison can only be made by leaving health and education aside. Figure 2.1 presents central and general government employment excluding health and education per 1 000 inhabitants and as a percentage of domestic employment. Total government employment includes both administration and service delivery in kind. The sub-sector of social security has been merged with the central government in this figure as well as in all of the following tables of this chapter.¹

It appears from Figure 2.1 that the size of general government employment in the Scandinavian countries is clearly larger than that in the other countries (all above 80 employees per 1 000 inhabitants), even excluding health and education (which are almost entirely inside general government in the Nordic countries). Sweden has the second largest employment in general government (surpassed only by Denmark). The large public employment in Sweden is concentrated at the local level. Central government employment excluding health and education is remarkably similar in all of the countries participating in the Value for Money study (3-5% of domestic employment, 14-22 government employees per 1 000 inhabitants). In Sweden, central government employment is 4.4% of domestic employment and there are 18.9 employees per 1 000 inhabitants.

Sweden's centralisation rate excluding health and education is 28.2, which is the second lowest of all of the countries participating in the Value for Money study (only Denmark has a lower rate, at 23.0). This can be explained by the fact that the policy areas of health and social services in kind are largely delegated to local government.

Figure 2.1. Employment in general and central government excluding health and education relative to population and domestic employment

FTEs per 1 000 inhabitants and % of domestic employment in FTE (2006)¹



1. Data for the Netherlands are for 2004.

Source: Public Finance and Expenditure Database (PFED), OECD.

Table 2.2. Employment in general government excluding health and education, by level of government

% of total general government in FTE (2006)¹

	Denmark	Finland	Netherlands	Norway	Spain	Sweden	United Kingdom	Average
Central government	23.0	36.5	42.5	35.2	47.1	28.2	39.1	36.9
State government	–	–	–	–	15.0	–	–	2.1 (15.0) ²
Local government	77.0	63.5	57.4	64.8	37.8	71.8	60.9	60.1
General government	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1. Data for the Netherlands are for 2004.

2. For the calculation of the averages, employment in state government is set at 0 for the unitary countries. The number in parentheses is the true average of the federal countries (in this case only Spain).

Source: Public Finance and Expenditure Database (PFED), OECD.

More information about the distribution of employment over public organisations is available from the snapshots of the public service. Snapshots have been provided by eight of the 13 countries participating in the Value for Money study. The snapshots only contain administrative employment, not service delivery. Administrative employment excludes: the military, the police, staff of penitentiary institutions, other collective service delivery (for instance, units for construction or management of transport infrastructure), all non-profit institutions classified inside central government in the national accounts, all educational institutions, health providers and other institutions involved in individual service delivery (cultural services, social services, etc.).² The snapshots make it possible to distinguish between employment in core ministries, arm's-length agencies and independent agencies. An agency is defined as a unit of a ministry with a separate financial administration. An arm's-length agency is defined as an agency for which the minister is responsible as far as executive policy is concerned (not necessarily for handling of individual cases). An independent agency is an agency for which the minister is not responsible as far as policy execution is concerned (neither for handling individual cases nor for executive policy). In accordance with this definition, the Swedish agencies are classified as arm's-length agencies. Table 2.3 shows the distribution of central government employment for these three kinds of organisations. The difference between the totals of administrative employment as shown by

Table 2.3 and the totals of central government employment excluding health and education as shown by Table 2.2 are due to service delivery employment (including service delivery in education and health).³

Table 2.3. Central government administrative employment by type of organisation

% of total administrative central government employment in FTE (2009)

	Australia	Austria	Denmark	Finland	Netherlands	Norway	Spain	Sweden	Average
Core ministries	42.0	29.7	6.2	10.4	43.2	8.7	36.1	4.2	22.6
Arm's-length agencies	58.0	47.3	80.5	80.8	21.7	86.8	63.3	95.6	66.8
Independent agencies	0.0	23.0	13.3	8.7	35.1	4.5	0.6	0.2	10.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Snapshots of the public administration 2010.

Even if the data presented in Table 2.3 have to be taken with a grain of salt, due to problems that countries encountered splitting off employment engaged in service delivery from administrative employment, it is clear that the Nordic countries (including Finland) stand out from the rest in that they have very small core ministries. Most employment in central government is in the agencies. In contrast to other countries, hardly any administrative policy execution is left in the core ministries (compare, for instance, to the Netherlands, where the tax administration is still in the core Ministry of Finance). From this perspective, the Swedish situation can be seen as an example for other countries, in that there has been clear consistency in the separation of execution from the core ministry. Sweden has a unique position as to the share of employment in arm's-length agencies. However, it should be kept in mind that most Swedish agencies, although they are relatively autonomous in that the government is not allowed to interfere in decisions in individual cases, are still considered as arm's-length agencies (not as independent agencies) because they are subject to ministerial directives concerning executive policy (as opposed to executive decisions in individual cases). Countries that have a clear policy as to the status of independent agencies, based on explicit criteria, tend to have a larger share of employment in independent agencies (Austria, the Netherlands).

The snapshots also allow a comparison of the division of employment over the four activities of government (policy development, administrative policy execution, administrative supervision and regulation, and support

services). Table 2.4 shows the resulting picture. It should be emphasised that in spite of detailed guidelines, the countries reported problems in completing the snapshots and particularly in the distribution of employment over the four activities of government.

Table 2.4. **Central government administrative employment by type of activity**

% of total central government in FTE (2009)

	Australia	Austria	Canada	Denmark	Finland	Netherlands	Norway	Spain	Sweden	Average ¹
Policy development	18.5	15.0	n.a.	5.1	8.5	7.8	9.0	18.3	2.8	9.4 (10.6)
Administrative policy execution	31.5	48.7	n.a.	88.8	68.5	79.9	57.4	68.1	73.0	57.3 (64.5)
Administrative supervision/regulation	17.0	13.8	9.1	4.9	7.0	5.7	27.5	0.5	0.2	9.5
Support services	33.0	22.5	18.3	1.1	16.1	6.6	6.1	13.1	24.0	15.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1. Averages are calculated by setting unavailable data at 0. The number in parentheses is the true average for the countries for which data are available.

Source: Snapshots of the public administration 2010.

Although the countries reported several difficulties in providing the data, a pattern is still visible. Again, the Scandinavian countries stand out with low employment in policy development and large employment in policy execution. It should be noted in this connection that the Swedish government often makes use of its 300 agencies to assist with policy development (although the principal task of the agencies is policy execution and accordingly agency employment is attributed to policy execution). The pattern concerning administrative supervision and regulation is less clear, but this may be due to difficulties in interpretation and application of the concept of administrative supervision and regulation. Sweden reports the largest share of employment for administrative policy execution of all of the countries participating in the Value for Money study and (by far) the lowest in administrative supervision and regulation.

General government expenditures

Obviously, employment is not the only indicator for the size of government. Expenditures are equally important. Expenditures include all

operational expenditure (including compensation of employees) as well as all programme expenditure (social benefits, transfers to sub-national government, public contributions and subsidies to the corporate sector, and most investment). Table 2.5 presents expenditures by level of government (sub-sector) as a percentage of general government expenditure. Note that the sum of the sub-sectors exceeds general government expenditure as a consequence of transfers between sub-sectors.

Table 2.5. **General government expenditures by level of government (sub-sector)**

% of general government expenditure (2009)

	Austria	Denmark	Finland	France	Ireland	Netherlands	New Zealand	Norway	Spain	Sweden	United Kingdom	Average
Central government	85.1	77.2	83.0	87.0	93.6	95.5	89.0	79.6	74.3	69.1	91.8	84.1
State government	18.8	-	-	-	-	-	-	-	37.8	-	-	5.1 (28.3) ¹
Local government	15.5	64.2	40.6	21.4	15.1	34.1	11.0	32.9	15.7	47.9	27.9	29.7
General government	100	100	100	100	100	100	100	100	100	100	100	100

1. There are two federal countries (Austria and Spain). For the calculation of the averages, employment in state government is set at 0 for the other countries. The true average for the federal countries is provided in parentheses.

Source: *Public Finance and Expenditure Database (PFED)*, OECD.

In line with the tenor of employment data, it turns out that Sweden is very decentralised from the perspective of expenditure data (47.9% local government versus 29.7% on average). From the expenditure perspective, Sweden stands out even more starkly than from the employment perspective as one of the most decentralised of all countries participating in the Value for Money in Government study, second only to Denmark.

Patterns of central government spending vary considerably between the Value for Money countries. This is mostly due to different policies concerning privatisation and decentralisation. Some countries leave more tasks to the market sector of the economy than others. Similarly, some countries leave more tasks to local and/or state government. In federal countries, the tasks of the state government are often determined by the federal Constitution. Table 2.6 provides an overview of spending patterns over policy areas in the central government of the Value for Money countries.

Table 2.6. **Central government expenditures by policy area**
% of central government expenditure (2009)¹

	Austria	Denmark	Finland	France	Ireland	Netherlands	Norway	Spain	Sweden	United Kingdom	Average ²
General governance services	1.7	n.a	n.a	n.a	0.7	n.a	2.6	1.6	3.8	7.7	1.8 (3.0)
Basic research	0.7	n.a	1.3	n.a	0.0	n.a	0.1	0.3	2.4	0.0	0.5 (0.7)
Defence	1.8	3.3	n.a	3.8	1.2	3.0	4.7	3.0	3.9	5.8	3.1 (3.4)
Public order and safety	3.1	2.4	n.a	2.0	4.1	3.9	2.4	3.6	3.2	4.3	2.9 (3.2)
Infrastructure and spatial development	1.8	n.a	n.a	n.a	5.5	n.a	4.4	2.9	5.4	5.0	2.5 (4.2)
Market regulation	4.4	n.a	n.a	n.a	11.5	n.a	4.3	3.9	2.7	12.2	3.9 (6.5)
Total collective services in kind	13.5	n.a	n.a	n.a	23.0	n.a	18.4	15.3	21.4	34.9	12.7 (21.1)
International co-operation	2.1	4.5	2.8	n.a	2.5	n.a	3.0	3.2	4.3	2.4	2.5 (3.1)
General purpose and block grants	0.0	n.a	n.a	n.a	1.3	n.a	10.3	31.6	7.0	0.1	5.0 (8.4)
Interest	5.8	n.a	2.9	n.a	4.7	n.a	2.7	4.5	2.6	4.1	2.7 (3.9)
Total cash transfers	7.9	n.a	n.a	n.a	8.4	n.a	16.0	39.3	13.9	6.6	9.2 (15.4)
Total collective services and transfers	21.4	n.a	n.a	n.a	31.4	n.a	34.3	54.7	35.3	41.6	21.9 (36.5)
Health	13.2	n.a	n.a	16.7	18.4	n.a	14.9	1.2	3.5	17.6	8.6 (12.2)
Non-market recreation, culture and religion	0.6	n.a	n.a	n.a	0.7	n.a	0.8	0.4	0.8	0.7	0.4 (0.7)
Education	7.9	n.a	n.a	n.a	12.3	n.a	5.2	0.4	4.9	5.9	3.7 (6.1)
Social services	12.7	n.a	14.0	6.6	4.3	n.a	5.6	0.8	12.9	5.2	6.2 (7.8)
Market subsidies	4.0	2.9	2.7	1.8	1.2	2.3	4.5	1.7	2.4	0.9	2.4 (2.4)
Total individual services in kind	38.5	n.a	n.a	n.a	36.8	n.a	31.1	4.4	24.5	30.3	16.6 (27.6)
Social cash transfers	40.1	9.5	37.1	39.4	31.7	29.4	34.6	40.9	40.2	28.1	33.1 (33.1)
Total individual services and transfers	78.6	n.a	n.a	n.a	68.6	n.a	65.7	45.3	64.7	58.4	38.1 (63.5)
Total central government	100	100	100	100	100	100	100	100	100	100	100

1. Data for the Netherlands are for 2006.

2. Averages are calculated by setting unavailable data at 0. The number in parentheses is the true average for the countries for which data are available.

Source: *Public Finance and Expenditure Database* (PFED), OECD.

Sweden spends about average on collective services in kind (21.4% versus 21.1% on average) and on collective cash transfers (35.3% versus 36.5% on average). The Swedish central government spends less than average on individual goods in kind (24.5% versus 27.6% on average), mainly because of the decentralisation of health care spending (which is a

responsibility of local government in Sweden). Sweden spends substantially above average on individual cash transfers (40.2% versus 33.1% on average), mainly due to generous social security arrangements.

Patterns of spending have an impact on government employment, mostly via two channels. The first is the rate of outsourcing, which reduces government employment. The second is the labour intensity of outputs. A higher priority for non-outsourcible or labour-intensive outputs leads to higher government employment. The Value for Money report *Public Administration after “New Public Management”* contains an analysis of both transmission channels between expenditure patterns and employment (OECD, 2010). It turns out that the rate of outsourcing⁴ in the Swedish central government is 54.7%, which is about average in the Value for Money countries (53.6%). The labour intensity of Swedish central government output is relatively high (the share of employment compensation out of total spending on goods in kind excluding health and education is 26% versus 20% on average). This is mostly due to the fact that the Swedish central government has much larger employment in social service provision in kind than other countries included in this study, where social service provision is more decentralised while still largely financed by central government.

General government revenues

An important feature of local government finance is the local tax base and the size of own tax revenue. Table 2.7 gives an overview of own tax revenue as a share of total revenue in the sub-sectors of general government.

As appears from Table 2.7, the own tax share in total revenue of local government in Sweden is the highest of all of the countries participating in the Value for Money study (66.9% versus 40.5% on average), mostly due to the fact that income is mostly taxed by local government.⁵ The largest part of other local revenue consists of grants. A smaller part of other local revenue consists of non-tax revenues: sales, fees, property income and subsidies.

Table 2.7. **Own tax revenue as a share of total revenue
by sub-sector of general government**

% of total revenue (2008)¹

	Austria	Canada	Denmark	Finland	France	Ireland	Netherlands	New Zealand	Norway	Spain	Sweden	United Kingdom	Average
Central government	83.8	91.2	85.3	75.1	92.6	93.2	84.9	84.6	72.2	91.7	85.2	94.8	86.2
State government	42.8	58.0	–	–	–	–	–	–	–	52.3	–	–	12.8 (51.1)
Local government	66.0	39.5	37.5	47.0	45.8	13.5	10.7	53.4	41.8	49.5	66.9	14.9	40.5

1. Data for New Zealand are for 2007.

Source: *Public Finance and Expenditure Database* (PFED), OECD.

Notes

1. Countries outside the European Union can opt to merge the social security sector with the central government in the National Accounts (SNA 1983). According to ESA 95, European Union countries are required to present separate accounts for social security. In order to secure comparability, the social sector has been merged with the central government in this chapter for all countries (including EU ones).
2. Administrative employment also excludes the Parliament and its staff, the head of state and her/his staff, the Supreme Audit Institution and its staff and the judicial branch and its staff (the public prosecutors and their staff are not part of the judicial branch and thus included in the snapshots).
3. In addition, the differences are due to some administrative employment in health and education that are also excluded from Table 2.2.
4. The share of intermediate consumption in total current operational expenditure.
5. In 2010, the yield of total general government taxes on income amounted to SEK 551 billion of which SEK 503 billion was levied by local government and SEK 48 billion by central government (“Annual Accounts of the State 2010”, Comm. 2010/11:101, Annex 5, p. 3).

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Chapter 3

Overview of previous reforms in the Swedish government

This chapter discusses the three main periods of reform in the Swedish government: the efforts in 1980s to curb expenditure growth; the move to consolidation and a stronger budget procedure in the 1990s; efforts to improve the reporting of results in the 2000s; and the current management model.

Introduction

The separation of policy making and policy execution has a long tradition in Sweden that goes back to debates in the early 19th century about the rule of law in relation to the competences of the King. The basic idea was that all executive tasks should be attributed to executive agencies at arm's-length distance from the government and that the King was not allowed to interfere in the handling of individual cases by the agencies.

In the early 1980s, agency management was affected by the ideas of New Public Management. This led to an ordinance on the management of the central government administration which introduced new reporting requirements for agencies, with a lot of emphasis on performance information.

During the 1970s and 1980s, there was less interest for budgetary discipline. Budget policy lacked clear targets and rules. This meant that short-term considerations were accorded greater importance, at the expense of long-term sustainability. A deep economic and fiscal crisis in the beginning 1990s made it possible to implement a thorough reform of fiscal policy and to introduce a budget procedure on the basis of fixed expenditure frameworks for the medium term (Central Government Budget Act of 1996). This framework procedure includes a surplus target for public sector saving, an expenditure ceiling for central government's primary expenses and expenses related to the old-age pension system, combined with a rigorous central government budget process and a local government balanced budget requirement. The balanced budget requirement states that every municipality and county council must plan their budget to achieve balance. The reforms of the late 1990s also revised the reporting requirements of the agencies in order to establish clearer links between spending objectives and results achieved.

In the 2000s, the reporting requirements of the agencies have been revised in the light of increasing criticism by the *Riksdag* about a lack of transparency of performance information and insufficient information about the actual use of financial resources. This led to a thorough revision of the model of agency steering, including among other things, a clearer separation of financing and performance steering.

1980s

During the 1980s, public expenditure grew at a steady pace. In the mid-1980s there was an increasing political consensus that the growth of expenditures had to be halted. A report from the Swedish National Audit

Office from 1984 showed that there were considerable shortcomings in expenditure control procedures which led to overspending. The combination of rapid spending growth and public criticism of limited budget transparency built up the political pressure for a reform of public finance management.

A first crucial decision was the 16% devaluation in 1982. It was intended to facilitate the adaptation of the structure of the economy without unduly reducing total employment. Another crucial factor was that the plans for domestic restraint after the devaluation were not carried out to the extent required to maintain balance between supply and demand in the economy. These problems were intensified when the credit market was deregulated. The result was the general overheating and the high price and wage increases, in particular during the latter half of the 1980s. In this way, Sweden experienced a cost crisis – i.e. the krona was overvalued in relation to other currencies.

The cost crisis coincided with an international downturn, high real interest rates in the surrounding world and a domestic finance and debt crisis. The readiness for action to counter the economic downturn proved to be low. Central government finances rapidly deteriorated.

The Government Bill on Management of Central Government Administration¹ addressed issues concerning the information on the operation of agencies available to the *Riksdag* and the government, and the capacity of the latter for effective steering of the agencies. The proposals presented were intended to strengthen the *Riksdag*'s and the government's continuous monitoring of the work of the agencies. The main aim of the law was to ensure that the focus of operations corresponded to the politically declared guidelines and priorities and to check that money had been used in a cost-efficient way.

Under the new provisions, the *Riksdag* and the government were to establish the overall objectives and focus of agency operations, as well as financial frameworks and conditions for each agency, covering a rolling three-year period. Based on the overall objectives as laid down in instructions, the agencies themselves were to draw up operational objectives against which results would be measured and analysed. Moreover, the requirements for reporting the results achieved were made more rigorous, and the focus was shifted from budgeting to monitoring and evaluation. Agencies were required to report and comment on the results of operations in relation to the operational objectives.

For every branch of activity there was to be an operational objective. If the government did not decide operational objectives, the agency was to establish the objectives itself. The operational objectives were to be based on the overall objectives for operations determined by the *Riksdag* and the

government. The relationship between the operational objectives and the overall objectives was to be documented. For each operational objective, the agency was to establish measurement methods and performance measures to monitor activities and report the results. The agency was also to comment on how the results compared to the overall objectives. This model applied until 2001.

1990s

The fixed exchange rate contributed to the fall in demand and employment between 1990 and 1992. The exchange rate crisis became acute in September 1992 when the *Riksbank* increased the interest rate to 75% and, when this did not help to stop the currency outflow, the rate was increased the same afternoon to 500%. At the same time, the financial crisis culminated. The transition to a floating exchange rate became a necessity. Important choices were made in the economic policy after transition to the floating exchange rate, for example the introduction of the inflation target. The determination and unanimity in handling the financial crisis was an important choice of direction. An extended period with an unstable banking system would have contributed to further delaying the recovery.

In the early 1990s, the Swedish economy experienced a deep economic crisis, leading to massive bank failures. GDP fell and unemployment rose dramatically. The crisis had serious consequences for public finances. At the end of 1993, the central government debt corresponded to 76% of GDP, an increase of 30 percentage points since the beginning of the decade. The increase in consolidated gross debt was almost as large. The central government borrowing requirement was almost 17% of GDP. In 1994-1995, there were long-term interest rate differentials to Germany of the magnitude of three to four percentage points for ten-year government bonds.

The Social-Democratic government which took office in 1994 rejected fiscal policy expansion. The assessment was that the initial position did not allow any expansive experiments. Instead, credibility was strengthened and lower interest rates promoted by a deliberate consolidation programme, extending over a number of years.

The definitive turn came after the change of government in 1994 when awareness of budget consolidation became clear. As the Consolidation Programme became more credible, inflation expectations were dampened and monetary policy was eventually altered. In this way, a positive spiral started, where recovery of production and employment took place more quickly than anticipated, which also led to a quick recovery of central government finances.

Following an analysis at the beginning of the 1990s, the government came to the conclusion that the Swedish budget procedure was rather weak, in comparison to the then 12 EU countries. Only one country had a weaker budget procedure than Sweden. In this light, a project was launched to produce proposals to strengthen the budget procedure.²

In 1994, a new model for the parliamentary budget process was introduced in the Central Government Budget Act.³ Henceforth, the budget was to be decided in two stages. First, the *Riksdag* was to determine the framework for each expenditure area. Second, each area envelope was to be distributed of appropriations. A few years later, the Central Government Budget Act was revised.⁴ The overall objective of the reformed budget process was to put in place a more rigorous process and tighten control of expenditure growth. The revision led to the introduction of a fixed expenditure framework based on an aggregate ceiling for general government as a whole. The revision also specified more clearly the role of the *Riksdag* during budget preparation. The changes intended to prevent that Sweden from once again ending up in the similarly difficult fiscal situation of the beginning 1990s.

The Central Government Budget Act established clearer formal requirements for the government to report the results of operations to the *Riksdag*. It stated, among other things, that the government must report to the *Riksdag* the objectives set and the results achieved in the various areas of activity. In the Budget Bill for 1998,⁵ the prescribed changes concerning the reporting of results and the explanation of the link between objectives and results within each expenditure area, were implemented.

For example, a more uniform structure was created for how information in the Budget Bill was to be reported within each expenditure area, the most important objectives in each expenditure area were more clearly highlighted, results assessments were developed and budgets for fee-earning activities were reported. The changes were intended to create better conditions for the *Riksdag*'s and the government's examination and prioritisation of operations.

2000s

Efforts to improve the reporting of results continued during the late 1990s and led to the introduction of a new reporting structure in each expenditure area in the Budget Bill for 2001.⁶

The new reporting structure, the “activities structure”, encompassed three levels: policy areas, areas of activity and branches of activity. The division of state-controlled activities into policy areas was intended to create

the conditions for appropriate management and monitoring. In each policy area the link between objectives, costs and results should be made clear.

Policy areas are defined as the domains in which central government uses policy instruments to make an impact on society. Areas of activity are defined as well-defined operations within a policy area that contribute to the policy objectives. Branches of activity are operations within an area of activity that contribute to the objective for that area of activity. The branches of activity are located within the government agencies, which ensures a link between the management of the activities and the management of the agencies.

However, one consequence of the activities structure was that draft budgets and results were reported in two different structures. Draft budgets were reported on the basis of an appropriation structure within each expenditure area, whereas the results were monitored in an activities structure, made up of policy areas, areas of activity and branches of activity.

The *Riksdag* criticised this new reporting structure. The criticism focused, among other things, on the fact that it was not possible, based on the activities structure, to break down overall objectives of policy areas and operational objectives of activity areas, into objectives for each individual agency; nor was it possible to provide an accurate report and summary of results and costs in this structure. In addition, there was a lack of clarity due to the fact that resources were allotted and assigned in a specific structure (expenditure areas and appropriations), whereas the results were reported in a different structure (policy area, areas of activity and branches of activity). On the whole, the *Riksdag* considered that the link between the reporting of results and the government's draft budget was too weak.

In light of the *Riksdag*'s criticism, in June 2006, the government appointed an Inquiry Chair in order to evaluate the results-based management system and propose how it should be changed and developed with the aim of improving the management of government agencies.⁷ The Inquiry Chair's final report was presented in October 2007 (SOU, 2007). The report states, among other things, that the government's management signals to the agencies were unclear as there were too many of them. The management signals were also often felt to be contradictory, which created conflicts between objectives, and as a result the agencies had to decide for themselves which objectives they should prioritise.

Another conclusion was that there was too much focus on the annual appropriation directions to the agencies, specifying objectives and reporting requirements in connection with resource allocations and financial conditions for the agency's activities for the coming fiscal year. Over the years, the appropriation directions had become overburdened with

objectives and reporting requirements. The agencies felt a tension between their long-term strategic objectives and short-term shifts in an agency's remit, often flowing from shifts in political priorities.

The current management model

In light of the *Riksdag's* criticism of the government's reporting practices, and on the basis of the proposals presented by the government's Inquiry Chair, the Swedish government reformed its procedures for agency steering with a view to more stability and more pragmatic working methods.

In the Budget Bill, the activities structure was abolished. Instead, the results of the activities financed by an appropriation within an expenditure area are reported. Reports will be tailored to the government's and the *Riksdag's* need for information and the nature of the activity. This means that greater flexibility has been introduced in the design of the government's reporting of results to the *Riksdag*.

Since 2009, the agencies' instructions, or equivalent documents, have been the key policy documents for the government's management of agencies and activities. The instructions establish the agencies' basic tasks and areas of responsibility. They are the basis for the interaction through steering and reporting between ministry and agency. The basic premise is that the agencies are to report and to be assessed on the basis of the results they can control. To a decreasing extent, the government's steering task is implemented through extensive appropriation directions.

In their annual reports, agencies must report and comment on the results of operations in relation to the objectives and tasks, and in accordance with the reporting requirements laid down by the government. If the government has not determined reporting requirements, the agencies are to report their performance in relation to volume, costs and quality. An agency's annual report is to be drawn up in accordance with generally accepted accounting principles, which implies that it has to give a true and fair picture of the results, costs, revenue and financial position of the agency. Annual reports are examined by the Swedish National Audit Office. The examination covers the entire annual report and aims to assess whether the report and the underlying report, as well as the accounts, are reliable.

On 1 April 2011, the Central Government Budget Act⁸ was revised.⁹ The new Budget Act contains provisions for state lending that correspond with the rules that apply for state credit guarantees. In addition, the law requires that a risk assessment be carried out and that a decision on the financing of risk be taken before a loan is issued. There are also requirements concerning clear reporting of the total risks of state guarantee

and lending activities. Moreover, there are new provisions concerning the state's acquisition of shares and capital injections to companies. Finally, clearer rules on the handling of state funds and the format of the government's draft budget have been introduced.

Notes

1. Prop. 1987/88:150, bilaga 6.
2. Ds 1992:126, *Statsskulden och budgetprocessen*.
3. Committee Report 1993/94: KU18; Parliamentary communication 1993/94: 424; Committee Report 1994/95 KU2; Parliamentary communications 1994/95: 4-6.
4. SFS 1996:1059.
5. Prop. 1997/98:1.
6. Prop. 2000/01:1.
7. *Att styra staten – regeringens styrning av sin förvaltning* (SOU 2007:75).
8. SFS 1996:1059.
9. SFS 2011:203.

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SOU (*Statens offentliga utredningar*) (2007), "Final report on results-based management", Stockholm.

Chapter 4

Areas of current reform and recommendations for value for money in Sweden's government

This chapter presents the ten reforms or reform trends that are particularly interesting for Sweden. Five reforms focus on policy development, the sixth focuses on policy execution, the seventh on administrative supervision and regulation, and the last three reforms focus on support services.

Ten priorities for reform

This chapter presents the ten reforms or reform trends from the list of 70 to be presented in the forthcoming *Building on Basics* that in the view of the OECD Secretariat are particularly interesting for Sweden. Each section will conclude with recommendations to the Swedish government. Indications of potential quality improvements and savings will be provided in a final section.

The reforms are organised by type of government task (the taxonomy underlying the snapshot of the public administration).

- Policy development:
 1. Introduction of a top civil servant in the line ministries.
 2. Stricter rules for political advisors in the line ministries.
 3. Strengthening policy development in the line ministries.
 4. Streamlining policy evaluation.
 5. Creating an independent forecasting institution.
- Policy execution:
 6. Process sharing and merging of agencies.
- Regulatory/supervisory activities:
 7. Independent regulatory and supervisory agencies.
- Support services:
 8. Service sharing by agencies.
 9. Introducing spending review.
 10. Financing e-government.

The following sections of this chapter focus on each separate reform.

Reform 1: Introduction of a top civil servant in the line ministries

Swedish ministries are typically led by a minister and a number of state secretaries for the major policy areas under the responsibility of the ministry. The minister and each state secretary may be assisted by a number of political advisors. Political advisors are attached jointly to ministers and state secretaries as part of the political staff. There is also a Director-General for Legal Affairs (“*rattschef*”) and a Director-General for Administrative Affairs (“*expeditionschef*”) in each ministry. Each state secretary leads one

or more directorates, consisting of permanent civil servants. The total number of civil servants in core ministries is quite low, namely 4 625 FTEs (end 2008), or some 350 FTEs on average per ministry.

Support staff (human resources and organisation, information and ICT, accommodation, real estate and facilities, procurement, internal audit) is largely concentrated in the Office of Administrative Affairs under the Prime Minister. However, line ministries do have small financial divisions and communication divisions (usually not under the Director-General for Administrative Affairs, but placed in different ways in each ministry).

Alongside the core ministries there are the 370 agencies with a total staff of approximately 200 000 FTEs. Each agency is led by a director-general or a board. The director-general is appointed for a limited term of six years with a possibility of a three-year prolongation, but belongs to the civil service. The government introduced a new recruitment procedure for the position of director-general of an agency in 2007. Since then, job openings for director-general are now advertised (130 advertisements since 2007). All director-generals must meet some standard requirements, but they must also meet the requirements regarding the particular position at stake. It is possible to appoint former politicians if they meet the requirements.

The director-general or the board of an agency is responsible to the Cabinet for executive policy. In practice, there is a permanent performance dialogue with the division of the core ministry responsible for policy development.

As far as operational management is concerned, the director-general of an agency is “autonomous” within the limits of government-wide standards imposed by internal regulations and within the budget constraints (strictly speaking it is a delegation of responsibility from the government linked to the responsibility of the director-general to achieve results). There are no ministerial standards. The annual agency directive that accompanies the budget appropriation for operational costs contains targets for performance and reporting requirements, but typically no (ministerial) rules for operational management.

This top structure of the Swedish central government is, in various respects, rather different from the structure of central government in most other OECD countries governed by parliamentary rule. The main differences are:

- very small core ministries, very large agencies in terms of employment;
- a lot of state secretaries and political advisors in core ministries;

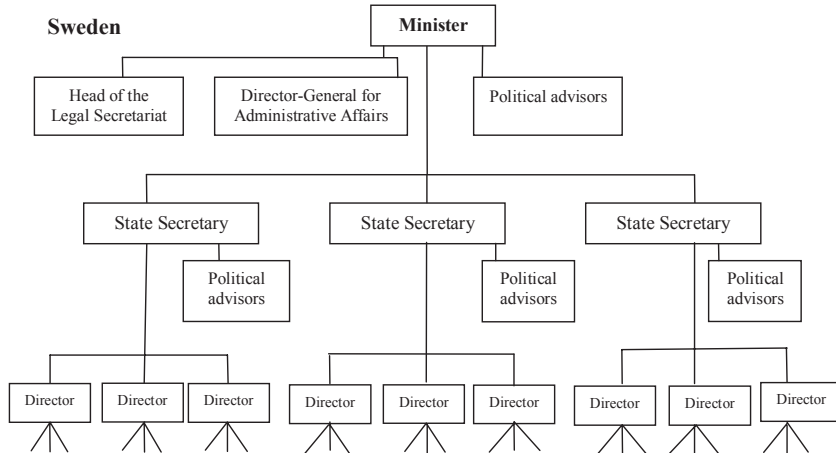
- no top civil servants responsible for policy development in the main policy areas;
- no top civil servant (“permanent secretary” or “secretary general”) responsible for operational management of both the core ministry and the agencies, as well as for decentralised standard setting for operational management; similarly there is no top civil servant responsible for co-ordination of advice to the minister on policy development;
- there is, however, a Director-General for Administrative Affairs (*expeditionschef*) who watches over the legality, consistency and uniformity of budget preparation, except for legislation and regulation, as well as a Head of the Legal Secretariat (*rattschef*), who watches over the legality, consistency and uniformity of draft laws and regulations;
- there is no unified formal civil service, based on a special code that contains rules for recruitment, assessment and career development as well as norms for neutral advice to politicians (ministers, state secretaries) based on expertise and objective factual information (with adherence to the norms being sealed by an oath of office);
- directors-general of agencies report to ministers or state secretaries on performance and operational management, rather than to top civil servants in the core ministry.

Figure 4.1 illustrates some of these differences in the form of a stylised model of the top structure of a line ministry in Sweden and in a typical OECD country governed by parliamentary rule.

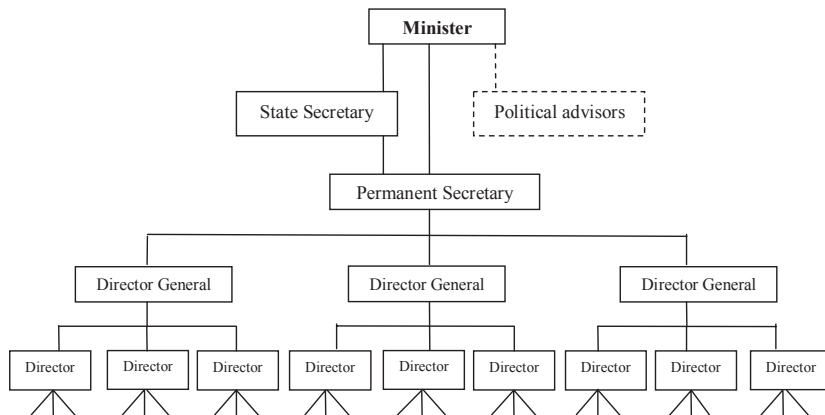
Some features of the Swedish model, although partly rooted in long-standing Swedish customs, are not inherently connected to the special position of the Swedish agencies. This applies particularly to the top structure of the core ministries and the number of political advisors which is much higher than in comparable OECD countries (on the political staff see Reform 2). It would be possible to gradually adjust these features in the direction of the typical OECD model, while maintaining the special role of the agencies. Indeed, Swedish agencies have many attractive features, which in OECD Value for Money country assessments have been recommended to other countries, such as their autonomy in decision making on individual cases and their supportive role in policy development (OECD, 2010b, 2011, and 2012). However, what could be inspiring to the Swedish authorities in the typical OECD model is the role of the permanent civil service, including the role of the top civil servant (permanent secretary or secretary general) in

the core ministries. Changing the top structure of the core ministries does not need to affect in any way the role and competences of the agencies.

Figure 4.1. Stylised models of the top structure of a ministry in Sweden and in a typical OECD country governed by parliamentary rule



OECD country governed by parliamentary rule



Creation of a permanent top civil servant in line ministries would largely release politicians (ministers, state secretaries) from their current tasks concerning the co-ordination of advice on policy development as well as in the sphere of operational management, which includes:

- operational management of the core ministry;
- management of support services in so far as these are located in line ministries (finance, internal audit, communication);
- supervision of operational management of the agencies of the ministry and advising the minister on the financing of the agencies;
- decentralised standard setting for operational management for both the core ministry and the agencies within the government-wide rules set by the government (on the proposal of the first responsible ministers, mainly Prime Minister, Minister of Finance, Minister of Local Governments and Financial Markets, and Minister for Public Administration).

The first advantage of creating a top civil servant position could be that politicians (ministers and state secretaries) would no longer be confronted with divided political advice based on deviating expert views or different factual information. One of the roles of a top civil servant is to harmonise expert views and factual information from different divisions of the ministry. This may lead to advice with alternative options, depending on how various arguments or relevant facts are assessed, but it is important that somebody in the ministry be given the task to harmonise the “objective” basis for decision making, so that politicians can focus on their political task of taking decisions in the light of expert views and facts. It is important that the politician decides on policies and that the harmonisation of facts and expert views does not lead to the blurring of genuine policy options. If there are clear alternative options, these should be exposed in a transparent way, but it is not a task of politicians to harmonise expert views and factual information. It should be seen as a core responsibility of the secretary-general to draw the lines in this respect.

Although ministers remain ultimately responsible for operational management in their ministries, including the agencies under the umbrella of the ministry, the creation of a top civil servant position would largely relieve politicians of the day to day conduct of these tasks and thus lead to a more transparent division of roles between politicians and permanent officials.

A stricter division of roles between politicians and civil servants would arguably also lead to better quality operational management and more long-term strategies in this area (for instance in the area of human resource management: better recruitment, training, assessment, career planning strategies; or in the area of ICT management: better gateway procedures and thus fewer failed projects, more emphasis on compatibility, adaptability, flexibility and maintenance and thus longer life of investments). Politicians tend to be more focused on short-term benefits, which was seen as a

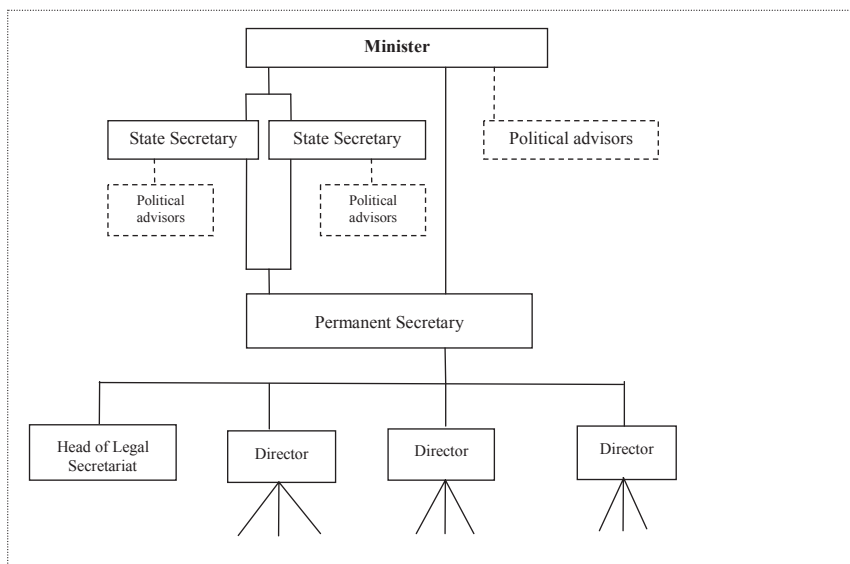
problem by various Swedish interlocutors during the preparation of this assessment.

In addition, it can be argued that in his or her task to finance the agencies and supervise their operational management practices, it would be better if the minister were advised by a top civil servant rather than by a line division of the ministry. It would strengthen the impact of advice on financing and operational management, and thus improve the control over the efficiency of agencies, if the advisory role were attributed to a top civil servant, rather than to a head of a division.

Finally, the introduction of a top civil servant can arguably reduce the need for state secretaries and political advisors. Currently, state secretaries and political advisors in Sweden not only perform purely political tasks, but they also play an important role in collecting facts and providing expertise on sectoral policies, including policy analysis. This is a task that in most OECD countries is typically carried out by the permanent civil service.

Introduction of a top civil servant along these lines would somewhat change the top structure of the Swedish line ministries, as illustrated in Figure 4.2.

Figure 4.2. **Stylised model of the top structure of a Swedish core ministry after the introduction of a top civil servant**



A reform in this direction would lead to a more transparent division of tasks between politicians and political advisors on the one hand and civil

servants on the other, without in any way diminishing the special role of the Swedish agencies. If such a profound reform were envisaged, it would not need to diminish the attractive features of the Swedish agencies and their special role in the implementation of public policies.

The Swedish government has recently considered embarking on a more profound review of the organisation of the Government Offices. In the bill of 2010 concerning the management of the public service (Prop. 2009/10:75), the government announced that there will be a review of the Government Offices. It is currently expected that this review will take place before the next parliamentary elections (in 2014).

Recommendations

1. The Swedish government may consider introducing top civil servants in the line ministries (“permanent secretary” or “secretary general”) tasked with harmonising expert views and factual information that serve as the objective basis for political decision making, including formulating options for policy development. In addition, the top civil servant could be tasked with the operational management of the ministry. In the latter areas, the top civil servant could: *i*) supervise operational management of the core ministry; *ii*) direct support services located in the line ministry; *iii*) supervise operational management of the agencies under the umbrella of the ministry and advise the minister on the financing of the agencies; and *iv*) take care of decentralised standard setting on operational management for both the core ministry and the agencies within the government-wide rules on operational management set by the government.
2. In order to prepare such a reform, the Swedish government may consider establishing a special commission to look simultaneously at reducing the number of political advisors.

Reform 2: Stricter rules for political advisors in the line ministries

Ministerial advisors

The numbers and prominence of political staff have expanded substantially in many OECD countries and have given rise to a range of concerns in relation to their number, roles, accountability and relations with the civil service. Reflecting the increasing interest in this area, the OECD surveyed a range of member countries and published a major report *Ministerial Advisors: Role, Influence and Management* in 2011. This report incorporates data from 27 member countries. This and some other recent work allow a comparative perspective on the use of political advisors to be

taken and the current Swedish position to be benchmarked against the experience of other OECD countries.

Definitions of ministerial advisors differ widely between countries. Although there is no single definition of ministerial advisors across countries, it appears from the above-mentioned OECD study that there are commonalities in their employment status, especially the procedure of appointment and term that is linked to the minister's. In almost all countries, the appointment of ministerial advisors is political (defined as a purely discretionary decision of the minister) or hybrid (which means that the appointment is the result of an administrative process although the final decision is political). The definition of ministerial advisors excludes departmental liaison officers (DLOs) working in ministers' offices.

It should be emphasised that a ministerial advisor is not the same as an under-minister or state secretary (in Sweden the term state secretary is used). Many OECD countries make it possible for the minister to be assisted by one or two politicians with equal rights to sign official government documents including draft laws to be submitted to Parliament and to appear in Parliament to defend government policy.

In addition to employment status, the nature of ministerial advisors can be clarified by the reasons why they are appointed. The OECD (2011a) has investigated these reasons both among civil servants and the ministerial advisors themselves. It appears from this survey research that the reasons for appointing ministerial advisors include (in order of importance):

- Responsiveness: providing political advice on pressing issues; both the provision of a strategic view in the design of policies and the proposal for new reforms, which was highlighted in particular by responses from ministerial advisors.
- Media assistance: preparing the minister or the head of government for debates in Parliament, speeches and media interviews; this was emphasised more in the responses from public servants than those from advisors.
- Providing a political perspective in the light of the governing party's priorities or the minister's political outlook; advisors and public servants highlighted this aspect in the survey.
- Handling relations with Parliament and with interest groups (for instance, think tanks, lobbyists, business leaders, trade unions, etc.).

Size of political staff of ministers in OECD countries

The increase in the use of ministerial advisors has been observed in many OECD countries. According to previous work for the OECD:

Political advisors are not an entirely new phenomenon in Western Europe, but they have been adopted by an increasing number of countries in recent decades, and in countries where they are well established, their numbers have tended to increase. This has led to debate about their purpose, their relationship to ministers and to the civil service, their effectiveness, and the legal and ethical framework within which they should operate. (OECD, 2007)

However, while ministerial advisors have been introduced, or have increased substantially in number, in many OECD countries, this is not a universal trend. In several countries, the role of this group remains extremely limited and tightly circumscribed. For example, in Denmark, where a commission recently recommended that the number of ministerial advisors should not exceed two or three per minister, current practice is that most ministers have only one or two advisors, while some have none at all. Moreover, the government rejected the recommendation, preferring to retain the current, tighter limit. The situation is similar in the Netherlands (at most one advisor per minister), while Norway has managed to reduce the total number of advisors over the past ten years (OECD, 2011a).

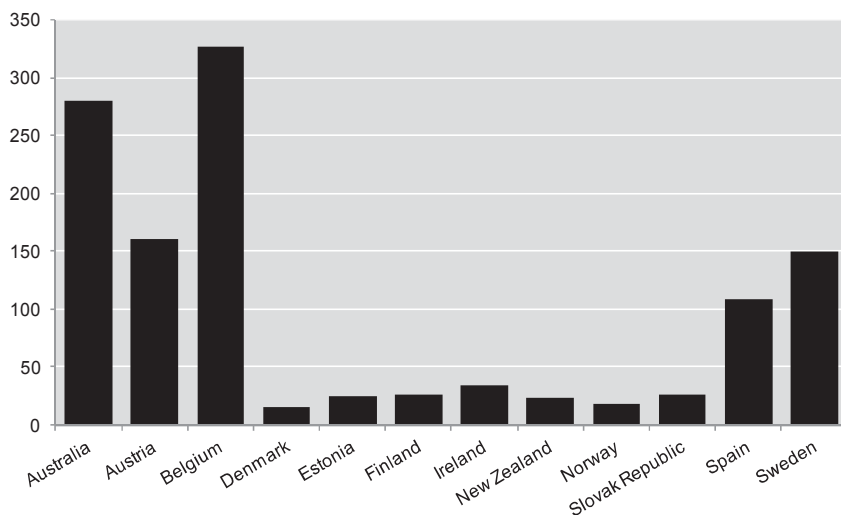
The broadest ranging and most recent comparative data available are derived from an OECD survey (OECD, 2011a). Figure 4.3 reports the total number of advisors in 2010 for countries included in the Value for Money study.¹ Sweden would appear to have the third highest number of advisors among the nine countries included in the Value for Money study that also responded to the survey for the OECD report (OECD, 2011a).

Differences in political systems and government/public administration structures may impact on cross-country comparability, although there are no straightforward correlations in this respect (low and high numbers of advisors seem to occur in two-party as well as multi-party systems and under single-party as well as coalition governments; there is also not a straightforward relation with the types of civil service model).

The results of the above-mentioned survey show that, of 11 respondent countries providing data for both 2000 and 2010, eight recorded an increase over the period and three recorded a decrease. The average increase across the 11 countries was 23% over the ten years. Thus, while there may be

common factors leading to an increased use of ministerial advisors, there is clearly no unavoidable imperative in this direction.

Figure 4.3. **Number of ministerial advisors in selected OECD countries (2010)**



Source: OECD (2011), *Ministerial Advisors: Role, Influence and Management*, OECD Publishing, Paris; Department of Finance and Deregulation (2011), *Members of Parliament (Staff) Act 1984 Annual Report 2010-11*, Commonwealth of Australia, Canberra; King (2003), *Regulating the Behaviour of Ministers, Special Advisors and Civil Servants*, The Constitution Unit, University College London.

While the OECD (2007) found that “regulations setting a limit on the number of advisors seem rare”, it went on to note the existence of limits in Denmark, France, Poland and Portugal, as well as attempts to introduce such limits in Spain. Moreover, this has apparently been an area of rapid change, since the OECD found in 2011 that “the vast majority of respondent countries have now sought to restrict the numbers of advisors. Over two-thirds use a system of quotas to cap either budget allocations for ministers or actual numbers” (OECD, 2011a).

Frameworks governing ministerial staff in OECD countries

The OECD (2011a) pointed to the high level of public concern about the growing use of advisors in many countries and suggested that this was a significant part of the reason for widespread attempts to limit their numbers and, possibly, role. Public concern over this issue was identified by 75% of

OECD countries responding to the survey. This public concern is, in turn, seen as being a product of the lack of transparency regarding the means by which ministerial staff are appointed and their rates of pay, as well as the lack of clear accountability frameworks, given that most are responsible only to their ministers. As an example of the accountability issues highlighted, survey data showed that in 27% of respondent countries, advisor misconduct had fuelled public debate in recent years and yet “very few” were aware of any sanctions having been applied to the offenders.

In addition, several senior civil servants replying to the questionnaire pointed out the risk of politicisation of the public service as a result of political advisors (in particular, pressures on civil servants in relation to political party, “priority right” of political advisors to join the public service at the end of their term) (OECD, 2011a).

Several countries have reported recent reforms to enhance transparency and better control the number and costs of advisors. In addition, some have moved to spell out terms and conditions of employment and standards of conduct and to clarify the accountability framework. Key initiatives relate to employment conditions, standards of conduct and guidelines, the declaration of private interests, transparency in relation to the aspects of advisors’ employment and accountability mechanisms.

Employment conditions

General employment rules for the public service apply to political advisors in over three-quarters of the countries, including Sweden. Seventeen per cent of the countries that responded to the questionnaire have specific employment rules that apply to political advisors (OECD, 2011a). Despite the fact that the general employment rules apply in the large majority of countries, the employment status of political advisors differs from those of ordinary civil servants in: *i*) the procedures of appointment; and *ii*) the term of employment. The appointments of ministerial advisors are purely a result of the discretionary decision of the minister in 73% of the respondent countries. However, Sweden reports having appointment procedures that are similar to the ones for senior managers, but with a stronger role for the minister and, in contrast to civil service appointments, a certain role for political criteria (the hybrid model). The term of appointment ends when the minister leaves office in 64% of the respondent countries, including Sweden (OECD, 2011a).

Standards of conduct

In relation to standards of conduct, three broad approaches can be identified among countries that have explicitly addressed this issue. Some

countries, including Sweden, have taken the view that advisors should be subject to the same code of conduct requirements as civil servants, save for the requirement for political neutrality. Others (for instance, the United States) have complemented a requirement for advisors to adhere to the civil service code with an additional set of guidelines that are specific to advisors. A third group (including, for instance, Australia) has focused on developing codes of conduct that are specifically tailored to advisors and do not apply civil service codes to advisors (OECD, 2011a).

Private interests

Only 39% of OECD countries (not including Sweden) responding to the OECD survey require ministerial advisors to declare private interests – a result that clearly contrasts with near universal disclosure requirements for ministers themselves. The Danish government publishes the list of special advisors on the website of the Prime Minister’s Office (OECD, 2011a).

Transparency

The OECD survey findings on ministerial advisors (2011a) indicate that the functions of advisors are not specified (in legislation, job descriptions, etc.) in more than half of the respondent countries (57%). In Sweden there are job descriptions.

Although a majority of the countries responding to the OECD questionnaire indicated that they provide public information on the number of advisors, publicly available information is much more limited on the profiles/biographies of advisors (14% of respondent countries), their job description (23%) and the total costs of advisors (23%) (OECD, 2011a).

Accountability

In 75% of countries responding to the OECD survey, including Sweden, ministerial advisors are accountable only to their ministers. King (2003) points out that such arrangements are likely to be ineffectual, as ministers will have limited incentives to sanction close personal advisors. The above-cited result from the recent OECD survey, indicating that in more than one-quarter of countries poor behaviour by advisors had caused public concern but that sanctions were rarely applied, underlines this point. Moreover, in most countries, formal guidelines for ministers do not exist to assist them in such an endeavour: while 59% of countries, not including Sweden, have guidelines that ministers should follow in organising their private offices, only half of these (i.e. 30% of total respondent countries) explicitly state that ministers are accountable for the actions of their advisors. The OECD has argued that “there is a need for an independent

procedure for handling and investigating breaches and imposing sanctions” (OECD, 2011a).

A broad approach to the above issues has been implemented in Canada, which legislated in 2006 to pass the Federal Accountability Act. Much of the act applies to ministerial advisors. Its general effect is to put standards of conduct for ministerial staff into law. More specifically, it incorporates a code of conduct, requires advisors to disclose their private interests, and makes their actions subject to the oversight of a Conflict of Interest and Ethics Commissioner.

Reform efforts

The OECD publication on ministerial advisors (2011a) concludes that: “taken as a whole, respondent countries have taken limited efforts to maintain public trust by increasing transparency, integrity or framing accountability in respect of ministerial advisors”. While 75% of these countries reported public concern in relation to the use of advisors, only 31% had responded with concrete action. Moreover, many review recommendations had gone unimplemented in countries that had investigated the issue formally. This document highlights a number of ways in which countries can act to better address the issues highlighted above in relation to ministerial advisors. In particular, it proposes that key avenues for developing a clear governance framework for ministerial advisors include: clearly defining advisors’ functions, their responsibilities as distinct from those of civil servants and the boundaries they may not overstep; setting clear standards of integrity for political advisors and ensuring that their private interests are disclosed so that conflicts of interest may be identified and managed proactively; enhancing transparency not only as to their numbers, but also their overall cost, profiles and competencies and clarifying the accountability framework within which they work.

Ministerial staff in Sweden in a comparative perspective

The number of political advisors in Sweden is very high, lower only than in Australia and Austria among countries included in the Value for Money study. The reason for this situation is not obvious. There seems to be no clear connection with the Swedish constitutional structure (for instance, the strong position of the Swedish agencies), or political circumstances (the party structure of Sweden is comparable to that of other Scandinavian countries, where there are much fewer political advisors). However, it may be the case that the large number of political advisors in Sweden is related to the absence of a strong civil service top structure of line ministries as well as the absence of a strong civil service framework, based on uniform rules for

appointment, promotion, performance assessment and a code of conduct. Reform 1 argues that the introduction of a top civil servant and the strengthening of civil service rules may diminish the need for large numbers of political advisors. In this respect, the Swedish government may consider commissioning a study along the lines of the recent Danish report “Civil Service Advice and Assistance to the Government and its Ministers (2004)” to look more closely to the need for political advisors and the relations between political advisors and the regular civil service. The Swedish government may also consider studying more closely the rules for limiting the number of political advisors prevailing in Denmark and the Netherlands.

In Sweden, political advisors have temporary employment under the Collective Bargaining Agreement for Political Advisors. They are appointed by ministers in regular procedures that also apply to senior civil servants, but with a certain role for political criteria. This arrangement, in principle, safeguards that the same principles of objectivity and merit-based selection are to be applied as for the civil service. Their term expires in principle with that of the minister, but it is not clear how far “priority rights” for appointment in civil service positions exist in practice.

Civil service standards of conduct apply in Sweden to political advisors, but they are much weaker than in most other OECD countries. Enhancing the civil service standards of conduct would therefore also strengthen the standards for political advisors.

Political advisors in Sweden are not required to declare their private interests. Their names and positions are not published. It would be commendable to introduce a requirement to publish a list of political advisors and their positions along the Danish lines.

Political advisors’ job descriptions and profiles are available in Sweden but are not published. It would be commendable to publish them, preferably in the same document/website that lists their names.

The Swedish government may consider establishing a special statute for political advisors that summarises the rules for appointment, term of office, standards of conduct different from those of the civil service, declaration of private interests, and the publication of names, job descriptions and profiles. The same statute could also include rules for an independent procedure for handling and investigating breaches and imposing sanctions, as recommended in the OECD report (2011a).

Recommendations

3. The Swedish government may consider commissioning a study on the role of political advisors along the lines of the Danish report “Civil Service Advice and Assistance to the Government and its Ministers (2004)”. The study could also address the need for political advisors in connection with possible civil services reforms and develop options for reducing their number. The study should be commissioned to a high-level working party including external experts (possibly including experts from other Scandinavian countries) and senior civil servants.
4. The Swedish government may consider establishing a statute for political advisors containing rules for appointment, term of office, standards of conduct different from those of the civil service, declaration of private interests and the publication of names, job descriptions and profiles. It may also consider establishing an independent procedure for handling and investigating breaches and imposing sanctions as recommended in *Ministerial Advisors: Role, Influence and Management* (OECD, 2011a).

Reform 3: Strengthening policy development in the line ministries

Overview of policy development in Sweden

In Sweden, a relatively small and centralised cadre of public officials is responsible for policy development across central government. First, all core ministries and the Office of the Prime Minister are unified under a single agency – the Government Offices agency – which is collectively responsible for policy development, advice and oversight. Second, a very small proportion of Swedish civil servants are employed in central government and work in the area of policy development. Together, these factors place significant limitations on the role and capacity of core ministries in policy development. The following sections explain the key features of these arrangements in more detail and identify opportunities for strengthening the policy development capacity of core ministries within the constraints of existing constitutional limitations and retaining the benefits of its small size and differentiated structure.

The Government Offices: Unified, small policy core

All core ministries of the central government of Sweden were unified under a single agency known as the “Government Offices” agency (*Regeringskansliet*) in January 1997. This arrangement is unique among the countries included in the Value for Money study. Within this overarching organisational structure, the Government Offices are divided into the Prime Minister’s Office, 11 core ministries and the Office of Administrative

Affairs.² Together these 11 core ministries oversee the execution of policies and the delivery of services in 370 autonomous agencies. Each ministry has responsibility for overseeing the performance and efficiency of operational management in a number of separate arm's-length agencies under its umbrella. While these arrangements are unique among the countries included in the Value for Money study (and among OECD countries in general), they are indicative of deeper traditions in Sweden that limit the deliberative powers of individual ministers in favour of collective government decision making.

In keeping with Nordic traditions, relatively small numbers of public employees are employed in core ministries and undertake policy development functions. Table 2.3 shows that only 4.2% of central government employees are located in core ministries compared to an average of 22.6% among countries included in this study. Table 2.4 shows that only 2.8% of public sector employees in Sweden are engaged in policy development. This is by far the smallest proportion of all of the countries participating in the Value for Money in Government study (the average is 10.2%), and it is even small when compared to other Nordic countries (Denmark 5.1%, Norway 8.7%; Finland 10.4%). The Government Offices agency employs approximately 4 500 people, including 400 political appointees. These figures suggest that limited resources are allocated to policy development activities within the core ministries in Sweden. However, this does not necessarily mean that limited resources are devoted to policy development *per se*, because in Sweden a substantial amount of work on policy development takes place in the agencies, for instance in the Swedish Agency for Public Management, the National Financial Management Authority and in many other agencies under the umbrella of line ministries.

Policy development processes are shaped by principles of collective decision making and agency autonomy

The policy development role of core ministries within the Government Offices is defined by two administrative principles which are enshrined in the Swedish Constitution: “collective decision making” and agency autonomy. In their study of central government co-ordination, Hustedt and Tiessen (2006) argue that “the single constitutional provision that shapes central government decision making and co-ordination within the government the most is the demand for collective decision making (...). Indeed, there are only few types of decisions an individual minister can take by himself.” This arrangement is characteristic for various Scandinavian countries (Denmark and Norway) but stands in contrast to practices in other countries in the Value for Money study where individual ministers have

much more autonomy over policy development (the Netherlands, for example) or where there is a high degree of “competition” over policy development (Australia, for example).

Similarly, the principle of “agency autonomy” deliberately restricts the autonomy of individual ministers to execute policy in detail. For instance: the autonomy of agencies when it comes to the application of law is safeguarded in the Constitution. Hall et al. (2011) explain the relationship between the government and agencies as follows:

Swedish governmental agencies ... hold a considerably high level of autonomy, which is constitutionally enshrined, *vis-a-vis* the government. This administrative model, which dates back to the formation of the Swedish central governmental organisation in the 17th century, provides the government agencies with pretty much free scope to complete the government’s general aims within the limits of some overarching instructions, a negotiated budget from Cabinet, and with politically appointed general directors. (Hall et al., 2011)

The “commissioning process”: The process for policy change in Sweden

In Sweden, all major policy reform initiatives are subject to a formal “commissioning process” which is designed to protect requirements for societal consultation. The process is slightly different for policy initiatives that belong to the competence of Parliament (mainly legislation) and those that belong to the competence of the government. Briefly, the commissioning process moves through a series of formal steps from the appointment of a commission through to a decision by Parliament or government (Box 4.1 illustrates the process for initiatives leading to Parliamentary decisions). The timeline for this process varies across policy sectors and with specific initiatives, but can stretch over many years.

The work of the commissions helps to include stakeholders early on and to create commitment to the proposals that are finally presented, which helps in implementation. Having proposals generated by a commission also makes it easier for the government to reject ideas that are not, for one reason or another, possible to implement, since the ideas have come from a separate body, and so it does not look as though the government is criticising itself.

Three elements of this process define the role of core ministries in policy development. First, the commission, not the core ministry or government, is responsible for developing the options and recommendations for policy reform and for assessing the political and budgetary implications. Second, the core ministries are one group among many who are required to comment on the recommendations of the commission. Third, the

Government Offices has lead responsibility for drafting any legislative changes required to implement the changes recommended by the commission and for presenting all of the comments on the recommendations made throughout the consultation process. As a result, the government, and by extension the core ministries, is primarily responding to policy recommendations rather than undertaking policy analysis and development. The functional role of officials within the core ministries is to give legislative effect to recommendations and co-ordinate the consultation processes. Given that there are approximately 140 commissions appointed each year, it is likely that the recruitment and development of officials within the Government Offices will emphasise legal and procedural skills over those of policy analysis and evaluation.

Box 4.1. Overview of the commissioning process

- The government appoints a commission – usually around ten per year per ministry (140 total per annum).
- The line minister in charge writes a directive setting out the terms of reference; it is circulated within the Government Offices through the process of common agreement and decided by Cabinet. The government appoints the leader; the leader appoints the commission – on average three to four people with five to six experts, but this varies.
- The commission works out the policy issues and develops recommendations: elaborates policy ideas, puts forward proposals for required legislation and discusses the consequences for government, the budget and related stakeholder groups.
- Recommendations and legislation are presented to the government and the ministers.
- A referral is then sent to any related agencies, municipalities and other stakeholders – around 50 groups usually receive the referral; government agencies must make comments, even if “no comment”; for others, giving comments is optional. In addition, anyone not invited to give comments, can do so, even if this rare.
- Government then sends the legislation to Parliament, which includes all of the comments on the recommendations and the changes.
- The proposals then go to parliamentary committees for recommendation.
- Parliament decides.

Strengthening policy development capacity in the core ministries in Sweden

On balance, the policy development work of the core ministries focuses primarily on translating policies into legislation and then negotiating and overseeing agreements between the core ministries and agencies. Interlocutors also mentioned that much of the work focuses on the management of politically sensitive issues, rather than policy development *per se*. The principle role of core ministries tends to be co-ordinating agent, political negotiator and legal advisor rather than policy analyst and provider of policy alternatives to the government.

The following recommendations suggest three options for strengthening the capacity for policy development within the core ministries of Sweden. They draw on the comparative experience of countries in the Value for Money study, while seeking to respect Sweden's administrative arrangements and constitutional requirements. First, line ministries need a strong cadre of officials with the technical skills and expertise required to undertake policy development in a manner that is independent of the agencies. Second, the core ministries need better access to policy-focused research and evaluation. Finally, the government of Sweden may consider reviewing the application and complexity of the "commissioning process", and particularly the policy role of core ministries in this system. Adopting these recommendations will require the government of Sweden to clarify the policy development role of line ministries generally and *vis-a-vis* Parliament and autonomous agencies.

Strengthening policy skills within the core ministries in Sweden

Line ministries within the Government Offices of Sweden need to develop and retain a cadre of policy officials with the skills and resources required for policy development. This includes technical skills related to policy research and analysis, writing new legislation, articulating a strategic direction for policy evolution, and evaluating the performance and continued appropriateness of existing policies within the ministry's area of responsibility.

If Sweden chooses to increase the quality of policy development staff in the Government Offices, it could consider placing more emphasis on a programme for career development. The organisational centralisation within the Government Offices means that Sweden is well placed to introduce this type of cohesive development programme for all policy staff within the core ministries. New programmes for career development would have to focus on particular policy areas and provide job rotation opportunities within the policy area. This may include facilitating job shifts between research

institutes, executive organisations (administrative execution and/or service delivery) and policy development in the same policy area. To reinforce the professionalisation of policy development work, ministries should require proven experience in research and/or execution in the same policy area as a pre-requisite for promotion to higher job levels in policy development.

As the expertise required for policy analysis differs between policy areas, it will be important to ensure alignment between the policy sector and the skills development programme. In some areas, scientific knowledge is an almost indispensable prerequisite for any involvement in policy making. This is true, for instance, for the fields of financial and economic policy, where economic expertise is required. It is also true for the area of foreign policy, where knowledge of foreign countries and the history of diplomacy is required. It is not by chance, therefore, that one sees that in such policy areas, civil servants generally rotate between jobs in the same ministry or in a few kindred ministries (finance and economics, foreign policy and defence), but not across the entire central government.

It is the task of the permanent civil service to provide “frank and fearless” advice to the government of the day. This includes providing objective factual information, including factual information on less successful policies, as well as insights based on applied economic, social and technical sciences.

In Sweden, the civil service ethos is less developed than in other countries included in the Value for Money study, partly because human resource management is largely decentralised to the agencies. Reform 1 suggests that Sweden may consider strengthening common human resource rules for the civil service as a whole and promoting a stronger civil service ethos across government. A reform in this direction would contribute to the quality of the civil service, including the work in the core ministries on policy development, without compromising in any way the special characteristics of the Swedish constitutional structure.

Ensure that officials in core ministries can access relevant and independent policy research

The policy development capacity of core ministries is strongly dependent on access to relevant and independent policy research and analysis. Sweden has a long history of establishing independent advisory and evaluative bodies with rights to access the policy development processes. More recently, Sweden has also seen the creation and growth of numerous autonomous evaluation agencies that operate under the auspices of specific ministries and within specific policy sectors. In general, however, these bodies are intended to operate autonomously and be independent from

the core ministries. They do not support the policy development work undertaken within the core ministries. The merits of this arrangement are further discussed in Reform 4. However, it should be noted here that access to relevant and independent policy research is a crucial condition for policy development. Interlocutors indicated that this access is currently not guaranteed, partly as a consequence of lack of resources dedicated to this purpose and partly as a consequence of the tradition of “independent evaluation agencies” prevailing in Sweden.

The need to strengthen policy development skills within core ministries is not diminished if use is made of external research institutes, or consultancy firms. Indeed, these sources of policy advice provide essential input to the policy development work occurring within the core ministry. Providing guidance to external institutes or firms and interpreting the recommendations of advisory committees are among the most demanding tasks of policy development staff, and generally this task should be assigned to the most senior staff with a proven record of policy analysis in their own right.

Clarify the policy development role of core ministries in Sweden

The role of core ministries in policy development could be strengthened without abandoning the commissioning process. Options that would strengthen the role of the core ministry are:

- the government directive for the commission should always be proposed by the minister responsible for the policy area;
- the commission should always be chaired by a permanent civil servant responsible for the policy area;
- the secretariat of the commission should be located in the division of the core ministry responsible for the policy area;
- the commission should have a budget for policy research provided by the core ministry.

Apart from the enhancement of the role of the core ministry, it is also important that the executive agencies have a clear role in the commission process.

The complaint that too many policies are poorly designed and generate unexpected problems or simply cannot be executed at all was heard in all of the countries visited for the Value for Money study, including Sweden. In Australia, for example, a best practices report on implementation that was jointly issued by the Department of Prime Minister and Cabinet and the Australian National Audit Office argues that failure to build questions of

programme delivery into policy design are likely to result in “sub-optimal delivery methods, overambitious timeframes, resources not being available when required, inappropriate skills or capability for the initiative, and insufficient contingency planning” (ANAO and DPMC, 1996). Ensuring that there are strong linkages between policy development and implementation – including service delivery – is widely recognised as essential for policy success. The challenge facing most countries in the Value for Money study is to maintain the benefits of independent service delivery, while integrating the lessons from implementation into the process of policy development. The best way for policy development staff to acquire this awareness is through experience in executive agencies. However, it is also important that executive agencies play an active role in the elaboration of proposals. This is currently already the case in Sweden and in this respect Sweden is considered as international best practice. Apart from the current role of the agencies in the elaboration of proposals under the guidance of the core ministry, it is also important that agencies have a formal role in the commission process and that they participate as full members in the decision-making process.

Recommendations

5. The Swedish government may consider strengthening the policy development capacity of core ministries by:
 - promoting the career development of the permanent civil service within the broad policy area (circulation of civil servants between core ministry, agency, private research institutes, local government all within the policy area);
 - ensuring that core ministries have access to relevant and independent policy research and analysis. This requires that dedicated resources for this purpose be made available.
6. The Swedish government may consider articulating more clearly the role of the core ministry in the commissioning process, while maintaining the important role of executive agencies; the latter can be tasked with elaborating proposals to be submitted by the commission.

Reform 4: Streamlining policy evaluation

Reforming policy evaluation in Sweden

This reform addresses policy evaluations undertaken to assess and adapt existing policies or programmes. The incentives for conducting evaluation

primarily lie with line ministers. Line ministers have an incentive to make critical evaluations because they can be blamed by Parliament and citizens for ineffective or inefficient policies. This incentive is particularly strong for new ministers, who want to reform the programmes for which they are responsible.

It is important to ensure that ministers are supported to undertake critical evaluation because their own ministries will not always be supportive of critical evaluation. Civil servants often have a tendency to defend existing programmes. The same is true for long-serving ministers.

It is important to ensure that the evaluations conducted are methodologically rigorous and relevant to the policy concerns of the ministry and the overarching agenda of the government. Similarly, it is important to minimise the possibility of capture by those who have vested interest in the *status quo*, or lack a whole-of-ministry or whole-of-government perspective. For this reason, primary responsibility for conducting policy evaluation should typically lie with core ministries rather than executive agencies, although the latter should be included throughout the process.

The use of autonomous evaluation agencies in Sweden

In Sweden, there is a growing trend toward establishing autonomous evaluation agencies under each of the line ministries. Overall, up to 35 autonomous evaluation agencies have been identified in Sweden and many have been created since 2006. These agencies undertake a wide range of evaluation tasks within the specific areas of activity – education, health and transport, for example – and they vary in terms of size and budget. For example, the Swedish Transport Analysis was recently created as an autonomous agency within the Transport Ministry³ and is responsible for “supporting the ministry” in policy development. It is argued that this agency is required to “counterbalance the power of the newly formed Swedish Transport Administration Agency” (with approximately 6 500 FTE) and provide whole-of-sector policy analysis that counters the prevailing views within the agency. This agency receives 50% of its budget from the Transport Ministry and remaining funds are earned by conducting external research work and evaluations. Similar agencies are located in most line ministries.

Several interlocutors of line ministries and agencies identified two main problems with assigning responsibility for policy evaluation to autonomous agencies. First, there are few incentives to link the policy evaluation work conducted in these agencies with the policy development and performance management work conducted in the line ministries. Interviewees from both

ministries and agencies expressed frustration by the limited opportunities to use the findings of policy evaluations for the purposes of policy development or programme improvement. Ministries indicated that they have difficulty in shaping the evaluation agency's agenda or getting timely, relevant and applicable advice. Similarly, many interlocutors from the evaluation agencies raised the difficulty of balancing an ideal of institutional autonomy and independence with the demand to ensure the policy relevance of evaluations. There was, however, little agreement on where this balance should reside. For some, the imperative of independence preceded all others and they worked to protect the right of the agency to evaluate issues it deemed most important or interesting. Others had established regular meetings with officials in the policy development divisions of the relevant line ministry and with the senior managers in the largest executive agencies. To date, however, these initiatives seem to be at the behest of specific individuals and there are few, if any, common frameworks across government. These issues weaken the extent to which policy evaluations are used by policy makers in line ministries or by programme managers in executive agencies.

Second, evaluation agencies undertake evaluations for a variety of purposes including revenue raising, external research, individual professional development, and/or in response to media commentary. Many of the evaluation agencies did not have a clear and specific focus on evaluation work and often undertook a range of additional tasks. In 2011, the Swedish Agency for Public Management (*Statskontoret*) reviewed the autonomous evaluation agencies and concluded that:

The arguments for forming an autonomous evaluation agency have often revolved around the need to create a function for independent evaluation. Notwithstanding this fact, the majority of agencies have also been given other tasks (...). Various types of analytical task, monitoring of external developments, statistical analysis and methodological development are among the functions assigned to the evaluation agencies. For some agencies, the evaluation activity therefore makes up only a small proportion of their total work.

The following sections draw on international experience to present three recommendations that will strengthen the system of policy evaluation in Sweden. In sum, the government of Sweden is advised to consider: establishing whole-of-government standards for the conduct of policy evaluation in line with experience from Canada and the United Kingdom; ensuring that line ministries (rather than autonomous evaluation agencies) hold primary responsibility for planning, conducting or commissioning policy evaluation; and transferring responsibility for non-commissioned policy evaluation out of the government sector to either universities or

specialist research bodies following experience from Denmark. These recommendations will enable the government of Sweden to achieve significant savings by restructuring or closing most of the autonomous evaluation agencies that have emerged over the past decade. A part of these savings could be used to provide core ministries with an evaluation budget (see Reform 3).

The centre of government should establish government-wide evaluation standards

The governments of Canada and the United Kingdom have both introduced government-wide standards to enhance the quality of and to build incentives for conducting relevant and rigorous policy evaluation. In Canada, the evaluation standards set out governance structures and accountability arrangements that assign line ministries with the responsibility for ensuring that all existing departmental programmes are evaluated over a five-year cycle. In contrast, the United Kingdom Treasury published *The Green Book*, which sets down the procedures and methodologies that can be used by all line ministries at various stages in the policy lifecycle. However, in the United Kingdom there is no obligation to evaluate. *The Green Book* only provides guidelines in the case that an evaluation has been ordered on a needs basis. The government of Sweden should consider using the experiences of both countries when developing whole-of-government standards for policy evaluation.

In 2009, the government of Canada introduced a Cabinet-approved policy on evaluation in government with application to all departments. The stated objectives of this policy are to “create a comprehensive and reliable base of evaluation evidence that is used to support policy and program[me] improvement, expenditure management, Cabinet decision making, and public reporting” (Treasury Board Secretariat, 2009). The policy identifies the line minister and the (permanent) head of each line ministry as responsible for establishing a “robust, neutral evaluation in their department”. To this end, they must create a Departmental Evaluation Committee of senior officials within the ministry chaired by the “deputy head or senior level designate”.⁴ This committee must ensure that the evaluation committee has “full access to information and documentation needed or requested to fulfil their responsibilities [...] and that sufficient performance information is available to effectively support the evaluation of program[me]s” (Box 4.2).

Box 4.2. Roles and responsibilities of the departmental evaluation committees in Canada

The Departmental Evaluation Committee is a senior executive body chaired by the deputy head or senior-level designate. This committee serves as an advisory body to the deputy head related to the departmental evaluation plan, resourcing, and final evaluation reports and may also serve as the decision-making body on other evaluation and evaluation-related activities of the department. This committee could also support other functions.

The Departmental Evaluation Committee:

- reviews the adequacy of evaluation coverage, as expressed in a departmental evaluation plan developed by the head of evaluation, as well as the risk-based approach used for determining the evaluation approach and level of effort to be applied to the individual evaluations comprised in the plan, and recommends the plan for approval by the deputy head;
- if requested by the head of evaluation:
 - reviews and recommends approval of key elements of an evaluation, such as the terms of reference; and
 - considers and responds to key evaluation-related issues;
- reviews final evaluation reports, including management responses and action plans, and recommends approval to the deputy head;
- ensures follow-up to action plans approved by the deputy head;
- reviews the adequacy of resources allocated to the evaluation function and recommends to the deputy head an adequate level of resources consistent with the departmental evaluation plan;
- reviews the adequacy of resources allocated to performance measurement activities as they relate to evaluation, and recommends to the deputy head an adequate level of resources for these activities; and,
- reviews the performance of the evaluation function, and recommends action to address any weaknesses.

Source: Treasury Board Secretariat (2009), “Policy on Evaluation: Annex B”, Government of Canada, Ottawa, www.tbs-sct.gc.ca/pol/doc-eng.aspx?section=text&id=15024.

The experience of Canada is useful for Sweden because it sets down a governance framework that strengthens the capacity of line ministries to conduct programme review and, importantly, it allocates responsibility for evaluation to the line ministry, rather than either the central ministries or executive agencies. However, while the Canadian evaluation framework

contains many useful rules, Canada's experience also suggests that Sweden should be wary of establishing an overly prescriptive forward agenda or cycle of evaluation. The policy in Canada states that line ministries should ensure that all major programmes are evaluated over a five-year cycle. In practice, this has often led to "compliance" evaluations or to blocking strategies by officials responsible for policies and executive programme managers. A similar experience occurred in Australia under the Portfolio Evaluation Program in the early 1990s. To overcome these problems, it is important to ensure that policies to be evaluated are selected on a "needs" basis and that there should also be significant input on the selection of programmes or topics to be evaluated from the line minister. In this respect, the United Kingdom's experience is relevant.

The Green Book: The case of the United Kingdom

In 2003, the United Kingdom Treasury published government-wide standards for evaluation in *The Green Book: Appraisal and Evaluation in Central Government*. This publication (updated in 2011) explains the processes and methodologies that should be used to assess government policies at various stages in the policy lifecycle, from inception to evaluation. Policy evaluation is treated in Chapter 7 of *The Green Book*, which states:

Evaluation requires management initiative (sometimes political commitment) and intensive monitoring. The thoroughness of an evaluation should depend upon the scale of the impact of a policy, programme or project, and to some extent on the level of public interest. [...] Evaluation reports should be widely disseminated and published, where appropriate, to contribute to the knowledge base up which future decisions will be taken.

Essentially, *The Green Book* aims to support "analytically robust appraisal and evaluation" by providing detailed descriptions on six different analytical methodologies in a series of appendices. While only one chapter of *The Green Book* discusses evaluation specifically, other chapters provide guidelines for policy analysis which can also be included in an evaluation. These include justifying government activity (Chapter 3), clarifying policy objectives (Chapter 4) and undertaking options analysis (Chapter 5). This publication is disseminated widely throughout the government and sets a benchmark of evaluation best practice that must be adhered to in all official evaluations of government policy.

Sweden could consider developing and publishing a similar set of government-wide evaluation standards and requiring that they be applied rigorously whenever line ministries undertake policy evaluation. The

standards set down in *The Green Book* strengthen this approach by requiring all evaluations conducted by line ministries follow a standard process and adopt rigorous methodologies. This, in turn, strengthens confidence that evaluations finding are based on analytically objective and independent research, which allows the line minister and ministry to be critical of existing policies and programmes in the interest of policy development and improvement. Responsibility for developing these guidelines could be assigned to experts in the Ministry of Finance or in a special purpose expert working group, and then disseminated throughout the Government Offices.

Transferring policy research from government to universities and private research institutions: The case of Denmark

As discussed above, the impetus to establish autonomous evaluation agencies in Sweden grew from a quest to strengthen the capacity for independent and relevant evaluation to support policy development within each ministry. However, it appears that this experiment has been undermined by the emphasis on independence over relevance in the evaluation agencies; and by agencies expanding the scope of tasks they undertake so that policy-relevant evaluation is only a limited part of the agency work. Sweden could consider transferring responsibility for all policy evaluation, both commissioned and non-commissioned, out of the government sector to either universities or specialist research bodies following experience from Denmark. Considerable savings will be achieved in the process and some of these savings should be reinvested in the evaluation budget (for commissioned evaluation) within each line ministry.

The experience of Denmark in moving most policy research institutions from government to the university sector suggests that the core ministries can access independent and relevant policy research without requiring this be undertaken inside government. In 2006, the government of Denmark implemented reforms that integrated all but four government research institutions into the university sector. The reforms occurred within a broader context of restructuring the governance and funding arrangements with universities and a commitment to increase government spending on research and development to 3% of GDP in accordance with the Barcelona Agreement.

Specifically, the reforms occurred at three levels. First, the Ministry of Science, Technology and Innovation undertook a review of all government research institutions to identify those working in closely related policy areas, and then took steps to merge these institutions. Next, nine of 13 government research institutions were transferred to universities with recognised expertise in the policy area. Importantly, the universities were willing

participants in the process as they gained highly qualified research and teaching staff, additional public funding and the influence that comes from better contact with government policy makers. Third, the funding relationship between policy research institutions and the core ministries was made more explicit by differentiating between two levels of funding: base funding and commissioned research. Government provides most institutions with a base budget to fund a percentage of ongoing staff to conduct primary research and long-term projects such as maintaining databases that track the impact of policies in a specific area of government. Additional funding is then agreed between the line ministry and the institutions for evaluations commissioned by government – these may be funded through competitive tender for specific evaluations or through a contractual agreement to conduct a given number of specific evaluations over a discrete time period (for example, three evaluations a year for three years).

Significantly, some interviewees from line ministries in Denmark echoed the concerns of line ministries in Sweden, even though commissioned evaluation was outsourced. They said that universities and research institutes outside government pursued an independent research agenda regardless of the government's policy agenda. Interviewees of one ministry raised problems in relation to the knowledge-transfer activities between universities and policy officials. Another ministry was frustrated by a limited capacity to leverage knowledge held and developed within these institutions for the purposes of policy development. Some ministries indicated that they have difficulty in shaping the research agenda and getting timely, relevant and applicable advice. In sum, complaints concerning the lack of support for the government research agenda were also voiced in regard to universities and newly created research institutions inside or outside universities. This suggests that the problem is not automatically solved by outsourcing. In this light, the government of Sweden should pay careful attention to the contractual relations between ministerial division for policy development and evaluation institutions and develop explicit guidelines for these relations and the funding arrangements for outsourced evaluation.

If the government of Sweden decides to proceed with the reform, it should undertake a review of the evaluation sector akin to the process adopted by Denmark. In deciding which evaluation agencies to outsource, a distinction could be made between agencies that are responsible for maintaining evaluation databases and periodical surveys, and those that are focused on short-term evaluation in preparation for one-off reforms. In any case, government should retain responsibility for the databases that collect and hold personal data on its citizenry in the interests of privacy and databases that can be used across government.

Recommendations

7. The Swedish government may consider:
 - establishing government-wide evaluation standards that set out clear guidelines and standards of best practice in evaluation methodology to ensure that all policy and programme evaluations are conducted using appropriate and rigorous analytic methods in accordance with the Canadian framework and the United Kingdom’s *Green Book*;
 - abolishing the evaluation tasks of agencies and transferring the conduct of evaluation to universities and private sector research institutes. The Danish reform of public research institutions provides a model for undertaking this reform.
8. Some of the savings made by abolishing a large number of the 35 autonomous evaluation agencies could be reinvested in: *i*) building evaluation expertise within line ministries; and *ii*) allocating each line ministry a dedicated policy evaluation budget.

Reform 5: Creating an independent forecasting institution

The OECD Principles for Independent Fiscal Institutions

Independent fiscal institutions (IFIs), are becoming more common in OECD member countries. Particularly in the wake of the financial crisis, governments, as well as regional and international bodies, are looking to IFIs as a way to enhance fiscal discipline and promote greater transparency and accountability. The European Commission has recommended EU member countries to set up independent fiscal institutions in the context of its budgetary peer review process. In the past decade alone, a diverse group of IFIs have sprung up in Korea (2003), Canada (2008), Slovenia (2010), the United Kingdom (2010), and Australia, Ireland, Portugal and the Slovak Republic (2011-12).

In 2012, the OECD developed draft Principles for Independent Fiscal Institutions.⁵ The development of the principles was guided by a high-level reference group of heads and deputy heads of IFIs in Canada, Korea, the Netherlands, Sweden, the United Kingdom and the United States, and two former Chairs of IFIs in Hungary and Sweden. The draft principles were also inspired by a study that the OECD carried out among 15 existing IFIs (OECD, forthcoming).

The principles for IFIs contain rules for IFIs in seven domains: *i*) local ownership; *ii*) independence, non-partisanship; *iii*) mandate; *iv*) resources; *v*) relationship with the legislature; *vi*) access to information; and *vii*) transparency, communication and evaluation.

As to *(iii)* “mandate”, the principles state, among other things, that it should be clearly defined in legislation, including the types of reports and analysis to be produced, and that tasks carried out by independent fiscal institutions might include (but are not limited to): economic and fiscal projections (with a short- to medium-term horizon, or long-term scenarios); baseline projections (assuming unchanged policies); analysis of the executive’s budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues.⁶

As to *(v)* “relations with the legislature”, the principles state, among other things, that regardless of whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. These may include (but are not limited to): *i*) all reports sent to Parliament for scrutiny, preferably through the legislature’s budget committee (or equivalent) and in time to contribute to relevant legislative debate; *ii*) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions; *iii*) parliamentary scrutiny of the IFI’s budget; and *iv*) a role for Parliament’s budget committee (or equivalent) in leadership appointments and dismissals. Furthermore, the principles state that the IFI’s role *vis-à-vis* Parliament’s budget committee, other committees and individual members in terms of requests for analysis should be clearly established in legislation. Preferably, they would consider requests from committees and sub-committees rather than individual members or political parties. This is particularly true for those IFIs established under the jurisdiction of the legislature.

As to *(vii)* “transparency, communication and evaluation”, the principles state, among other things, that promoting transparency in public finances is a key goal of IFIs and that full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with the public. Furthermore, the principles state that IFIs should develop effective communication channels from the outset, especially with the media, civil society and other stakeholders and that IFI reports and analysis (including a full account of the underlying data and methodology) should be published and made freely available to all.

In Sweden, like in some other OECD countries, the tasks that are characteristic for IFIs are divided over two different institutions, namely *i*) the National Institute for Economic Research (NIER); and *ii*) the Swedish Fiscal Policy Council (SFPC). Broadly speaking, the NIER carries out medium-term and long-term macroeconomic and budgetary forecasts for the government as well as costing for the government and to a limited extent for civil society. However, the government is not obliged to follow NIER's forecasts in its assumptions for revenue and expenditure estimates. The SFPC fulfills an oversight or watchdog role: it assesses to what extent the government's fiscal policy objectives are achieved; it examines the clarity of the government's budget bill and spring fiscal policy bill; and it monitors and evaluates the quality of the government's economic forecasts as well the underlying models.

The Principles for Independent Fiscal Institutions as well as the experiences of other OECD countries with IFIs, are relevant for Sweden.

In order to assess the Swedish set-up and to explore possible improvements, it is useful to pay attention to the characteristics of IFIs in some OECD countries that may be relevant for Sweden.

Examples of independent fiscal institutions in OECD countries

The following section provides three examples of independent fiscal institutions (often termed fiscal councils or parliamentary budget offices) in other OECD countries: Australia, the Netherlands and the United Kingdom. These three examples come from countries where there is a single institution fulfilling the role of IFI, as opposed to the Swedish case. Simultaneously, these countries illustrate the variety that exists also among countries with a single institution. In Australia, the emphasis is on costing new proposals; in the United Kingdom it is on forecasting (with only a scrutiny role as to costing); in the Netherlands, the IFI is both a unique costing and forecasting agency that works for government as well as for Parliament and civil society.

The Office for Budget Responsibility, United Kingdom

The United Kingdom's Office for Budget Responsibility (OBR) was established in 2010 as part of reforms to the United Kingdom's fiscal framework that sought, among other things, to address sources of deficit bias and increase transparency and the openness of economic and fiscal policy making. OBR has a broad remit, to "examine and report on the sustainability of the public finances".

Budget and staffing

The OBR has a budget of GBP 1 750 000 and a staff of 15. The majority of the staff initially came from the Treasury but OBR is gradually adding in outside hires.

Relationship with the executive and Parliament

The OBR is under the executive rather than the Parliament but is a legally separate arm's-length entity, with its own oversight board. The core functions of the OBR are established by legislation, and neither the government nor Parliament has a right of direction over OBR's analysis, although both may request analysis. In addition, there are a range of mechanisms built in to ensure appropriate oversight of OBR by Parliament. Parliament scrutinises OBR's budget and the Treasury Select Committee has a veto on key appointments and dismissals. All OBR reports must be published and sent to Parliament and OBR answers parliamentary questions and appears before parliamentary committees.

Forecasting and costing roles

As with the Netherlands Bureau for Economic Policy Analysis (CPB), OBR has been tasked with producing the official forecasts for the economy and public finances. The intention is that OBR forecasts be used as the government's official forecast on which policy is set and the fiscal mandate assessed and there is no expectation of a parallel Treasury forecast. In practice, this means that Treasury has essentially relinquished its forecasting capacity while retaining important monitoring and analytical functions. However, the Treasury is not prohibited from producing a parallel forecast and whether or not future governments choose to go down this road will be a key test of OBR's success. As it is still early days, concerns have been voiced over what might happen if OBR brings the finance minister bad news or how vulnerable OBR will be to inevitable forecasting errors.

Specifically, OBR publishes five-year forecasts twice a year in its *Economic and Fiscal Outlook* (EFO) publication. Its spring EFO is published at the same time as the budget and incorporates the impact of any tax and spending policy measures announced in the budget. Finally, its annual Forecast Evaluation Report examines what lessons can be learnt from its recent forecasting performance for improving the techniques used. It should be noted that there are credible independent alternative macro forecasters in the United Kingdom but they have not had the access to government information that OBR now does.

OBR also assesses the long-term sustainability of the public finances through its annual Fiscal Sustainability Report which sets out long-term projections for different categories of spending and revenue, analyses the public sector's balance sheet and reports different indicators of long-term sustainability.

While OBR is not tasked with costing, it does provide a check on the Treasury's costing of budget measures. In particular, during the run-up to budgets and other policy statements, OBR subjects the government's draft costings of tax and spending measures to detailed challenge and scrutiny. It then states in the EFO and the Treasury's costing documents whether it endorses the costings that the government finally publishes as reasonable central estimates.

OBR does not assess alternative policy paths and measures, or cost election platforms. And, as is the case with the majority of independent fiscal institutions today, it does not provide normative commentary on the merits of policy. These constraints were seen by its designers as critical to avoid the perception that OBR is advocating or arbitrating between alternative policy approaches in a way that could undermine its independence or the credibility of its forecasts.

Other functions⁷

OBR is also tasked with assessing progress towards the government's fiscal targets. Currently the government has set itself two medium-term fiscal targets: first, to balance the cyclically-adjusted current budget five years ahead; and second, to have public sector net debt falling in 2015-16. OBR includes an assessment of whether the government has a greater than 50% probability of achieving these targets under current policy when it prepares the EFO.

The Parliamentary Budget Office (PBO) in Australia

In the spring of 2011, the Parliament of the Commonwealth of Australia passed a bill for an “Act to provide for the appointment and functions of a Parliamentary Budget Officer and the establishment of a Parliamentary Budget Office and for related purposes” (further to be called the “act”).

Budget and staffing

The Australian PBO is financed by an appropriation of AUD 6 million in the financial year starting on 1 July 2011.⁸ A similar annual amount will be available for the Australian PBO for the next three years. The staffing of

the bureau has not yet been decided, but it is envisaged that the bureau will employ about 20 economic analysts.

Relationship with the executive and Parliament

The Australian PBO is an agency accountable to Parliament. It has the same status as the other Parliamentary Departments.⁹ It serves both chambers of Parliament.

Under its legislation, PBO has broad-ranging powers to access information from Commonwealth bodies. The act (section 64F) states that the Parliamentary Budget Officer may take an arrangement, in writing, with the head (however described) of a Commonwealth body, or a person authorised by the head, for the Parliamentary Budget Officer to obtain from the body information and documents relevant to the Parliamentary Budget Officer's functions.

Forecasting and costing roles

In accordance with the proposal of the Joint Committee, PBO was given a broad mandate. Its purpose is described as “to inform the [P]arliament by providing [...] independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals.” (section 64B of the act). Among the proposed functions of the Parliamentary Budget Officer is a provision that he or she can “conduct, on his or her own initiative, [...] research on and analysis of the budget and fiscal policy settings” (section 64E (e)).

However, regarding forecasting, the government's legislation specifically states under section 64E (2) that:

(2) The Parliamentary Budget Officer's functions under subsection (1) do not include:

- (a) preparing economic forecasts; or
- (b) preparing budget estimates (whether at the whole-of-government, agency or program[me] level).

And:

(3) In performing his or her functions under subsection (1), the Parliamentary Budget Officer must use the economic forecasts and parameters and fiscal estimates contained in the most recent relevant reports released under Parts 5, 6 and 7 of Schedule 1 to the Charter of Budget Honesty Act 1998.

As to costings, the legislation establishes a role for PBO outside the caretaker period for a general election to undertake costings on request by senators or members. These requests may be confidential. During the caretaker period for a general election, the act provides for PBO to prepare policy costings on request by authorised members of parliamentary parties or independent members.¹⁰ However, authorised or independent members are precluded from requesting a policy costing before, on, or after polling day, if a member of that party has “requested the preparation of a costing of that policy, or a substantially similar policy, under clause 29 of Schedule 1 to the Charter of Budget Honesty Act 1998”. Essentially this means that authorised members will have to choose whether they prefer costings of policies to be performed by Treasury/Finance or by PBO, with the likely effect that Treasury/Finance will continue to carry out the costings for the governing party and that PBO will carry out those of the opposition parties and independents.¹¹ However, in order to ensure that minority parties (with at least five members of either House of Parliament) can have their costings carried out by Treasury/Finance, the act has simultaneously amended the Charter of Budget Honesty Act 1998 to broaden access to costings by Treasury/Finance to minority parties during caretaker periods.

Other functions¹²

According to the act, the Parliamentary Budget Office has a broad mandate. It can provide ‘independent and non-partisan analysis of the budget cycle, (and) fiscal policy’. Since the office has not yet begun its activities, it is not clear yet how this mandate will be interpreted, but it will probably include at least the monitoring of the fiscal policy against the objectives and rules set by the government itself. Whether it will also include comment on fiscal policy on the basis of economic principles or theory is not yet clear.

Under the act (section 64 E (e)), the Parliamentary Budget Officer will also be able to conduct research on or analysis of the budget and fiscal policy on his or her own initiative.

Bureau for Economic Policy Analysis, the Netherlands

The Netherlands Bureau for Economic Policy Analysis (Central Planning Bureau, or CPB as it known locally) was established in September 1945 and given a legal statute in 1947. In contrast to what its name suggests, the bureau has never done any central economic planning in the sense of setting normative targets for economic development, although this idea was circulated by members of the newly established Labour Party in the first months after the war. Rather, the mission of the bureau is to

conduct independent analysis relevant for economic policy, in particular macroeconomic forecasting and costing of policy proposals.

Budget and staffing

CPB has a staff of 160 (140 full-time equivalents) of which two-thirds are academic economists and the remainder statisticians and support staff. It has an annual budget of around EUR 12 million of which 10-15% comes from project contributions from ministries, the European Union and other international organisations (including the OECD). The remainder is part of the budget of the Ministry of Economic Affairs. It does not carry out research for private corporations or institutions.

Relationship with the executive and Parliament

Like the British OBR, CPB is under the executive branch of government. It has the status of an independent agency under the Ministry of Economic Affairs. Its independence is guaranteed by its statute. The Director is appointed by the Council of Ministers. All other staff is appointed by the Director. CPB's work is supervised by the Central Planning Commission, which is composed of representatives of the corporate sector and academic economists. CPB has access to all non-published information held by the ministries.

The government, ministries, Parliament, political parties, trade unions, employer associations and civil society can all request analysis from CPB. CPB sets its own priorities in accordance with the general guidelines of the Central Planning Commission. In practice, most work is done for the government, ministries and political parties (both coalition parties and opposition parties).

Apart from incidental project contributions from ministries and international organisations, all studies are provided free of charge. The reports are submitted to the client and remain confidential until the client publicly refers to them. All reports are ultimately published (as a condition of every project agreement). CPB sees to it that its analytical methods are fully transparent: all assumptions, empirical data and economic models are fully specified and published.

CPB seeks active contact with the scientific community. The staff is encouraged to publish in academic journals and work with academics. With a frequency of around five years, CPB's work is evaluated in peer reviews by academics (on scientific value) and clients (on policy relevance).

Forecasting and costing roles

CPB is the only macroeconomic forecaster for the government and the Parliament. It also forecasts tax revenues in close co-operation with the Ministry of Finance, which provides CPB with revenue realisations over the current year and planned changes in the tax laws over future years. However, the ministry is responsible for the budget and from time to time there have been slight differences between the tax estimates of the ministry and those of CPB. The line ministries are responsible for estimates of entitlement spending but they use the macro factors that go into the calculations of the estimates for the (upcoming) budget year and the base line estimates for the out-years (inflation, unemployment, economic growth, oil prices, demographic estimates, etc.).

CPB updates the macro-forecasts three times per year. The Central Economic Plan, published in February, provides the basis for the budget of the upcoming budget year. The so-called Queen's Macroeconomic Explorations are provided to the government before the summer but after the major decisions on the expenditure side of the upcoming budget have been made (around 30 April, which is Queens Day). The Queen's Macroeconomic Explorations take into account the effect of the expenditure side of the budget on the economy. They are not published. In the summer, the decisions on the revenue side of the budget are taken. Endogenous fluctuations in tax revenue are not subject to a compensation requirement, but tax policy (changes in tax laws including laws on social insurance premiums) can be affected by the Queen's Macroeconomic Explorations (especially tax relief, since tax increase is subject to a pay-as-you go requirement). After the summer, the (definitive) Macroeconomic Explorations are put up. They take into account the decisions on the revenue side of the budget. They are published by CPB on the same day that the budget is submitted to Parliament (the third Tuesday in September) and provide an important input to the debate in Parliament about the budget in the remaining months of the year.

The Central Economic Plan and the Macroeconomic Explorations focus on the short term (upcoming budget year and one out-year). In addition, CPB provides a medium-term forecast for the upcoming budget year and three out-years (at least) every four years. The medium-term forecast serves as the basis for the electoral platforms of the political parties and for the coalition programme (including the medium-term expenditure framework). The pre-election forecast is published half a year before the parliamentary elections.

Finally, every few years CPB publishes a long-term forecast for the next decades (50 years) which focuses on the sustainability of public finances and serves as the basis for the advice of the Budget Margin Study Group (with includes the principal officials responsible for financial-economic policy and the Director of the Central Bank) on the debt and deficit rules in which the medium-term framework for the next Cabinet period is to be anchored.

As far as costing is concerned, every ministry can request a cost and economic impact forecast of any major policy initiative. In practice, a major initiative cannot be submitted to Cabinet without a forecast by CPB. In addition, all major infrastructural projects have to be subjected to cost-benefit analysis by CPB.

Political parties and civil society organisations can also request CPB to carry out costing and economic impact forecasts. Furthermore, since the 1980s a tradition has grown that all parties subject their parliamentary election platforms to cost and impact analysis. Although this is a voluntary decision of the parties, all major parties have, in practice, asked for such forecasts, probably to avoid being reproached with fear of reality.

Other functions

CPB does not give policy advice to the government or any other client. Nor does it comment on the government's financial or economic policy, apart from considerations of feasibility and impact.

It has its own research programme that it carries out independent of ministerial requests for costing and impact studies. Current research themes include: economic growth, labour market and welfare state, knowledge economy, competition and regulation, physical environment (infrastructure, agglomeration, housing) and international economics (globalisation, climate). The resulting studies can be seen as the most "politically sensitive" part of its work. Although CPB sees to it that its reports and conclusions are always couched in factual (forecast) terms and never in normative terms, the line between factual and normative reporting can become thin, if the negative effects of current policies or policy plans are made explicit. However, CPB's management is very much aware of this and makes every effort to maintain its reputation as a strictly neutral institution that serves all its customers in a strictly objective way.

The National Institute of Economic Research and the Fiscal Policy Council in comparative perspective

Table 4.1 provides an overview of roles of the Swedish independent fiscal policy institutions in comparison with the most comparable institutions in other OECD countries.

Table 4.1. Roles of forecasting and costing institutions in selected OECD countries

	Swedish National Institute for Economic Research (staff of 60)	Swedish Fiscal Policy Council (staff of 11)	OBR (staff of 15)	Australian PBO (staff of 20)	CPB (staff of 140)
Agency of:	Ministry of Finance	Ministry of Finance	Ministry of the Treasury	Parliament	Ministry of Economic Affairs
Short- and medium-term macroeconomic forecasting	Yes	No, only scrutiny	Yes, (in principle) unique	No	Yes, unique
Long-term macroeconomic forecasting	Yes	No, only scrutiny	Yes, unique	No	Yes, unique
Costing	Yes, to a limited extent	No	No, only scrutiny	Yes, but not leading to duplication ¹	Yes, unique
Costing of electoral platforms	No	No	No	Yes, but not leading to duplication	Yes, unique
Monitoring of fiscal policy against rules and objectives	No	Yes	Yes	Yes	Yes
Policy research on own initiative	Yes	Yes	Yes	Yes	Yes

1. As proposed, authorised members of Parliament must choose whether they request costings from the PBO or from the government during the caretaker period. They cannot ask for both (see above). Outside the caretaker period, only the government has access to Treasury/Finance costing facilities.

In countries that have a unique IFI, the basis of the institution is forecasting or costing or both (in the United Kingdom forecasting, in Australia costing, in the Netherlands both). Monitoring of fiscal policy is a secondary task in all of these countries, but the combination of monitoring with costing/forecasting, tends to change profoundly the nature of the monitoring task. In particular, the need to maintain strict non-partisanship with respect to the costing/forecasting task, tends to reinforce the

requirement of neutrality and objectivity with respect to the monitoring tasks. Indeed, any suspicion of partisanship induced by the performance of the monitoring task would immediately reflect on the performance of the costing/forecasting tasks and make the outcomes of these activities less credible either to the government or to the opposition. For this reason, unique IFIs have a reputation of being very careful in the execution of their monitoring tasks, avoiding any normative or judgmental wording and clinging as close as possible to explicit and specific fiscal rules or budgetary frameworks formally agreed by the government.

In Sweden, as in other countries where monitoring and costing/forecasting are attributed to different institutions, the monitoring agency – in the Swedish case, the Swedish Fiscal Policy Council – does not comply with such strict standards. Indeed, the council feels free to criticise freely the government’s fiscal policy on grounds other than the government does not comply with explicitly agreed fiscal rules (see Calmfors, 2010). It can perhaps be argued that the split between monitoring, on one hand, and costing/forecasting, on the other, is useful for the very reason that it allows a broader interpretation of the monitoring task. But then the question arises: why should the government be responsible for such a “free evaluation” unit? Indeed, there are already many non-governmental organisations that fulfil a “free” evaluation role in regard to the government’s fiscal policy. One can think of universities, the financial press, international financial organisations (IMF, OECD, EU). It can be argued that if there is any government task in the evaluation of fiscal policy, then it is precisely the careful monitoring of whether the government complies with the explicit and specific fiscal rules and expenditure limits it has set for itself. This kind of monitoring can be carried out on a strictly neutral and objective basis and is well compatible with costing and forecasting tasks. In this light, the Swedish government may consider whether it could be useful to attribute the monitoring tasks to the National Institute of Economic Research (or a new institution formed by a merger of the National Institute of Economic Research and the Swedish Fiscal Policy Council).

Since both the forecasting and costing tasks are fairly costly, governments that have introduced IFIs have generally be reluctant to establish a new organisation for this purpose next to the existing divisions of the Ministry of Finance that have traditionally carried out these tasks. For this reason, the British Office for Budget Responsibility will conduct its forecasting task for both the Parliament and the government. The Dutch Bureau for Economic Policy Analysis has always performed its forecasting and costing tasks for both the government and the Parliament (since 1947). The Parliamentary Budget Office in Australia is not allowed to do forecasting (to avoid overlap with the Department of Treasury) and will do

costing only for members of Parliament if these members (possibly of the opposition) have not asked the government to do the costing of the same proposals. The latter arrangement avoids duplication, but the OECD Secretariat has noted that it is problematic from another point of view, namely that different proposals are costed by different institutions (OECD, 2012).¹³ Apart from the costs of duplication, the governments concerned also feel that it is useful that the political debate is conducted on the basis of a unique set of numbers. While it is generally recognised that forecasting and costing are difficult arts and that with retrospect predictions often turn out wide off the mark, there is nevertheless an advantage in leaving these “technical” problems out of the political debate. In countries with unique forecasting institutions, it is generally felt that agreement among the major political parties that the political debate will be conducted on the basis of a unique set of numbers has a beneficial effect on the quality of the debate and of subsequent decision making. The Swedish government should consider whether this argument is also valid in the Swedish context, and if so, how it relates to the forecasting task of the Ministry of Finance.

Currently, the Ministry of Finance is not obliged to follow the forecasts of the NIER, which potentially could lead to different sets of numbers, although in practice the differences seem to be limited. However, the very fact that the differences are limited in practice lends strength to the argument that a single set of forecasts and costing estimates to be used by the government as a whole eliminates remaining risks for politicisation of the forecasts and estimates. Moreover, it can lead to substantial savings if forecasting and costing staff of the Ministry of Finance can be integrated with the NIER staff.

Finally, the Swedish government may consider a broader access to the costing services of the Swedish National Institute for Economic Research. Currently, the institute basically works for the government. It takes commissioned assignment to a limited degree mostly in the fields of macroeconomics and environmental economics, but mostly from government agencies. There is no expectation that the institute will take assignments from civil society organisations (for instance, employers unions, trade unions, interest groups) or from political parties or parliamentary factions, as an essential component of its task package. In countries where IFIs have been mandated with costing tasks (Australia, the Netherlands, the United States), costing reports are generally provided free of charge to parliamentarians or parliamentary factions. This includes the costing of electoral platforms.¹⁴ Costing of electoral platforms takes place, for instance, in Australia and the Netherlands, and has the effect of focusing the debates during the electoral campaigns on policies rather than on the facts. A supervisory committee of the IFI can be charged with approving the

work programme of the IFI and to see to it that opposition parties are served in the same way as the government and the government parties.

Recommendations

9. The Swedish government may consider merging the National Institute of Economic Research and the Swedish Fiscal Policy Council into an independent fiscal institution (IFI), while further strengthening its independence by providing it with the legal statute and establishing a supervisory board of prominent academic economists that approves its work programme.
10. The Swedish government may consider using the forecasts and costing estimates of the IFI as the basis for its budgetary and financial policy and integrating the forecasting and costing staff of the Ministry of Finance in the IFI.
11. The Swedish government may consider strengthening the costing role of the IFI by ensuring that costing services are freely available to parliamentarians and parliamentary factions and tasking the supervisory board to see to it that the services in this area are provided in a non-partisan way. Before parliamentary elections, the institute could offer to provide costings for electoral platforms to all political parties represented in Parliament.
12. The supervisory board could also see to it that costing services are provided to civil society at cost price in a way that enables the institute to serve as a generally accepted costing institute for government policy.
13. If the Swedish government should consider establishing an IFI along the lines of the previous recommendations, it should take the OECD Principles of Independent Fiscal Institutions fully into account.

Reform 6: Process sharing and merging of agencies

Swedish agencies

In Sweden, there is traditionally a strict separation between policy development and policy execution. This split goes back much further than the reforms of the 1980s and 1990s that emphasised this split in many other OECD countries. Indeed, in Sweden the split is part of the constitutional structure of government. This arrangement reflects a division of powers that was first introduced in the Government Act of 1634, and has remained since then a core tenet of the Swedish political and administrative culture.

Swedish agencies are subordinated to government and are not independent agencies. Independent agencies can set their own executive policies but Swedish agencies cannot. On the other hand, they do enjoy autonomy, by way of principle, as far as decisions in individual cases are concerned. Also, Swedish agencies enjoy a certain autonomy with respect to the way they organise themselves and use their resources, subject, however, to standards of operational management that apply government wide.

The formal basis for the steering of Swedish agencies is the Agency Ordinance, which is a set of rules put up for each separate agency. It contains rules about the remit of the agency, its reporting requirements, ministry-specific rules of operational management and general instructions about executive policy. Next to the Agency Ordinance, each agency receives an annual Agency Directive that specifies its budgetary resources and contains instructions about performance targets. In addition to these formal documents, agencies are supposed to conduct a regular dialogue with their parent ministry about budget execution and performance results. The organisation of this performance dialogue is different between agencies. Large agencies, such as the Tax Office, have monthly meetings with the parent ministry, the Ministry of Finance in this case, and may have frequent contacts by telephone or email in between meetings. In the case of small agencies, the contacts may be less frequent. However, by way of principle, agency managers are supposed to conduct a continuous performance dialogue with the parent ministry. On the part of the ministry, the division that is responsible for policy development is the counterpart in this dialogue. Furthermore, in most cases, the minister meets with the agency management at least once a year to discuss the annual agency report.

Agencies in OECD countries

Executive agencies with more or less autonomy in executive policy have always existed in OECD countries. Sweden is a special case because of the constitutional position of its agencies, but executive units outside the boundaries of core ministries have always been a common phenomenon in the OECD. However, until the 1980s, the development of agencies was usually motivated by practical, rather than theoretical, considerations. These practical considerations often concerned the involvement of actors outside of government (employers' associations, trade unions). Furthermore, organisations were organised as independent agencies in cases where government involvement in executive policy was considered inappropriate (the electoral council, the statistical bureau, etc.). Since the 1980s, in the context of ideas promoted by New Public Management, a number of OECD governments embarked on a policy of separation of policy development and policy execution by way of principle.

An important initiative in this respect was the launch of the “Next Step Agencies” in the United Kingdom under the Thatcher government. This initiative inspired similar efforts in other countries, particularly the Scandinavian countries (apart from Sweden), Australia, the Netherlands and Canada. Important ideas underlying the agency movement of the 1980s were that agencies could be run more efficiently if they were given additional freedom in the sphere of operational management and that separation of the financial administration of agencies from the core ministry (and possibly putting it on an accrual accounting basis) would provide more insight to the costs of public services. More recently, the idea of additional freedom has been put into question in a number of countries in the light of a more widespread recognition that the incentives motivating the behaviour of agency managers remains substantially different from the incentives motivating private sector managers, but nowhere has this led to a wholesome reversal of the separation of policy development and policy execution.

Some countries included in the Value for Money study had difficulty in answering questions on the questionnaire about agencies, because their national taxonomy of agencies did not fit with the definitions of the Value for Money study (see the Glossary). This applied to Canada, New Zealand and, to a certain extent, Australia.

Of the 8 countries that answered the relevant questions, 5 reported that there were more arm’s-length agencies in their central government than 30 years ago and 3 answered that such a development had not taken place. Of these countries, 3 reported that there were more independent agencies now than 30 years ago and 5 responded that such a development had not taken place (Table 4.2)

Furthermore, of these countries, five reported that policy execution was basically relegated to agencies and that accordingly their model of central government organisation could basically be characterised as: “small core ministries – large agencies”. Of these countries, two reported that although some executive tasks were relegated to agencies, their core ministries retained substantial executive tasks and that accordingly their model could be characterised as “large core ministry – small agencies”. One country reported that although most executive tasks were assigned to agencies, their core ministries retained some executive tasks and that its model could accordingly be characterised as “medium core ministries – medium agencies” (Table 4.2).¹⁵

Some of the eight countries that replied to the relevant questions also provided data about the number of agencies (Table 4.2). The numbers reported may not be entirely reliable, particularly as far as independent

agencies are concerned, in view of the difficulties in applying the definitions of the Value for Money study.¹⁶ Nevertheless, the table gives a rough picture. It turns out that in Sweden the number of arm's-length agencies is particularly elevated. This is not due to the fact that organisations that in other countries are organised as independent agencies are organised as arm's-length agencies in Sweden (the high number of arm's-length agencies is not compensated by the low number of independent agencies, apart from in Denmark).¹⁷ This raises the question of whether Sweden could realise efficiency gains by reducing the number of agencies or by sharing support services or components of the primary administrative of service deliver process. Service sharing will be considered in Reform 8. Merging and process sharing will be considered in this reform.

Table 4.2. **Arm's-length and independent agencies**

	More arm's-length agencies than 30 years ago	More independent agencies than 30 years ago	Model of organisation			Number of arm's-length agencies	Number of independent agencies	Total number of agencies
			Type 1 (large agency sector)	Type 2 (medium agency sector)	Type 3 (small agency sector)			
Australia	n.a.	n.a.			X	104	63	167
Austria	Yes	Yes		X		n.a.	n.a.	n.a.
Denmark	No	No	X			50	2 000	2 050
Finland	Yes	No	X			n.a.	n.a.	n.a.
Netherlands	Yes	Yes	X			45	137	182
Norway	No	No	X			158	13	171
Spain	Yes	No			X	n.a.	n.a.	n.a.
Sweden	No	No	X			367	3	370

Models of horizontal integration

In the recent past, various countries included in the Value for Money study have made attempts to realise efficiency gains by horizontal integration of production processes. Surveying these initiatives, two models of horizontal integration can be discovered, which could be called the Australian and Danish models. The Australian model is aimed at merging service delivery organisations on the basis of client characteristics. The Danish model is aimed at “seamless” interaction with government by common front offices or electronic portals.

Australian model

The most important example of horizontal integration in Australia is the Centrelink organisation. Centrelink aims at being a one-stop shop where all central government social services and benefits are horizontally integrated. Centrelink delivers payment services for the Ministry of Human Services; the Ministry of Families, Housing, Community Services and Indigenous Affairs; and 20 other agencies and ministries. Centrelink has an integrated ICT database that contains all the relevant information regarding a citizen's potential payment needs. The payment services include: old age pensions, family support, unemployment benefits for young people, study loans, disability pensions.

At 1 July 2011, Centrelink had a staff of 26 000, of which 3 000 were providing support services, 3 000 were providing common ICT processing services and 20 000 were involved in case handling either in the headquarters or in the 15 regional offices. The case handling staff is organised according to programmes; for instance, 600 social workers for social assistance programmes. The programme staff has counterparts in the line departments that Centrelink serves.

Centrelink has been costly to set up in terms of investment in ICT and buildings. However, given the number of ICT investments that were deemed necessary in the last ten years, it is currently difficult to assess the extent to which the horizontal integration has saved resources, but officials think that this is the case if compared to a baseline of the previous organisational set-up. In addition, it is clear that there has been a marked quality improvement in government services for citizens as a result of Centrelink.

Australian officials feel that additional savings can be attained by using the Centrelink infrastructure more. Centrelink recently took over the passport service. On 1 July 2011, Centrelink was merged with Medicare and the Child Support Programme. In general, Centrelink officials feel that the future in terms of service delivery lies in horizontal integration of ICT architecture (built once, used by many).

Regarding the relationship between the agency and the line ministry in policy development, Centrelink officials voiced that Centrelink should be involved early in the process by participating in departmental working groups in order to assess the requirements that new initiatives entail. There are already experiences with such working groups. The process should lead to a "business requirement statement" which specifies the objectives of the law, what the agency needs in order to attain these objectives and how much it will cost.¹⁸

In the past, Centrelink was mostly financed on the basis of fees (the purchaser-provider model), the Department of Human Services being the main client. An Australian National Audit Office report pointed to some problems in the relationship between Centrelink and its parent ministry, which led to a strained relationship (ANAO, 2008). Since then, funding has been taken over by the Ministry of Finance. It is split between base financing and variable financing. Base financing covers mostly capital expenditure (ICT, physical assets). Variable financing covers mostly current expenditure (both current operational expenditure and programme expenditure) which is strongly dependent on activity assumptions. These assumptions are revised every quarter. Centrelink finds that it is the agency, not the Ministry of Finance, that carries all the risk regarding the assumptions. It also seems that funding agreements are regularly bypassed by savings measures flowing from political expediency. Centrelink officials claim that this, to some extent, undermines development of staff and ICT systems.¹⁹

The Australian model of wholesale merger of service delivery organisations has inspired recent reforms in the Netherlands. Dutch agencies (both arm's-length and independent) are owned (in an economic sense)²⁰ by a single ministry. However, some are co-financed by other ministries, either on the basis of lump-sum contributions or on the basis of agreed fees for services provided. Examples of shared process agencies are NL Agency (for subsidy payments to the corporate sector) and the Tax Service (that pays income supplements for the Ministry of Social Affairs and Employment).

In the area of integration, the Dutch government has recently embarked upon a number of new reforms. These reforms are partly based on ideas that were developed in the Spending Review on “Operational Management” in 2010 (Box 4.3). This study explored various options for co-operation and mergers between these units. As to the responsibility for executive policy, it suggested that it could remain with the line ministry responsible for the programmes. In the case of full mergers, the common process units would be placed under one ministry that would assume the role of economic ownership and be responsible for operational management. Financing would take place on the basis of fees or lump sum contributions, to be paid by the client ministries (including the owning ministry) according to the purchaser-provider model.

Danish model

In Denmark,²¹ the emphasis has been on using ICT to make interaction with government “seamless”. A citizen portal is in the process of being set up that will enable a broad array of public sector organisations – central and local – to use a common interface with the citizens. Horizontal integration is

also pursued across government through enhanced ICT standard setting by the Ministry of Finance, which will allow easy communication between all government units (central and local). The use of common e-government components across the public sector or within selected domains is of great utility, not only to ensure increased efficiency (in some cases also large savings potentials) but also to establish a more integrated public sector as perceived by citizens and businesses.

Box 4.3. Horizontal integration in the Netherlands

The Spending Review “Operational Management” has identified clusters of executive agencies and ministerial divisions characterised by similar executive processes or target groups of service users. The most concrete proposals include the horizontal integration of three clusters of executive organisations:

- agencies tasked with paying cash benefits to citizens (unemployment, old age pensions, disability benefits, housing contributions, health premium contributions, study grants);
- agencies tasked with incasso procedures (fines, taxes, study loans, etc.);
- agencies tasked with paying subsidies to the business sector (agricultural, environmental, technological and EU subsidies).

According to the calculations made for the Spending Review (Ministry of the Interior and Kingdom Relations), horizontal integration of these three clusters can lead to savings of around EUR 250 million in 2015 (taking into account necessary costs of ICT and other investments).

A strict condition for the development of e-government initiatives in Denmark is the proof of cost savings in the form of a positive business case. A new initiative with a positive business case is Digital Mailbox, where each citizen has a digital mailbox for receiving government communications (accumulated savings potential of EUR 65 million in 2016).

The road to reform

Whereas in Australia the emphasis in the area of horizontal integration has been on the development of a common service delivery organisation, the emphasis in Denmark has been on “seamless interaction” which leaves back office tasks where they are, but guarantees easy access and communication. Nevertheless, although the emphasis may differ, both components are necessary in any policy aimed at horizontal integration. Australia’s social service delivery organisation (merged Centrelink, Medicare, Child Support Programme) needs to communicate with the line ministries that are

responsible for executive policy, and the Danish Agency for Government Management needs to establish shared front office units (the citizen portal, the Digital Mailbox Unit, etc.). In both countries, a solution had to be found for the ministerial responsibility for executive policy in the shared process components of the service delivery organisations. In the Danish case, the responsibility for common front offices rests with various line ministries and also with the municipal ATP organisation (“Labour Markets Additional Pension”), which implements a number of pension benefits on behalf of the municipalities. In Australia, the responsibility for service delivery in the social area now rests with the Department for Human Services.

In Sweden, thinking about horizontal integration is still in an early stage. In the light of international experience, full mergers are not always necessary to realise the savings potential. In Denmark, horizontal integration mainly affects small front offices. Furthermore, it is not always clear that merging all organisations with similar tasks or similar target groups will lead to an optimal size of production. In any case, it is essential that every initiative in this area be based on a thorough business case analysis, which shows clear savings.

The best way to proceed may be to conduct a government-wide study, perhaps in the form of a spending review in line with the Dutch approach in which all modalities for process sharing are thoroughly analysed. In the light of the Danish and Australian experiences, the primary focus could be on similarity of services (for instance, cash payments, cash collection, medical examinations, social consultancy for families) or similarities between client groups (for instance, students, elderly people, small and medium enterprises, etc.).

As to the steering and control of the shared process units, the following lessons can be drawn from international experience:

- Make one line ministry (the “owner ministry”) responsible for funding and operational management of the common process agency or the merged service delivery agencies.
- Make other client ministries negotiate their financial contributions and service delivery requirements with the owner ministry (not directly with the common process or merged agency) before, and if necessary after, the conclusion of the funding contract with the agency.
- Give a role to all client ministries in the permanent performance dialogue with the common process agency or the merged agency. The performance dialogue should be conducted in a co-ordinated

way under the leadership of the owner ministry (not by each client ministry separately).

Recommendations

14. In the light of the high number of Swedish executive agencies, the Swedish government may consider conducting a government-wide study on potential savings to be realised by establishing common process agencies and wholesale merger of agencies. The study could focus on similarity of services or of clients.
15. Funding and operational management of common process agencies or merged agencies should remain the responsibility of a single line ministry. Other client ministries should negotiate their financial contributions with the owner ministry (not directly with the common process or merged agency) before the conclusion of the funding contract with the agency.
16. All client ministries should have a role in the permanent performance dialogue with the common process agency or the merged agency. The performance dialogue should be conducted in a co-ordinated way under the leadership of the owner ministry (not by each client ministry separately).

Reform 7: Independent inspectorates

Administrative supervision and regulation

Regulatory reform has emerged as an important policy area in OECD and non-OECD countries. For regulatory reforms to be beneficial, the regulatory regimes need to be transparent, coherent and comprehensive. Across OECD countries there is a trend to constitute formal independence of administrative regulatory and supervisory authorities to foster competition and improve the quality of service delivery.

Administrative economic supervisors/regulators supervise and regulate the corporate sector (including the non-profit sector outside general government) in order to promote competition. For that purpose, they supervise and regulate the entry or exit from a market, the prices at which goods and services are sold or the quantities of goods and services that are sold. Economic supervisors/regulators also supervise and regulate access to infrastructure owned by other parties.

Administrative social supervisors/regulators supervise and regulate the corporate and non-profit sector outside general government, as well as service delivery units inside central government (ministerial divisions,

arm's-length agencies and independent agencies), non-profit institutions inside central government and local governments in order to protect citizens other than through the promotion of competition.

The tasks of both social and economic administrative supervisors/regulators can be summarised as:

- implementation of current law by decrees of a general nature on the basis of competences attributed by law (administrative regulation);
- monitoring of compliance with current law and administrative regulation (supervision);
- enforcement of current law and administrative regulation in individual cases through administrative decrees (licences, permits, settlement of disputes) and sanctions, as well as through codes of conduct, moral suasion and other forms of informal guidance (supervision).

In addition, social supervisors/regulators are often given the task of monitoring and enforcing current policies that are not embedded in law but rather in ministerial guidelines or policies.

In Sweden, administrative supervisors/regulators generally have the form of agencies. All Swedish agencies (not only the supervisory/regulatory ones) are independent as far as decisions in individual cases are concerned, but not as far as supervisory/regulatory policy is concerned. In Sweden, government ordinances stipulate the general provisions governing the operations of agencies and lay down the principles of how agencies should carry out their tasks. Their design differs from agency to agency. Agency ordinances are decided by the government on the proposal of the responsible ministry (for instance, the Swedish Work Environment Authority and the National Board of Health and Welfare are subject to policy directives proposed by the Ministry of Health and Social Affairs).

Swedish features of supervision, regulation

Sweden has reported that there are 58 supervisory/regulatory authorities (including inspectorates). These authorities can be divided into economic and social supervisors/regulators.

In Sweden, of the 58 supervisory/regulatory authorities in central government, there are 8 economic supervisors/regulators with a total employment of 2 019 FTE excluding the Competition Authority, and 50 social supervisors/regulators (employment data has not been provided). All of these are arm's-length institutions.

OECD review of better regulation in Sweden

The OECD review of better regulation in Sweden is part of a series of country reports launched by the OECD in partnership with the European Commission. The objective is to assess regulatory management capacities in the 15 original member countries of the European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom). This includes trends in their development, identifying gaps in relation to good practice as defined by the OECD and the EU in their guidelines and policies for Better Regulation.

The 2010 report, *Better Regulation in Europe: Sweden* (OECD, 2010a), concludes that Sweden’s achievements in terms of regulatory reform and its potential for further progress need to be assessed in the light of its institutional and economic framework, which gives the state a strong role in the economy.

The review found that in Sweden there is a strong commitment by the current government to move forward on Better Regulation. The emphasis in Sweden is on creating a better regulatory environment for business, which is timely and helpful. The development of the Better Regulation programme, and in particular the Action Plan for Better Regulation, has acted as a wake-up call, in a context where Sweden was slipping behind in Better Regulation (and was aware of a growing gap compared with some of its European neighbours), and has started to concentrate on the importance of the regulatory framework as an essential “infrastructure” for business.

In terms of the independence of administrative regulatory and supervisory authorities, the study concludes, among other things, that:

- administrative regulators lack powers and independence;
- the agency model which has been adopted for Swedish regulators secures a certain independence from ministries, it falls short of international best practice in some respects, including the lack of sanctions, an unclear relationship with the Competition Authority and a relative lack of transparency and independent status which would give regulators more clout in dealing with ex-monopolies;
- the Competition Authority appears to need enhanced skills and competencies, more independence and stronger enforcement.

How regulatory and supervisory authorities are organised in other OECD countries

Table 4.3 provides an overview of the status of social and economic regulators in the several countries.

Table 4.3. Status of administrative supervisory/regulatory authorities

		Australia	Austria	Denmark	Netherlands	Norway	Spain	Sweden
Social	Core ministry	5	4	0	14	0	n.a.	0
	Arm's-length agency	3	1	30	3	19	n.a.	57
	Independent agency	6	0	0	6	4	n.a.	0
Economic	Core ministry	3	1	0	2	0	0	0
	Arm's-length agency	8	1	5	1	7	0	8
	Independent agency	12	2	0	3	2	6	0
Total		37	9	35	29	32	n.a.	65

Various conclusions can be drawn from Table 4.3:

- In Austria and the Netherlands, social supervisors/regulators are mostly organised as ministerial divisions; in all other countries as agencies, like in Sweden.
- In Australia, social regulators in the form of agencies are mostly independent agencies. In the Nordic countries (Denmark, Norway and Sweden), they are mostly arm's-length agencies, but arm's-length agencies in the Nordic countries are not subject to ministerial responsibility for the handling of individual cases (which, in general, is not a necessary feature of arm's-length agencies).
- Economic supervisors/regulators are mostly (at least half) organised as independent agencies, except in the Nordic countries where they are mostly organised in arm's-length agencies, but again, arm's-length agencies in Nordic countries are not subject to ministerial responsibility for the handling of individual cases.
- The number of social regulators in Sweden is much higher than in other countries included in the Value for Money study. However, it may have to do with an inclusive interpretation of the concept of administrative supervisory/regulatory authority.

The case for independence of administrative regulatory and supervisory authorities

Economic supervisors/regulators should be independent because the government has own interests (conflict of interest), for instance in the case of public monopolies or because of political lobbies of powerful private companies. Social supervisors/regulators should be independent to ensure that the protection of citizens/clients against risky products (food, drugs) or risky production processes (machinery, nuclear energy production), is based on objective expertise and free from political motives, and to ensure that the assessment of the quality of collectively funded services (in education, health, social services) is based on objective expertise and free from political motives.

The OECD Secretariat undertook a number of interviews during two missions in 2010 and 2011 to Stockholm to investigate the relevance of the proposed reforms for this assessment. In terms of the readiness or willingness for the shift to formal independence for administrative regulatory and supervisory authorities, the relevant discussions with the Competition Authority, the National Board of Health and Welfare, the Swedish Work Environment Authority and the Swedish Post and Telecom Agency revealed a mixed picture. Generally, the existing informal independence was argued to be adequate for the Swedish institutional landscape, if not even “unchangeable”. At the same time, it was noted that the number of political staff in ministries was increasing and that formal independence, not concerning decisions in individual cases (which was already safeguarded), but for supervisory/regulatory policies, might serve the citizens and the economy better.

In the interviews, the independence of economic supervisors/regulators was not seen as an issue, but with respect to social supervisors/regulators two arguments against formal independence came to the fore: *i)* social supervisors/regulators carry out tasks in the sphere of policy development that should be subject to ministerial responsibility; and *ii)* social supervisors/regulators carry out tasks in the sphere of monitoring and enforcement of ministerial executive policies that are not entirely determined by formal law (or bylaw).

There are many examples in other countries of social supervisors/regulators that are organised as independent agencies and that nevertheless fulfil a prominent role in policy development. Indeed, the better integration of executive and professional expertise in policy development is an important trend in many OECD member countries. Since supervisors/regulators may be assumed to hold eminent expertise regarding execution and professional standards, there is certainly also a role for them

to play in policy development. Moreover, all interlocutors from independent social supervisors/regulators in various countries have confirmed that they see no conflict of interest whatsoever between their role as independent supervisors/regulators and their role in policy development.

However, this is different as regards the second argument against formal independence. An independent supervisory/regulatory authority may be required to refrain from openly criticising the legislation it is supposed to uphold, while internally advising the minister to adjust or even abolish it if the authority sees problems in its design or provisions, but that requirement is fundamentally problematic when it concerns ministerial executive policies that are not in any form enacted in law. An independent supervisor/regulator must be able to openly criticise ministerial executive policies that have no formal status and that cause problems. This important role of independent social supervisors/regulators is often not appropriately fulfilled or not fulfilled at all by Swedish supervisors/regulators, which may be detrimental to the quality of ministerial policies. This conflict of interest does not exist for economic supervisors/regulators that are not (yet) organised as independent agencies, because they base their work entirely on formal legislation.

Recommendations

17. The Swedish government may consider introducing special legal statutes for administrative supervisory and regulatory agencies (both economic and social supervisory and regulatory agencies) that grant them independence for their executive policies, in addition to their already existing independence concerning decisions in individual cases.
18. In order to strengthen the skills and competences of the staff of economic supervisory and regulatory agencies, the Swedish government may consider merging agencies that carry out tasks that require similar forms of expertise.

Reform 8: Service sharing by agencies

Introduction

The use of operational means is in the first place a responsibility of managers who are tasked with policy development (mostly in core ministries), policy execution (often in arm's-length and independent agencies, sometimes in core ministries) and regulatory and supervisory activities (often in arm's-length and independent agencies, sometimes in core ministries). Operational means include: communication, human

resources and organisation, internal audit, procurement, information and ICT, finance – budgeting, accounting, paying – and accommodation, real estate and facilities – office equipment, reproduction, cars, catering, security). The use of operational means in this sense is called operational management.

In the Value for Money study, activities in the area of support services are distinguished by support service delivery and standard setting. Shared service centres are defined as government units providing support services to more than a single ministry (including its agencies) or sub-sector of government (central government, social security funds, local government). Support services may cover all operational means.

Standard setting is defined as making general rules with respect to operational management. Managers responsible for operational management have to respect rules for the use of human resources (rules on recruitment, remuneration, performance assessment, promotion, etc.); accommodation, real estate and facilities (rules on office space, office equipment, etc.); procurement (rules on the purchase of goods); internal audit (rules on independence of auditors, etc.). These standards are generally set for the whole of central government by authorities who are located in central ministries (Finance, Interior and Prime Minister). Furthermore, central standards are often complemented by decentralised standards which are set by the permanent secretaries (highest civil servant) of the ministries. Shared services arrangements allow organisations to reduce costs through concentration, process standardisation and economies of scale. Achieving synergy, enhancing service quality and facilitating a stimulating working environment for specialists are likewise common arguments for shared services. The organisation will release resources to focus on strategy and core activities instead of dealing with repetitive administrative issues. Shared service arrangements may generate substantial cost savings.

One of support units' main tasks is advising managers about operational management and the application of standards of operational management. This task should not be combined with actual responsibility for the use of operational means in the primary process of policy making, policy execution, regulatory/supervisory activities or provision of other support services since it gives support units an interest in the *status quo* of operational management that is not well compatible with objective advice on optimal methods of operational management.

Research also suggests that organisational and management changes in public sector organisations need to be facilitated by changes in public

policies. For example, a case study in Sweden showed that the implementation of shared services needed policy changes, including changes in the employees' perception of lifelong tenure and voluntary collaboration in decision making (Ulbrich, 2010).

The Value for Money Survey

Of the nine countries participating in the Value for Money Review that have provided information about shared service centres, two (Australia and Spain) reported that up until now, no shared service centres were in place in their government. Seven (Austria, Canada, Denmark, Finland, the Netherlands, Norway, Sweden) reported to have established shared service centres. Table 4.4 provides an overview of the number of shared service centres, their total employment and their location (the number of ministries where the centres are located should not be confounded with the number of client ministries and governments to which services are provided). Table 4.5 provides an overview of incentives, funding and collection of efficiency gains.

There are two distinct models for the creation and use of shared service centres in the countries of the Value for Money in Government study, the top-down model and the bottom-up model. In the top-down model, the use of the shared service centre is imposed by Cabinet decision and the personnel that provides the support services is transferred from the line ministries to the shared service centre. In the bottom-up model, the use of the shared service centre remains voluntary for the line ministries, but there may be incentives in place to stimulate the use, such as one of personnel reduction operations (sometimes specified for support services) or permanent automatic productivity cuts.²² Austria, Denmark and Finland report using a top-down approach. The Netherlands, Norway and Sweden report using a bottom-up approach. Canada reports using a combination of the two.

There is a wide variety of services provided by the shared service centres. The dominating services are finance (accounting and payment services), human resources (salary, pension and training), ICT, procurement and accommodation and facilities.

There is no common organisational model of shared services. Most countries have organised the services according to function (Austria, Denmark and Finland) while some organise services according to user groups (e.g. Sweden and partly Canada and Norway).

Table 4.4. Shared service centres (SSCs)

	Number of SSCs	Total employment	Support services provided by SSC	Number of ministries where the SSCs are located
Austria	6	2 558	IT, procurement, accounting, finance, law, real estate	2 (5 out of 6 in Finance)
Canada	15	11 476 ¹	ICT (2), procurement (2), communication (2), accommodation and facilities, payroll and pension, learning and training, telecommunications, HR (3), audit, finance	8 (7 out of 15 in Public Works and Government Services Canada)
Denmark	5	n.a. ²	HR, salary payments, bookkeeping and accounting, payment of pensions, loans and grants (1), advice on ICT, budgeting, procurement, salary payments (1), ICT development (1), accommodation and real estate (1), pay bargaining (1)	1 (Finance)
Finland	7	2 087	ICT (2), finance and HR (2), accommodation and facilities, procurement, training and development	1 (Finance)
Netherlands	25	2 615 ¹	n.a. ²	4 (17 out of 25 in BZK ³)
Norway	4	1 030	ICT, accounting and facilities (1), procurement, HR training and development (1), accounting, salaries and travel expenses (1), switchboard (1)	Various
Sweden	2	631 ⁴	Financial and administrative services	1 (Prime Minister's Office)

1. Data for some smaller agencies were not available and have not been included.

2. Not available from the questionnaire responses.

3. Ministry of the Interior and Kingdom Relations.

4. In persons employed (not in FTEs). This includes both *Kammerkollegiet* (43) and the Office of Administrative Affairs (588). The latter is not known as a shared service centre in Sweden in view of the fact that, since 2007, all ministries have the status of a single agency. However, in terms of the OECD definition (see the Glossary), the Office of Administrative Affairs is a shared service centre (it serves more than one ministry).

Source: Questionnaire responses.

In the countries that rely on incentives to stimulate the establishment and use of shared service centres, and consequently feature a more spread out pattern of such centres (the bottom-up countries), there are no plans in place to move to a more coercive approach or to concentrate shared service centres in a single ministry. On the contrary, it is generally felt in those countries, that the practice of service sharing will increase automatically to the extent that the cost and quality benefits flowing from economies of scale become clear to potential clients. Interlocutors in those countries have also noted that there are risks attached to the creation of monopoly suppliers of those services within the public sector, particularly as large ICT systems are involved (risks of project failure or malfunctioning of existing systems).

Table 4.5. Shared services: Incentives, funding and collection of efficiency gains

	Mandatory <i>versus</i> voluntary services	Incentives for use of SSC	Funding of shared services	Collection of efficiency gains
Austria	Mandatory by specific law	One-off budget realisation	n.a. ¹	Cut in appropriation by the Ministry of Finance
Canada	Both	Cost, expertise, tools	Appropriation (mandatory) and user fees (voluntary)	Agency keeps savings, combined with productivity cuts
Denmark	Mandatory by government decision	One-off budget realisation	Cost recovery	Cut in appropriation by the Ministry of Finance
Finland	Mandatory by government decision	n.a. ¹	Cost recovery, negotiated annually	Agency keeps savings, combined with productivity cuts
Netherlands	Voluntary	One-off budget realisation	Cost recovery, negotiated annually	Agency keeps savings, combined with productivity cuts
Norway	Voluntary	One-off budget realisation	Appropriation	Agency keeps savings, combined with productivity cuts
Sweden	Voluntary	Permanent productivity cuts	Cost recovery, negotiated annually	Agency keeps savings, combined with productivity cuts

1. Not available from the questionnaire responses.

Source: Questionnaire responses.

For many support services, it is not clear that the optimal scale of production is the entire central government, or even the entire general government (including sub-national government). Too large a scale may lead to bureaucracy and lack of responsiveness to client preferences. A

common shared service provider established by a top-down approach is *per se* a monopolist. Even when the shared service provider grows naturally by business-based decisions of individual agencies and ministries, there will be a potential for developing monopoly or oligopoly conditions. Therefore, it is important to consider the influence of the customers and the instruction and supervision capacity of the superior ministry in order to sustain efficiency and service quality.

The Danish and Finnish approaches

In contrast to Sweden and most of the other countries included in the Value for Money in Government study, Denmark has followed a so-called top-down approach in respect to service sharing (OECD, 2011b). Cabinet decisions mandate reorganisations by which entire decentralised support services in ministries and agencies are moved into shared service centres. This may imply physical movement of these units from all over the country to Copenhagen. Savings are realised only after the reorganisation has taken place, in the form of phased reductions of personnel in the new shared service centres. If it can be assured that the efficiency gains can be realised by natural attrition, this model is considered as suitable. However, it is seen as crucial that personnel are fully informed about their prospects and that insecurity is carefully managed.

This approach has generally been successful and has led to large savings in the order of EUR 81 million over the last decade. However, the effort has also been adjusted along the way in response to experience. The business case for the Danish Agency for Governmental Administration included a planned cost reduction of 44% for payroll administration and accounting in the shared service centre. Approximately three years after the start of the gradual implementation, a reduction of 36% had been realised. The target of 44% was expected to be met in 2012. The current business case shows that it is possible to achieve a potential annual gross cost saving of approximately DKK 69 million and a potential total net cost saving of DKK 110 million over the period 2009-2015. Denmark has imposed savings to be achieved through sharing by adjustment of the ministerial ceilings in the medium-term expenditure framework.

Shared services are largely concentrated in four agencies of the Ministry of Finance: the Agency of Governmental Management, the Agency for Governmental Administration, the Agency for Governmental IT Services and the Palace and Properties Agency. Next to these, there is the State Employers Authority, which supports negotiations with the trade unions for a large number of government employers according to the Scandinavian model of public sector wage setting.

The service sharing initiative in Denmark has mainly been driven by considerations of efficiency, service quality (large support units can develop more expertise in specific areas, which is sought by clients) and competitive advantage *vis-à-vis* the private sector (large support units provide a better environment for career development by specialists). The approach has largely been pragmatic. The results are impressive.

Standard setting with respect to support services is in Denmark entirely concentrated in the Ministry of Finance. Standard setting for human resources resorts to the Deputy Secretary for Administrative Policy and the State's Employers Authority (an agency); for finance under the Economic Management Division of the Agency for Government Management; internal audit, procurement, ICT under the Deputy Secretary for Administrative Policy. Standard setting with respect to accommodation and facilities is largely left with the line ministries.

Finland has established shared service centres within the ministries. Some years ago, the government started a process to merge the service centres into one centre and eventually consider market tenders to promote efficiency and competitiveness. Finland has followed an approach similar to that of the Netherlands: the establishment of shared services centres combined with a downsizing operation to provide incentives for task transfer and to assure savings. A shared services centre was established and built up from 2005-08: the Financial and Personnel Service Centre. It is a merger of the Justice Administration, the Defence Administration, the Interior Administration, the Financial Administration and the University Administration. It provides shared services in the areas of invoicing, accounting, salary payment, personnel administration, ICT and travel administration. It has six regional units apart from the headquarters in Helsinki (after five regional units were closed in 2010). The centre has a staff of 570 employees. It serves nine ministries and 60 agencies.

Another new shared service centre has been established for ICT: IT Management. It started its operation in the beginning of 2009. It is organised as a unit within the State Treasury (a branch of the Ministry of Finance) and has two local units: Helsinki and Lappeenranta, with a staff of 40. Apart from the Financial and Personnel Service Centre and IT Management, shared services centres already existed for procurement (Hansel, a public enterprise; employment 55) and for accommodation (Senate Properties; employment 276 with 13 regional units).

In Finland, savings have to be generated by an *ad hoc* downsizing operation with a target of 8% of the administrative central government employment in 2011²³ and 12% of the administrative central government employment in 2015. These targets are divided over the ministries, so the

incentive has to come from the need to comply with the ministerial ceilings on administrative budgets.

Finland has a relatively ambitious savings target, with estimated savings potential for 2015 of EUR 235 million. This is the total saving target for support service personnel (regardless of whether they come from sharing or from efficiency measures inside ministries and agencies).

The Swedish approach to shared services

Government agencies in Sweden are expected to choose the most rational and cost-efficient way of managing their business, and are free to make their own choices. It is relatively common for government agencies to rely on external service providers. These normally concern non-strategic functions and are mainly provided by private enterprises.

The Swedish government has one unit that provides shared services (in the sense of the OECD definition; see the Glossary) to all core ministries, namely the Office of Administrative Affairs under the Prime Minister. It mostly provides services in the sphere of finance, human resources, procurement and ICT.

Furthermore, until June 2012, Sweden had a shared service centre *Kammerkollegiet* that provided services to agencies with less than 40 employees, mostly in the sphere of human resources, such as salary payments.

The government appointed a special Inquiry Chair to prepare the establishment of a National Government Service Centre by 1 January 2012. The Inquiry Chair submitted a report in April 2011 (SOU, 2011), which refers to the principle prerequisite in the Swedish government arrangements that each agency has the responsibility to decide whether to provide the back office services by itself, in co-operation with other agencies or by outsourcing with no specific fiscal incentives such as *ad hoc* productivity cuts in place. The agencies therefore are free to choose whether to use the services of the new service centre or not. However, agencies deciding not to use the service centre have to demonstrate that they produce or acquire the services concerned in a way that it is at least as efficient as having them delivered by the service centre. The report acknowledges that if a sufficient broad use of the service centre takes too much time, the government may have to increase the pressure for change. The service centre would not produce services on its own if the market can provide the same services more efficiently with equal quality.

On the basis of the proposals of the special inquiry, the government decided to set up the National Government Service Centre on 1 June 2012. It provides administrative support services on a voluntary basis to other

government agencies. The Service Centre offers services within three areas: finance and accounting, payroll management, and e-commerce. The agency is financed by user fees with the requirement of full recovery of all costs.

The agency is built on parts of the operational support units (internal service centres) of the Swedish Tax Agency (*Skatteverket*) and the Swedish Social Insurance Agency (*Försäkringskassan*) as they were identified as best practices within central government. On 1 October 2012, the administrative service centre within the Legal, Financial and Administrative Services Agency (*Kammarkollegiet*) that provided services to small agencies, mainly with less than 50 employees, was integrated within the Service Centre. The government's motive of incorporating the business within the Service Centre is holding down the government administration's overall IT costs and ensuring that the government's administrative support activities as a whole are developed based on common goals and aspirations. The Service Centre's standardised production is located to two regional cities, Gävle and Östersund. There is also a small branch in Stockholm for consultative services.

The National Government Service Centre provides services on a voluntary basis to other agencies to be remunerated by user fees. The objective is to make the agencies' administration more efficient and thereby release resources for the agencies' core activities. In the longer run, it is estimated that the Service Centre has a potential to reduce the government's administrative cost by SEK 1 billion annually by expanding the services to other back office functions (for instance: archive, ICT, etc.) and to more agencies.

At start up, the agency had some 170 full-time staff, increasing to over 200 employees by the end of 2012. It currently administers wages to over 30 000 employees.

The Service Centre's services are divided into basic services, additional services and special services. Basic services are standardised and the same for all agencies. Initially, the Service Centre will offer basic services within three areas: finance and accounting, payroll management and e-commerce. Additional services are standardised services that only some agencies may require. Special services are services of a more temporary and unique character that are not possible to standardise, such as investigations and consultative services.

The Service Centre is managed by a governing board which has full responsibility and is headed by a Director-General. The board has six board members, including the Director-General. The members have a broad combination of experience of both public sector governance and governance of customer-oriented organisations in the private sector.

At 1 July 2012, seven agencies were customers to the Service Centre, which amounts to more than 12% of the government administration as measured by number of government employees. In addition, at 1 October, the agencies who were customers to *Kammarkollegiet* became customer agencies to the Service Centre, which represents approximately 2% of government.

The goal is for 25% of the government administration, measured by the number of government employees, to be customers to the Service Centre by the end of 2015 (covering approximately 25% of all central government employees). The Service Centre has the government's mission to press for the goal to be achieved and to report a plan for how the goal will be achieved.

Financing and steering

In previous Value for Money reports, the OECD Secretariat has made recommendations about the governance of shared service centres (OECD, 2011b; 2012). While the National Government Service Centre serves various ministries and agencies, it is important that the ministry which owns the centre remain fully accountable for its operational management and efficiency. This can only be achieved if the financing relation with the centre remains firmly in the hands of the owner ministry. Whereas it is appropriate that the client ministries and agencies communicate regularly with the unit or centre about the modalities of service delivery in a permanent performance dialogue, it is important that the ministry that owns the unit or centre is exclusively responsible for its financing. This is the only way that accountability for the efficiency of the unit centre can be made effective. The client ministries and agencies of the unit or centre can be made to “pay” for the services provided by shared process units or service centres by inter-ministerial reallocation of the resources concerned. This will be reflected in the reduction of the line items from which the resources are taken (usually operational expenditures of core ministries).

The owner ministry is not only responsible for the financing and operational management of the shared service centre but also for the effectiveness of the permanent performance dialogue between the client agencies and the management of the service centre (OECD, 2012). In particular, the owner ministry should make sure that the client agencies are represented in the team that conducts the performance dialogue and diverging interests among the clients are reconciled before the dialogue starts. It is important that in the elaboration of the customer forums that are

envisaged in the Swedish governance model, the leading role of the owner ministry in the performance dialogue is ensured.

Standard setting²⁴

There are various units for standard setting in Sweden: *i)* the Division for Central Government Employer Policy of the Department for Public Administration of the Ministry of Finance; *ii)* the Swedish Agency for Government Employers; and *iii)* the National Financial Management Authority, an agency under the Ministry of Finance. The first and second operate in the area of human resources, the third in the area of finance (budgeting and accounting), internal audit and procurement. Standard setting for internal and external ICT has been taken over by State Secretary Group for Electronic Government. There is no government-wide standard setting for accommodation, real estate and facilities, communication nor organisation (agencies decide for themselves in light of their needs). Operational standards have wider purposes but are also prerequisites for efficient shared services.

Recommendations

19. The Swedish government has taken important steps towards increasing the use of shared service providers. The government should, however, consider a stronger central push (top-down approach) on agencies to take up the services provided. This may be necessary to harvest the gains and accomplish the ambitious vision of cost saving.
20. The Swedish government should ensure that, in the elaboration of the governance arrangement for the new National Government Service Centre, the responsibility for financing and operational management should rest with a single ministry (preferably Finance). The responsibility for the co-ordination of the permanent performance dialogue with the client agencies should be attributed to the same ministry. All client ministries should participate in the permanent performance dialogue.
21. The potential for shared services in additional functions should be investigated, for instance in procurement and accommodation, real estate and facilities.
22. As Sweden has established standards for operational management on several functions, there might be additional savings in standards on the remaining functions, like communications and accommodation, real estate and facilities. The government should consider establishing central standards for these functions.

Reform 9: Introducing spending review

Sweden does not have a strong tradition of ongoing spending review

At present, the government of Sweden has not incorporated a permanent system of spending reviews into the annual budget process. Individual agencies and some line ministries certainly evaluate and review government spending programmes and budget analysts will undertake desk-top reviews as part of their negotiations with line ministries and agencies. However, these are informal and *ad hoc* mechanisms that do not allow the government to make collective decisions on the programmes or policy areas it wants to be reviewed as input into budget decision making.

Spending review in Sweden

Like many other countries in the Value for Money study, Sweden has utilised comprehensive spending reviews during times of fiscal crisis. Most notably, Sweden undertook a far-reaching review exercise during the budget crisis of the early 1990s when the budget deficit reached 17% of GDP. The spending review exercise that was undertaken at that time resulted in significant fiscal consolidation, most notably to the welfare system, and achieved a structural readjustment in government spending. As discussed in Chapter 3, this period also marked a point of significant budgetary reform in Sweden, including the introduction of strict spending limits and a medium-term budgetary framework. However, the spending review system was dismantled once the crisis was resolved and no moves have been made subsequently to establish a permanent system of spending review.

This stands in contrast with some other countries included in the Value for Money study that undertook major budgetary consolidation exercises during the mid-1990s. Both Canada and the Netherlands experienced similar budgetary crises in the early 1990s and undertook comprehensive experience review exercises as corrective measures. However, once the crisis had abated, both of these countries retained a system of spending review which was designed to allow the centre of government to undertake targeted reviews of government spending as part of the annual budget process. Similarly, the Comprehensive Spending Review undertaken by the newly elected Blair government in 1997 served as a precursor to the permanent system of spending reviews which characterised budgeting throughout much of the next decade in the United Kingdom. We have drawn

from the experiences of these countries in the following sections, which recommend reforms for establishing a system of spending reviews in Sweden.

Spending reviews in a devolved budgeting system

It is not unusual that devolved systems of budget management such as that in Sweden do not incorporate a system of central programme review because they assume it will occur elsewhere in the system. First, there is an expectation that line ministers, in conjunction with agency heads, will require programme reviews or evaluations to occur so that they can fulfil their budgetary responsibilities. For example, strict expenditure limits, such as those operating in Sweden, require ministries and related agencies to operate within pre-established constraints and they must therefore find expenditure savings to compensate for any over-spending. It is expected that agencies base these decisions on evidence from review or evaluation, although this is not a prerequisite of most systems, nor is it enforced. Second, in a devolved system of budgeting, the central agencies may establish expenditure review teams to identify programme savings during periods of fiscal stress or policy expansion. As discussed above, the Ministry of Finance typically undertakes *ad hoc* spending reviews to identify savings options from the existing programmes during periods of fiscal stress. Other times, budget analysts undertake “desk-top” reviews to identify savings or possible “off-sets” within their areas of responsibility. These tend to have little involvement by line ministries and rarely include options for policy redesign.

The basic weakness of agency-led spending reviews is that the Ministry of Finance cannot use them to compensate for the fundamental asymmetry of the regular budget process. Without a centralised spending review process, the budget process is capable of producing good options for new spending, but not of producing good options for new savings. The basic reason for this is that line ministers want to maximise the chances of adopting new spending proposals, but to minimise the chances of adopting new savings proposals in their portfolios. Countries such as Sweden seek to compensate for this asymmetry by imposing strict portfolio expenditure ceilings, which force the line ministers to come up with good savings proposals to compensate for setbacks and new initiatives. However, this mechanism does not work at moments when the ceilings are established or adjusted, nor does it allow Cabinet to collectively decide the direction and focus of spending reviews. In countries such as Sweden, where ceilings are adjusted annually, a spending review process that is incorporated into the

budget process is an important mechanism for overcoming budgetary asymmetry and therefore improving both aggregate discipline and the allocative function.

Spending reviews: International experience

The use of spending reviews is widespread in many of the countries participating in the Value for Money study.²⁵ The exact nature of spending review mechanisms differs greatly across countries; however, there are three key principles that differentiate spending review procedures from evaluation. First, spending reviews examine the consequences for policy outputs and outcomes of alternative funding levels and recommend options for changing the modes of programme delivery or policy development, rather looking at the effectiveness and efficiency of programmes under current funding levels. Second, the Ministry of Finance or the Prime Minister's Office holds final responsibility for the spending review procedure. Third, the follow up of spending reviews is decided in the budget process. These differences are the key features that make spending review an essential tool for the Ministry of Finance in promoting the dual aims of fiscal discipline and enhanced value for money across government.

Suggested reforms to spending review procedures in Sweden

Experience from practices in the Netherlands, the United Kingdom and (in recent years) in Ireland suggests some options for building a spending review system in Sweden. First, spending review in Sweden should include: *i*) formal articulation of the spending review processes including procedures for selecting review topics and how individual reviews should be conducted; *ii*) clarification of the focus of reviews, including the type of recommendations and options for reform that should be included in reports; and *iii*) directions on how recommendations should be disseminated and incorporated in the budget process.

Second, establishing a specialist spending review team within the Ministry of Finance (or the Government Offices more broadly) would strengthen the internal capacity to conduct spending reviews and provide the basis for a co-ordinated approach to selecting review topics, and ensure broader consultation with relevant line ministries, advisory bodies inside government, and experts and stakeholders outside government. To ensure that the process is sustainable over time, spending review exercises should be conducted on a periodic basis as this reduces the likelihood of “reform

burnout” and provides the time required to implement significant reforms that may flow from review options.

Experience in Ireland: Engaging the line ministries in the spending review procedure

In November 2008, the government in Ireland announced the establishment of a comprehensive spending review (the Special Group on Public Service Numbers and Expenditure Programmes) to examine the current expenditure programmes and make recommendations for reducing the civil service. External experts from both the public and private sectors were invited to participate. The secretariat was provided by the Ministry of Finance.

The group introduced a “court-like style” process in which each line ministry was invited to meet the group and submit an evaluation paper in advance. The purpose of the evaluation paper was to give line ministries an opportunity to outline possible savings options and the impacts on outputs and outcomes. In parallel with this process, the Ministry of Finance prepared its own evaluation papers, which included options for expenditure and staff reductions. Both sets of evaluation papers were considered by the group in advance of meetings with the management teams of each line ministry. Subsequently, the group produced its own savings options, making use of all for the information thus obtained. This “accusatorial” rather than “inquisitorial” process puts responsibility on the Ministry of Finance to develop a set of workable savings options and allows it to include lessons from other government departments that have successfully cut operating costs or redesigned processes.

This stands in contrast to processes in the Netherlands and the United Kingdom, for example, which tend to encourage a “wait and see” attitude in the Finance representatives. It also provides an impetus for core ministries to engage in the review process rather than working to block the process.

Institutionalising comprehensive and periodic reviews: Spending review in the United Kingdom

Spending review processes in the United Kingdom started in 1998 as part of a wider set of reforms aimed at the modernisation of public finance management, and were designed to support the biennial revision of the

expenditure framework and ministerial ceilings. For that purpose, the spending reviews are supposed to reallocate money to key priorities, change policies so that money is well spent, ensure that departments work better together to improve services and weed out unnecessary and wasteful spending. Spending reviews are produced by various types of working groups: some exclusively composed of Treasury officials, some of mixed composition. External experts and prominent personalities from the public and private sectors are often invited to participate or chair the working groups. The completed reviews are discussed between the Chief Secretary of the Treasury (responsible for the budget) or the Chancellor of the Exchequer and the line minister. The British spending review process focuses on discretionary spending, which covers around 60% of total spending. This is the part of the budget that is subject to the fixed multi-annual ceilings. The remaining 40% is taken up by “annually managed expenditure”, which includes social security, interest and other items of mandatory spending, and is allowed to fluctuate to provide for automatic stabilisation.

The United Kingdom’s “Comprehensive Spending Review” is explicitly linked to the setting of departmental expenditure limits on a periodic basis. In 2010, the United Kingdom’s new coalition government used a “Comprehensive Spending Review” to distribute large-scale expenditure reductions planned over a five-year period across the various ministries. The scope of spending reviews are constrained to discretionary or departmental spending in the United Kingdom (discretionary spending). In Canada it is constrained to direct programme spending. We consider that there is no rational justification for this distinction.

Spending review in the Netherlands

The system of spending reviews in the Netherlands includes the following basic features. First, spending reviews focus on specific policy areas which typically work across lines of departmental responsibilities. Second, spending reviews are conducted by working parties of civil servants from several ministries and external experts under the chairmanship of prominent persons who do not bear responsibility for current policies. Third, all spending reviews are supported by a discrete unit in the Ministry of Finance which provides the secretariat of all working groups. Fourth, the reviews must be primarily forward looking and include reform options based on an evaluation of the current policy; the reform options must lead to savings (with an obligatory -20% option). There is no veto right in the working parties on any policy option proposed. Finally, the overall spending review system is supervised by a committee of high-level officials of the

central ministries (Prime Minister's Office, Finance, Economic Affairs, Ministry of the Interior and Kingdom Relations), and decision making on recommendations within the reports must be integrated into the budget process.

The Dutch system initially operated under an annual mechanism but recently moved to a more periodic and comprehensive system. From 1981 until recently, the system was annual and selective, with approximately 20 interdepartmental reviews undertaken each year. However, the number of reviews fell continually and during the 2000s only between three and five were conducted each year. At this point, it appeared that the system would be abandoned. Insiders argue that the annual system was too burdensome, especially during a period of fiscal plenty which diminished the impetus for reviews to provide options for expenditure restraint via comprehensive policy redesign.

The Dutch system was reinvigorated during the recent fiscal crisis and a series of working parties undertook a comprehensive review of all major spending programmes in the public sector. This has now been set as the norm. The current system of spending reviews in the Netherlands runs on a multi-year review cycle in which all major spending programmes are reviewed in the year before elections. The reports of each spending review are published and made available to the public and political parties before the start of electoral campaigns. It is expected that the in-coming Cabinet will use recommendations from the spending reviews as the basis for its forward policy agenda.

Recommendations

23. The Swedish government could consider strengthening the spending review procedures by introducing a multi-year review cycle in which all major spending programmes are reviewed. This may follow the Dutch and British examples where a comprehensive review is undertaken periodically in line with the update of expenditure limits (United Kingdom) or in the year before elections (the Netherlands).
24. The government could formalise key features of the system as this will reduce the need for budget analysts to “reinvent” the system with each review. Essential elements are: the Minister of Finance should decide on the selection of policy areas to be reviewed and the composition of the working parties. The system could be strengthened by establishing a clear set of expectations in terms of both the content and the treatment of recommendations from spending reviews. For example, in the Dutch system, spending reviews are expected to provide at least two options for new policy, one of which needs to provide a 20% reduction in current spending levels. Individual spending reviews should be carried out by working parties that include the responsible line ministry, the Ministry of Finance, the Prime Minister’s Office and other ministries involved in the policy area. The working groups should be chaired by independent officials (who do not carry responsibility for the policy area) and include external experts. Spending reviews should be published and made available to Parliament, the public and political parties.
25. The Ministry of Finance should create a spending review unit within the Ministry of Finance to support the review process and undertake some of the initial research. This is current practice in Australia and the Netherlands, where teams of approximately ten officials provide the expertise and technical skills to support working parties undertaking individual reviews. The secretariat should also provide an interface between the individual reviews and the broader budget process by ensuring that the reviews are conducted in a timely manner and that they remain focused on questions that lead to recommendations that can be used in the budget process.
26. The reviews should focus on the efficiency and effectiveness of current policies, including the appropriateness of current service levels and delivery systems; reviews should contain policy options to improve efficiency and effectiveness and also include obligatory savings options of a certain percentage (at least 10% to be determined at the start of each round of reviews). Options to increase expenditures should not be allowed in spending reviews as such options can be developed by the line ministries themselves.

Reform 10: Financing e-government

Challenges in ensuring value for money in e-government

The majority of e-government projects aim to enhance value for money by improving operational efficiency within organisations, facilitating communication between government ministries, or by interactions between the state and citizens. The current Swedish government's e-government action plan states that the main aim is for e-government services and solutions to be "as simple as possible for as many as possible". The action plan is part of a strong boost of e-government, triggered by the increasing awareness that, according to international benchmarks, Sweden has recently been slipping in e-government performance.

One of the key barriers identified in Sweden is the problem of financing e-government. Two problems are at the root of this: the Swedish agency model complicates cross-governmental projects and the sow-harvest split causes benefits to be reaped elsewhere than where the investment is undertaken (the latter problem has been identified as well in many other OECD countries). Accordingly, agencies have called for more coherent management, financing and co-ordination of e-government projects and greater scope for automated collaboration and collaboration with third parties.

Yet, few of the countries in this study could provide specific examples of sustainable e-government financing. Globally, the failure rate, cost and time overruns for ICT-related programmes and projects are high. As a result, OECD governments are examining ways to enhance their performance in this area so that potential gains are realised and excessive costs minimised. This report is not intended to be an extensive review of ICT adoption in government or of Gov 2.0; these issues are examined by other OECD reports (OECD, 2005, and e-government country reviews).

Rather, we look to international experience to make two recommendations likely to enhance the value for money that flows from expenditure in ICT projects. First, all e-projects should be subject to a much stricter process in how they are going to generate savings and wider benefits for society. Second, Sweden may stimulate the use of shared process units for the organisation of ICT applications and e-government building blocks that are used government wide or that are used by target groups of citizens.

Box 4.4. E-government survey (2011)

Annual e-government survey (2011)

In spring 2011, the first of the recurring annual surveys on e-government priorities was carried out in Sweden. The purpose of this survey was to provide a co-ordinated overall picture and to contribute to increased knowledge of e-government development and impact. An equivalent survey by the municipalities was carried out by the Swedish Association of Local Authorities and Regions (SALAR).

The results were as follows:

- Government agencies provide 610 e-services targeting various users.
- Almost 60% of the agencies state that e-government has enabled them to raise their levels of service to private individuals and companies.
- Approximately the same percentage consider that they have been able to improve the effectiveness of their work processes.
- Funding is the greatest perceived obstacle, and the next greatest is existing laws and regulations.
- For more than half of the agencies, e-government has a high or very high priority.
- Cost-benefit analyses ahead of investment decisions are used often by half of the agencies.
- More than every third government agency has co-operated with another agency in developing e-services.

A brief overview of e-government in Sweden

The early days of e-government in Sweden date back to major computerisation projects in the 1970s, but strategic deployment of e-government started with the introduction of a project named “Government e-Link”, which was aimed to enable the secure electronic information exchange within the public administration, as well as between public bodies and citizens and entrepreneurs. The year 2000 can, however, be considered as the kick-off year of a full-fledged e-government policy. It was then that the so-called “24/7 Agency” concept was introduced as a guiding principle for the networked public administration. From then on, the administration as well as the services it provides had to be made reachable at any time and place, through the combined use of three media: the Internet, phone and regular offices.

In 2006, the Swedish Administrative Development Agency (Verva) was established as one of the government's central advisory agencies. Verva's remit was to co-ordinate the development of central government in Sweden, while driving and promoting the country's e-government development. Despite tangible achievements such as the creation of an access gate to all government e-services for citizens – the “*Sverige.se*” portal – Verva did not fully achieve its aims. A lack of co-ordination was observed at all levels (organisational, financial and legal), leading, among other drawbacks, to the partitioned and duplicated development of the public e-services. Verva was abolished in 2008, including the central e-services portal.

As a response to this development, e-government policy was subjected to a wide ranging review, which concluded with the publication in January 2008 of the “Action Plan for e-Government”. The central aims of the Action Plan were to rationalise policy governance; make the Swedish administration the “world's simplest administration”, and take public services delivery to a higher level than that of mere provider-customer interaction. This action plan led to the establishment of the e-Government Delegation (*E-Delegationen* in Swedish).

In Sweden, agencies have final say in their e-government projects; the e-Government Delegation merely has the mandate to look into procedures on how to provide more efficiency based on international experience, to develop guidelines that are non-binding and to conduct follow-up with agencies.

Consider a stronger, central process to evaluate e-government financing

In general, e-government projects are supposed to contribute to efficiency and quality of service delivery. Efficiency is furthered through easy collection and transmission of data. Quality is improved through improvement of data quality and quantity, quicker collection and transmission and easier accessibility. For the assessment of e-government projects, it is fundamental that both aims be clearly separated.

Sweden could consider strengthening the procedure to enforce the sustainability of e-government financing by bringing in a “gateway” procedure. There have been many substantial efforts across OECD countries that have focused on how e-government can be used to achieve efficiency savings or increase effectiveness. As far as gateway procedures are concerned, Australia and the United Kingdom provide good examples (Box 4.7).

Box 4.5. e-Government Delegation in Sweden

The e-Government Delegation is an agency of the Ministry of Enterprise and has a staff of eight. It is a commission set up by government for a limited time only – from 2009 to 2014 – to boost and streamline e-government efforts in the agencies. The Board of the e-Government Delegation consists of the directors-general of the most IT-intensive government agencies as well as the Director of SALAR. It co-ordinates the development of e-government at inter-agency level. The e-Government Delegation co-ordinates the IT-based development projects of government agencies and assesses their impact on citizens, the business sector and public administration employees. It also co-ordinates specific IT standardisation issues and assists the government in the international work in this area.

The main remit of the e-Government Delegation is to:

- Shape a strategy for agency work on e-government that includes:
 - providing the public sector with e-identification;
 - technical interoperability at both government-wide and sectoral level;
 - the development of e-services supporting the transition to new technologies, such as IPv6;
 - the concentration of administrative support services;
 - the development of integrated e-services; and
 - better services for citizens and businesses in rural areas.
- Co-ordinate IT-based development projects in central government agencies.
- Monitor and follow up the effects for citizens, business operators and staff.
- Co-ordinate certain IT standardisation matters.
- Assist the government in international co-operation in the area.

Box 4.6. Guidelines of e-Government Delegation

The e-Government Delegation has recently released the following relevant guidelines:

- Guideline for benefit management: the public sector invests billions in IT and operations development every year. These investments are implemented to raise the service level to private individuals and companies, to improve the efficiency of processes and organisations and to implement political decisions. This guide contains tools to secure impact and realise benefits.
- Guideline for needs-driven development: this guide describes how to integrate users' needs into operations development to produce services that are sought after and used. It contains tools for and experience of how organisations can achieve a user-focus and avoid misguided development efforts.
- Guideline for re-use of public information: work is in progress on this guide. A first examination shows that there is a risk that the intended effects of the Act on the Re-use of Public Sector Documents will not materialise. Consequently, the e-Government Delegation will take into account the possibilities of implementing further measures to increase access to public information.

Box 4.7. Relevant OECD approaches to gateway procedures

- Efficiency Review, Australia: in 2008, the Australian Minister for Finance and Deregulation, Lindsay Tanner, engaged Sir Peter Gershon to lead an independent review of the Australian government's use and management of ICT. The report provides a comprehensive and detailed analysis of a wide range of issues affecting the government's use and management of ICT, and also outlines a staged plan for the implementation of recommendations (Gershon, 2008).
- Gateway Process, United Kingdom: at the heart of the United Kingdom's approach to benefit realisation is the Gateway Process (Office of Government Commerce, 2007). The process examines a project at critical stages in its lifecycle to provide assurance that it is on track and should progress successfully to the next stage. It is designed to be applied to all programmes and projects and is a mandatory review process for civil procurement projects led by the Office of Government Commerce.

A procedural change as suggested in the previous paragraphs concentrates on the fact that e-government projects should lead to savings as well as benefits for society and that savings should be accurately estimated and checked by independent agencies before any next steps in the decision-making process are taken. E-government projects that do not lead to savings should only be decided after a trade-off with other new spending initiatives and after proper compensation is provided in accordance with the rules of the budget process. Experience in other OECD countries (Denmark and the Netherlands, among others) shows that a procedural change in this sense leads to a profound re-orientation of the policy preparation process concerning e-government projects and an increased focus on the efficiency potential of new projects.

The use of shared ICT support services

ICT support services include advice concerning ICT solutions, development of ICT solutions and support in procurement of ICT solutions (hardware and software). ICT support may also include the maintenance and management of ICT systems that can be considered as belonging to the primary process of the ICT support unit itself. This includes general systems, such as office automation, intranet, helpdesk and e-government services, and portals.

In various countries in the Value for Money study, the distinction between ICT support service delivery and the maintenance and management of ICT systems employed as part of the primary process of other units (in agencies or core ministries) is somewhat blurred. In particular, ICT support services are sometimes tasked with the maintenance and management of ICT systems that are part of a primary process of other units. Only the systems that can be considered as belonging to the primary process of the ICT support units themselves (citizen and business portals, intranets, helpdesks, office automation) should be managed by the ICT support units themselves. ICT systems belonging to the primary process of other units should be transferred to these units once they are operational and can subsequently be considered for process sharing by these units themselves (see Reform 6).

In Sweden, it is proposed that a new shared service centre be established by building on the two production units of the internal service centres for finance and human resources of the Swedish National Tax Agency and the *Försäkringskassan* (the Social Insurance Administration). The new centre plans to co-operate with *Kammarkollegiet* regarding ICT. Over time, other support services should be included (see Reform 8). The agency would also

be expected to draw up guidelines on requirement setting and cost-benefit analyses in respect of externally purchased IT services, conduct a systematic follow-up of volumes ordered and other follow-up parameters set in framework agreements, and develop procedures for exchanges of knowledge and experience in this area. It is important that the new shared service centre develops its own ICT unit that can fulfil all tasks in the area of ICT that the Swedish agencies need (systems development, advice on ICT procurement of hardware and software, management of portals, intranets and helpdesks, office automation). As far as ICT is concerned, there is a large savings potential in sharing, particularly for the smaller agencies.²⁶ For the governance and finance arrangements of the shared service centre, see Reform 8.

Recommendations

27. The Swedish government may consider introducing a stronger gateway procedure to ensure the quality of e-government projects. This process should always lead to an unambiguous conclusion on whether a proposed e-government project will lead to savings in the medium term against the baseline of current policy. The business case proposed by the responsible minister should be explicit about costs and savings, year by year, for a period covering the medium term. E-government projects that do not lead to savings should only be decided if proper compensation is provided in accordance with the rules of the budget process.
28. The Swedish government may consider taking further steps in the development of a strategic, long-term view on the organisation of ICT support. It is important that the new shared service centre develops its own ICT unit that can fulfil all tasks in the area of ICT that the Swedish agencies need (systems development, advice on ICT procurement of hardware and software, management of portals, intranets and helpdesks, office automation).

Overview of value for money effects

Table 4.6 provides an overview of quality improvement and potential savings of the ten priority reforms discussed in this chapter. Savings are characterised in relation to the current operational costs of the units concerned. A moderate saving (less than 20%) of large units can be larger than a large (more than 20%) saving on small units.

Table 4.6. Survey of value for money effects

	Reform	Quality improvement in administration	Quality improvement in service delivery	Savings
Reform 1	Introduction of a top civil servant in the line ministries	X		
Reform 2	Stricter rules for political advisors in the line ministries	X		
Reform 3	Strengthening policy development in the line ministries	X	X	
Reform 4	Streamlining policy evaluation	X		L
Reform 5	Creating an independent forecasting institution	X		
Reform 6	Process sharing and merging of agencies		X	M
Reform 7	Independent inspectorates	X		
Reform 8	Service sharing among agencies	X		M
Reform 9	Introducing spending review	X		M
Reform 10	Financing ICT support services	X		M

Notes

1. Australia did respond to the OECD survey but the numbers provided were not suitable for international comparison, so were not used in the OECD report. For Australia, published data for government personal employees from the MOP(S) Act Annual Report have been included for comparative purposes.
2. The latter is mostly a shared service centre for support services.
3. Replaced the SIKa (Swedish Institute for Transport and Communication Analysis).
4. Note that in Canada, the “deputy head” or deputy minister is the senior public servant in a department. In other countries, this equates to the permanent secretary of a department.

5. In 2011, delegates at the third annual meeting of the OECD Parliamentary Budget Officials network (PBO) set out a first set of “lessons for good practices” for IFIs and tasked the OECD Secretariat with developing a set of principles for IFIs, to be presented at the next PBO annual meeting. The results of the first PBO discussion were presented later in 2011 at the 32nd annual meeting of the Working Party of OECD Senior Budget Officials (SBO) – during a session on the “Role of Independent Fiscal Institutions in Budgeting” – and the SBO recommended taking the work on the principles forward. The principles were endorsed in 2012 during the fourth annual meeting of the PBO network, and will be submitted again to the SBO for endorsement.
6. For example, on the budgetary impact in such areas as employment, income distribution, and health care. There are other functions carried out by well-established IFIs such as costing of election platforms by the Netherlands Central Planning Bureau or programme evaluation by the Korean National Assembly Budget Office.
7. These are examples and may not cover all of the work produced by the institutions highlighted here.
8. See the new Part 7 Division 2 of the Parliamentary Services Act 1999.
9. The other parliamentary departments are: the Department of Parliamentary Services, the Parliamentary Service Legislation and Publications, and the Department of the Senate.
10. An authorised member of a parliamentary party means the leader of the parliamentary party or a member of the parliamentary party authorised in writing by the leader of the parliamentary party.
11. According to the amended Charter of Budget Honesty Act “the Secretary to the Department of the Treasury is responsible for costing aspects of policies affecting tax revenue” and “the Secretary to the Department of Finance is responsible for costing aspects of policies that affect government outlays or expenses and revenue estimates other than tax revenue estimates.”
12. These are examples and may not cover all of the work produced by the institutions highlighted here.
13. The Australian government has recognised this problem and the legislation provides for a number of processes to address potential differences in methodology. However, in the view of the OECD Secretariat, the risk of methodological differences cannot entirely be eliminated in this way.

14. Including, in countries where the IFI also does forecasting (the Netherlands, United States), the forecasting of (second round) effects on the economy.
15. These self characterisations cannot directly be compared with the employment data from the snapshots of the public service (see Table 2.3) because the snapshots only contain administrative employment, not for instance the army, police, health and education. Nevertheless one can observe that countries of the first type have roughly 90% or more of administrative employment of central government in agencies, with the exception of the Netherlands (mostly due to the Dutch Tax Services which is in the core Ministry of Finance). The countries of the second and third type have less than 65% of administrative employment in agencies.
16. The main problem is probably that in some countries (Australia, Denmark and the Netherlands), some or all public non-profit institutions (with legal personality) classified in the central government sector in the national accounts have wrongly been counted as independent agencies. As far as Norway is concerned, 13 central government authorities should probably have been counted as independent agencies in the sense of the Value for Money study (although they were not in the survey response).
17. In Denmark, large numbers of educational establishments have been counted as independent agencies.
18. Oral statements during the mission of the Value for Money team to Canberra.
19. Centrelink was merged on 1 July 2011 with other service delivery organisations (Medicare, Child Support Programme) and brought back in a line ministry, namely the Department of Human Services. The ministry is not responsible for any of the policies carried out by the (merged) service delivery organisations (this responsibility rests with other line ministries). The Department of Human Services is only responsible for service delivery policy (executive policy). In addition, it is responsible for the operational management of the merged service delivery organisations. It is too early to tell whether this experiment of concentrating service delivery organisations in a core ministry will be successful or not.
20. In a legal sense, all agencies without legal personality are owned by the state. Economic ownership means ultimate control over operations as guaranteed by standard setting for operational management. This competency remains with government, as in the case of independent agencies with legal personality.
21. The discussion regarding e-government initiatives is based on OECD (2010c).

22. See OECD (2010b) for more information about these models.
23. That is five years after the start of the operation, so approximately 2.5% per year.
24. See OECD (2010b).
25. The exceptions are Austria, Norway and New Zealand although the latter has used spending review procedures in the past.
26. Note, however, that a favourable business case is necessary in any concrete sharing project. ICT service sharing is not always efficient. For example, the United Kingdom National Audit Office released a review called “Efficiency and Reform in Government Corporate Functions through Shared Service Centres”, in which it stated that “the initiative for government departments to share back office functions suffered from an approach which made participation voluntary and tailored services to meet the differing needs of individual departments. The result was over complexity, reduced flexibility and a failure to cut costs.”

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Glossary

Note: The asterisk () in some of the definitions refers to a term included in this glossary.*

Agency: unit of a ministry with a separate financial administration.

Administrative employment: all employment in general government (in the sense of the national accounts) except employment in service delivery in kind*.

Administrative regulation: economic regulation* or social regulation* by authorities other than the formal legislature.

Administrative supervision: monitoring of compliance with laws, economic regulations* and social regulations* other than through the regular police, in particular through inspectorates.

Arm’s-length agency: agency* for which the minister is responsible as far as (executive) policy is concerned (not necessarily for the handling of individual cases). The minister also remains responsible for operational management.

Baseline estimates: multi-annual estimates of expenditures on the basis of current policy at the level of line-item authorisations*.

Central ministry: Prime Minister’s Office, Ministry of Finance and ministry where the most important tasks in the area of standard setting* for operational management* are located.

Central support unit: division* providing support services to all or some line divisions* of the ministry.

Civil service: all employees of central government whose labour conditions are ruled by public law.

Common process unit: government unit that carries out tasks that belong to the primary process of more than a single ministry of central government or more than a single government (for instance, a ministry and a municipality).

Core ministry: the part of the ministry that is not organised in agencies*.

De-central support unit: unit of a core ministry or agency that provides support services to a single (sub-)division of a core ministry or agency.

Division of a ministry: unit of a core ministry led by an official who reports directly to the minister or deputy minister or to the highest non-political official of the ministry. National titles of officials leading ministerial divisions may be: director-general, director, assistant secretary.

Economic (or “market”) regulation: regulation of entry to or exit from a market, the prices at which goods and services can be sold or the quantities of goods that can be sold aimed at the promotion of competition. Economic regulation also includes regulation requiring the provision of access to infrastructure owned by other parties.

Executive policy: policy concerning policy execution.

Financial audit: assessment of reliability of financial reports. This includes the compliance of financial transactions or the registration of financial transactions with the applicable legislation (compliance audit) and the assessment of the financial control arrangements in place to safeguard the reliability of financial reports (operational audit).

Horizontal integration: process sharing among agencies* and merging of agencies*; sharing of support services* or merging of support service* units.

Independent agency: agency* for which the minister is not responsible, neither for executive policy* nor for the handling of individual cases (the minister remains responsible for policy and operational management*).

Internal audit: financial audit* or performance audit* carried out by a unit of a core ministry* or an arm’s-length agency* to be reported to the minister, deputy minister or highest non-political official of the ministry or agency.

Line division: division* of a core ministry that has tasks in the areas of policy development, policy execution and administrative regulation or supervision.

Line item: most detailed level of appropriation specified in the annual budget law for the purpose of authorisation.

Line minister: minister who is not responsible for standard setting for operational management (or acting in any other capacity).

Market structure: conditions of the market that determine its competitiveness or other features of perfection. A market can be imperfect because of small numbers of buyers or sellers (monopoly, oligopoly), information asymmetry, or external effects. Monopoly or oligopoly can be legal (legal entry barriers) or natural (decreasing marginal costs, for instance in network services).

Multi-annual baseline estimates: estimates of the future expenditures in the two, three or four years following the budget year, on the basis of current policy of the most detailed expenditure group distinguished in the budget law.

Operational (or technical) efficiency: relative productivity of a production process compared to the optimal production process with the same output.

Operational expenditures: expenditures for compensation of employees, intermediate production, and investment in accommodation for employees (in the sense of the national accounts).

Operational management: decision making on the use of operational means*. For instance: financial management, human resource management, procurement management.

Operational means: communication, human resources and organisation, internal audit, procurement, information and ICT, finance (budgeting, accounting and paying), accommodation, real estate and facilities (office equipment, reproduction, cars, catering, security, cleaning, internal post).

Out-year: each year of the multi-annual estimates after the (upcoming) budget year.

Performance audit: assessment of the effectiveness or efficiency of government activities, given the policies (targets and instruments) in place.

Permanent advisory council or committee: a committee established by law or governmental or ministerial decree for an indefinite term or a term longer than a few years, with the task of advising the government or the minister about policy development or execution.

Planning bureau: unit of the government that provides forecasts on economic, social, financial and environmental developments, and scenario studies on impacts of government policies on those developments. A planning bureau may, in addition, provide other forms of policy analysis.

Policy evaluation: assessment of the effectiveness and efficiency of a policy (targets and instruments).

Private corporation: institutional unit belonging to the corporate sector of the economy (in the sense of the national accounts) which is not controlled by the government.

Programme expenditure: all public expenditure except operational expenditure* (transfers, grants, subsidies, social benefits, investment other than in accommodation for public employees, etc., in the sense of the national accounts).

Public corporation: institutional unit belonging to the corporate sector of the economy (in the sense of the national accounts) which is controlled by the government.

Regulatory capture: undue influence of regulated market parties or governmental organisations over regulatory authorities*.

Senior civil service: top layer of the civil service*.

Service delivery employment: all employment in the military, the police, the penitentiary institutions, units providing other collective services in kind (for instance, construction or management of transport infrastructure: roads, tunnels, bridges, waterways, harbours, rail networks, airports, pipelines, etc., or ICT infrastructure), non-profit institutions classified inside general government in the national accounts, educational institutions, health-care providers, and units providing other individual services in kind (cultural institutions, institutions providing social services, etc.).

Shared service unit: government unit that provides support services* to more than a single ministry of central government or to more than a single government (for instance, a ministry and a municipality).

Social (or “protective”) regulation: regulation of the quality of goods and services that are sold on markets or that are provided by government outside markets (against “insignificant prices” in the sense of the national accounts). This includes, for example, regulation of environmental quality, food safety, labour conditions, health-care quality, and quality of education.

Standard setting: making rules on operational management*.

Support services: services to support operational management*.

Supreme audit institution: independent high college of state mandated by the Constitution to audit the activities of the state (financial audits* and usually also performance audits*).

Vertical integration: a better use of executive and professional expertise in policy development.

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Value for Money in Government

SWEDEN 2013

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