



Summary

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Business Sweden

– governance of the Swedish Trade and Invest Council

Summary

Business Sweden (the Swedish Trade and Invest Council) is a key player in the central government's promotion of exports and foreign investments in Sweden. Business Sweden is neither a government agency nor a company, but is founded on an agreement between the central government and the business sector. Business Sweden is financed by central government appropriations and private funds, and the central government and the business sector are both principals for the organisation. All in all, this poses challenges in how Business Sweden is governed. The overall conclusion of the Swedish National Audit Office (Swedish NAO) is that governance of Business Sweden is deficient in several respects, because its owners have not sufficiently managed its competitive advantages and the ambiguities resulting from its operational form. This means that governance is not effective in achieving central government objectives for its operations.

The Government has not formulated monitorable goals and has not taken a position on how central issues linked to the operational form should be addressed

The Swedish NAO finds that the Government has not formulated monitorable goals for Business Sweden's central government remit. The Government's ownership control of the privately financed operations is too limited, and it has only benefited to a small extent from the Government Offices' established

corporate governance procedures. For example, the owners have not formulated financial goals or described which privately financed activities Business Sweden should pursue.

Business Sweden's operational form is not regulated by law. This means that the owners need to analyse and take a position on addressing more matters than would have been the case if Business Sweden had a more traditional operational form. In several cases this has not happened. For example, the Government has not established any rules on how Business Sweden is to transfer appropriations between years. There are also gaps in governance that have not been addressed by the owners, such as the absence of rules for how decisions are taken in the highest decision-making body, the representative council. Also, the Government has not sufficiently analysed and taken a position on which public law principles and rules Business Sweden is to apply in its central government-financed operations.

Business Sweden has an internal goal to increase revenue, and the Swedish National Audit Office assesses that Business Sweden largely acts like and resembles a private company. Ensuring that Business Sweden effectively fulfils central government goals with its operations requires the Government to exercise active and clear governance.

Methodological problems in reporting the central government remit

Business Sweden's reporting of its central government remit contains several deficiencies and risks overestimating Business Sweden's contribution. For example, there are methodological flaws in the effectiveness measurements of the Small Companies Programme (*Småföretagsprogrammet*), and there is no analysis of the causal relationship between Business Sweden's efforts and completed export deals and foreign investments in Sweden. Questionnaire surveys that are supposed to reflect customers' perception often have a low response rate and lack analysis of how non-response affects the results. The deficient quality of the effectiveness measurements impedes effective resource allocation and governance. Despite this, the Government presents Business Sweden's reporting in its Budget Bill without describing to the Riksdag which methodological shortcomings and uncertainties exist. The Swedish NAO also notes that the external audit of Business Sweden's annual report only partly, and at an overall level, includes an audit of Business Sweden's implementation of its central government remit.

Unclear whether merger of investment and export promotion has led to synergies

Since 2013, investment promotion and export promotion have been part of the same organisation. The available data does not support the hypothesis that the

merger has led to efficiency gains. On the other hand, investment promotion operations are now conducted in more locations than before the merger. Nor have any negative effects of the merger emerged during the audit. This is why the Swedish NAO considers that both parts can continue to be integrated and remain within the same organisation until further notice.

The Government has not managed the competitive advantages of Business Sweden's privately financed operations

Business Sweden's privately financed operations, which consist of sales of export-related services to companies, have numerous advantages over competing operations. Examples of this are that Business Sweden is exempt from income tax and that the owners have not set any return requirements. Furthermore, the Swedish NAO assesses that Business Sweden's close connection to the Swedish embassies and the opportunity to make contact with customers in central government-financed projects is a competitive advantage. Even though Business Sweden has documented procedures to keep central government and private funds separate, the competitive advantages risk leading to inefficiency in the operations and putting more efficient competitors at a disadvantage. The Government has not analysed whether Business Sweden's competitive advantages are justified and whether they may constitute unauthorised state aid to Business Sweden.

Recommendations

As described above, the Swedish NAO considers that there are a number of shortcomings in the governance of Business Sweden. The shortcomings are largely rooted in the fact that Business Sweden has an operational form for which there are no established rules. According to the Administrative Policy Bill, the principal rule for the operational form for central government activities should be that of a government agency, and the choice of another organisational form should be regularly re-evaluated. Under the Government Bill on Government Administration in the Service of the Citizens, the corporate form should be considered for competitive activities.

The Swedish NAO therefore recommends that the Government

- review which operational form(s) are best suited for Business Sweden's tasks and take an explicit position on which operational form(s) best meet the central government goals.

If the outcome of this review is that Business Sweden should maintain its current operational form, then the Government should:

- analyse which public law principles and rules should apply to Business Sweden's central government-funded operations

- develop monitorable goals for Business Sweden linked to the reporting requirements for Business Sweden's central government remit
- ensure the quality and increase transparency in the reporting of Business Sweden's central government remit
- in collaboration with the Swedish Foreign Trade Association, develop the governance of Business Sweden's privately financed operations, for example by establishing goals for the operations and by applying other relevant parts of central government ownership policy
- clarify which of Business Sweden's competitive advantages in its privately financed operations are justified, and which principles Business Sweden should use for pricing its privately financed services, as well as analyse the risk that Business Sweden collects unauthorised state aid.

The Swedish NAO recommends that Business Sweden

- improve quality and increase transparency in its reporting of the central government remit and ensure internal procedures that enable auditing of the report on the central government remit
- ensure compliance with the annual guideline instructions by allowing appropriations to finance only such costs as are specified in the guideline instructions without imposing any margin
- consider changing the current compliance function to an internal audit which, among other things, is tasked with ensuring sound internal control and examining the boundary between private and public funds.