



# Gender Equality in Almi's Lending Operations

– Unclear Governance and Reporting

## Background and reasons for the audit

The objective of the gender equality policy is for women and men to have the same power to shape society and their own lives. The Government has broken down this objective into a number of goals. One of these goals refers to economic equality and includes the possibilities of starting and running businesses.

Almi Företagspartner AB (Almi) is a public business promotion actor with the task of developing and financing small and medium-size enterprises. Already when Almi was formed, the Parliamentary Committee on Industry and Trade emphasised that initiatives to promote women to start or run businesses are of urgent importance, not the least in terms of entrepreneurship. The Government has set an objective for Almi for the proportion of women among Almi's clients to exceed the proportion of women in the total population of companies and startups. The continued low representation of women among entrepreneurs, and the difficulties for government initiatives to have an impact, have given the Swedish National Audit Office grounds to audit Almi's commission work relating to female entrepreneurship.

## Aim and questions

The aim of the audit is to assess whether the Government's and Almi's work with Almi's commission relating to women who start or run businesses contributes to attaining the gender equality policy goal of economic equality. The audit is limited to Almi's lending operations,

carried out by the company's 16 regional subsidiaries, in the years 2013–2017. The audit asks the following questions:

- Does the central governance of Almi contribute to attaining the goal of economic equality?
- Does Almi's commission concerning women have an impact on Almi's management of its subsidiaries?
- Does Almi's management of its subsidiaries have an impact on how the subsidiaries carry out the commission concerning women?
- Does Almi's reporting to its owner provide an accurate account of the commission concerning women?

## Results of the audit

The overall conclusion of the audit is that Almi and its subsidiaries strive to coherently and consistently carry out its commission concerning women. However, there are ambiguities in the central governance of the commission and in Almi's reporting to the Government.

The owner instructions do not take into account the objectives of the gender equality policy, nor do they clarify how the commission is to be carried out.

The Government controls Almi using owner instructions, among other tools. The Swedish National Audit Office finds that the formulation of the commission in Almi's owner instructions and the focus on women for Almi's microloans is in line with the statement from the Parliamentary Committee on Industry and Trade that Almi is to promote entrepreneurship among women. The Parliamentary Committee's statement as well as the Government's objectives underline the importance of an increase in entrepreneurship among women. However, the Government has not clarified which fundamental principles are to guide Almi in carrying out its commission, for example by granting loans. It is also unclear whether the wording of the owner instructions and the associated key figures have been subject to gender mainstreaming.

There are conflicting objectives and ambiguity in regard to Almi's supplementary role to the market.

The audit shows that there is a risk of conflicting objectives, as it is not clear from the owner instructions how the objective regarding women is to be achieved in relation to other tasks. In order to achieve one objective, Almi may be forced to make another task a lower priority.

The link to Almi's role to serve as a complement to the private market is particularly ambiguous. One interpretation of this role is that Almi could be used as a compensatory tool in the event of discrimination on the private corporate finance market. Depending on how Almi's commission concerning women is interpreted, different approaches to implementation may be considered. Almi can either focus on ensuring equivalence or on compensating for discrimination in the private market. The Swedish National Audit Office's assessment is that a good knowledge of women's and men's need for funding, and the extent to which these needs are met in the private market, is required for such considerations. The audit shows that neither Almi nor the Government possess such knowledge.

The commission has had an impact on Almi's management of its subsidiaries and on how they implement the commission

Despite the central governance being unclear, the commission concerning women has had an impact on Almi's management of its subsidiaries and on how the subsidiaries implement it. Almi has translated the commission into owner instructions and guidelines for the subsidiaries. The message is that the allocation of loans shall be based on an assessment of repayment capacity. The subsidiaries implement the commission in similar ways, using assessments based in the group guidelines and targeted efforts to reach women.

Almi's reporting is unclear and inconsistent – the Government should request more relevant information

There are deficiencies in Almi's reporting of the commission concerning women to its owner. Almi's method of reporting gender for entrepreneurs applying for loans is ambiguous and inconsistent. It is not clearly shown that the proportion of women borrowers in Almi's accounts are actually the sum of women and "mixed teams". Mixed teams consist of both women and men. The summation results in a more preferential outcome in relation to the objective than any other calculation method.

The results of the Swedish National Audit Office's own analyses indicate that there are small, but statistically significant, differences in the approval rate between women and men, but due to limited data, the Swedish National Audit Office is unable to draw any conclusions about the prevalence of discrimination in Almi's lending operations.

The demand for follow-up in the owner instructions result in group-wide accounts, which do not provide the Government with information regarding variations within Almi's operation.

## Recommendations

In view of the observations and conclusions of the audit, the Swedish National Audit Office gives the following recommendations to the Government and Almi. The Swedish National Audit Office recommends that the Government

- order an analysis of the needs for loans that complement the private market based on a gender equality perspective, with the aim of being able to clarify the principles of Almi's commission concerning women
- consider a reformulation of the objectives for Almi's commissions to better reflect the objectives of the targets set out in the gender equality policy
- request a more detailed report from Almi in regard to how their activities reach women. The report should
  - reflect regional variations in Almi's operations
  - show how Almi produces data on gender distribution
  - differentiate Almi's performance in regard to women in the areas of loans, guidance and venture capital

The Swedish National Audit Office has learned that Almi is working to develop its methodology to follow up the gender distribution in lending. Within the scope of that work, the Swedish National Audit Office recommends that Almi

ensures that the reporting of activities is clear and consistent in terms of how the gender distribution in their lending operations is measured.