

## Industrial policy outcome evaluations

– poor reliability

### Summary and recommendations

The Riksdag, government inquiries and the Swedish National Audit Office (Swedish NAO) have all emphasised that industrial policy outcomes should be evaluated to a greater extent. Policy outcome evaluation is important to ensure that central government resources are used efficiently and industrial policy objectives are achieved. However, it is not enough for evaluations to be carried out – they must be of high enough quality to be reliable. It is also important that good policy outcome evaluations are actually used by the Government to learn how best to design industrial policy.

The Swedish NAO has audited outcome evaluations of industrial policy published during the period 2015-2018. The agencies audited are the Swedish Agency for Growth Policy Analysis (Growth Analysis), the Swedish Agency for Economic and Regional Growth and the Swedish Agency for Innovation Systems (Vinnova). Statistics Sweden (SCB) is also included in the audit because SCB carried out annual so-called effectiveness measurements on behalf of Almi Företagspartner AB (Almi). Finally, Almi is included in the audit as the commissioner of the effectiveness measurements.

In order to assess the reliability of the evaluations included in the audit, they have been classified according to three criteria: whether the evaluation uses a counterfactual approach, whether statistical assumptions are motivated and whether method choices and necessary assumptions are also satisfactorily justified.

### Audit findings

The Swedish NAO's overall conclusion is that there are significant shortcomings in the industrial policy outcome evaluation carried out by the agencies during the period audited: only 2 out of 37 audited evaluations meet all three basic requirements set by the Swedish NAO for a credible policy outcome evaluation. In several cases, the evaluation consists of asking companies that have received support whether they consider that the support has been of benefit. However, there are significant differences between the agencies, where the evaluations from

Growth Analysis show a higher quality. Overall, the Swedish NAO assesses that evaluations that make statements on the effects of policy and are commissioned by Almi/SCB, the Agency for Economic and Regional Growth and Vinnova only to a small extent meet the most basic requirements to be expected of a policy outcome evaluation. Policy outcome evaluations from Growth Analysis generally meet the two lower of the three requirements investigated by the Swedish NAO, but in several cases are deficient in their analysis.

Furthermore, the Swedish NAO considers that the Government uses policy outcome evaluations to a minor extent in its reporting to the Riksdag. When the Government refers to evaluations, it is sometimes unclear what the source is and the Government sometimes draws more ambitious conclusions than the evaluations justify.

### Almi and SCB: The “effectiveness measurements” are not reliable as policy outcome evaluations

The “effectiveness measurements” performed by SCB on behalf of Almi are presented by Almi, and are perceived by the Government and the Riksdag, as policy outcome evaluations. However, they do not explicitly claim to show effects and are not reliable as policy outcome evaluations. The effectiveness measurements are reproduced in Almi’s annual report and in the Government’s Budget Bills, where they are used as evidence of so-called growth effects. The Riksdag also refers to the effectiveness measurements as reporting the effects of the appropriation for Almi’s activities. The Swedish NAO’s assessment is that these “effectiveness measurements” are not reliable as policy outcome evaluations, since the control groups used have not been shown to be representative of Almi’s client companies.

### Growth Analysis: Best of the audited agencies but could be better

Growth Analysis policy outcome evaluations generally meet two of the three requirements the Swedish NAO has set for policy outcome evaluations – and 2 of the 13 audited evaluations meet all three requirements. However, most of these evaluations fail to properly justify the statistical assumptions made, and are therefore not reliable as policy outcome evaluations. Growth Analysis is also sometimes unclear as regards the conclusions that can be drawn from reports concerning outcomes. This creates ambiguity and risks misleading the recipients of the report. The Swedish NAO therefore assesses that there is room for Growth Analysis to further raise the analytical level of its policy outcome evaluations.

### Agency for Economic and Regional Growth and Vinnova: Unreliable policy outcome evaluations

Almost all audited evaluations from the Agency for Economic and Regional Growth and Vinnova that make statements on the effects of policy were produced

by, or in collaboration with, consultants. In the opinion of the Swedish NAO, none of these evaluations meet all three necessary requirements that the Swedish NAO sets for a policy outcome evaluation to be credible.

Only a small number meets the minimum requirement that the evaluations should take a counterfactual approach. A method for this need not be either quantitatively or qualitatively advanced – for this lowest requirement the Swedish NAO has accepted any kind of comparison with another group, or over time, as sufficient. However, the majority of the audited evaluations from the Agency for Economic and Regional Growth and Vinnova have no such comparison at all.

Evaluations without a counterfactual approach are usually designed as interviews with the actors involved, in which business operators who have themselves received support can state whether they consider the support to have had positive effects. The Swedish NAO considers that this is insufficient as a basis for drawing conclusions on policy effects.

### The Government: Sparing use of policy outcome evaluations

The Riksdag has repeatedly emphasised that industrial policy outcomes should be evaluated to a greater extent. In light of this, the Swedish NAO considers that the Government has made inadequate use of policy outcome evaluations to report outcomes to the Riksdag.

The individual products that the Government mentions most often are the “effectiveness measurements” that SCB carries out on behalf of Almi, which in the Budget Bills are referred to as “the follow-up of growth effects in Almi’s client companies”. As mentioned, these reports do not explicitly claim to show effects and they are not reliable as policy outcome evaluations. Policy outcome evaluations from Growth Analysis are referenced in documents from both the Government and the Riksdag, but extremely sporadically, given Growth Analysis’ large production.

Finally, the Swedish NAO notes that the claims concerning effects in several cases are made in the Government’s Budget Bills, without the text indicating any source. This means that it can be difficult, or sometimes impossible, for the reader to find the original evaluation. This is particularly important since there are cases where the Swedish NAO considers that the Government has drawn more far-reaching conclusions than there is a basis for in the original material.

## Recommendations

The Swedish NAO makes the following recommendations to Almi Företagspartner, the agencies and the Government.

### Recommendation to Almi Företagspartner AB

- Ensure that the purpose and limitations are clearly stated for different types of reporting, for example in the company's annual report. If the purpose relates to the effects of its policies, the reporting should be based on policy outcome evaluations by a provider with proven competence in this.

### Recommendation to Growth Analysis

- Ensure that the quality of the agency's policy outcome evaluations is increased further.

### Recommendations to the Swedish Agency for Economic and Regional Growth and Vinnova

- Engage and/or collaborate with Growth Analysis for evaluations of policy outcomes.
- Ensure that other types of evaluations and follow-ups do not claim to express an opinion on the effects of the agencies' activities, and that their purposes and limitations are clearly communicated.

### Recommendations to the Government

- Ensure that Growth Analysis is used to a greater extent to evaluate the effects of industrial policy initiatives. This would enhance the prospects of gathering a critical mass of expertise so that policy outcome evaluations maintain sufficient quality.
- Report to a greater extent and with increased clarity, including source references, the findings of well executed policy outcome evaluations to the Riksdag.
- Clarify the purpose of follow-ups of industrial policy initiatives. To the extent the Government wants follow-ups of a different nature than policy outcome evaluations, this should be clear.
- Clarify in Almi's owner's instructions the purpose of using comparison groups. If the purpose is to examine the effects of Almi's activities, control groups should not be specified in the owner's instructions but should be determined in each individual case by proper policy outcome evaluations.