



## Summary:

# The Government's treatment of recommendations from the EU, IMF and OECD

## Background

The European Commission, the International Monetary Fund, (IMF) and the Organisation for Economic Cooperation and Development (OECD) regularly analyse the economies of Sweden and other countries to identify risks and imbalances that need to be dealt with to maintain macroeconomic stability, growth and sustainable public finances. In connection with this, country-specific economic policy recommendations are made. The recommendations are not binding, but can be seen as an instrument for encouraging responsible economic policy and to achieve common goals.

The Swedish National Audit Office has surveyed the economic recommendations made by the EU, the IMF and the OECD to Sweden in the period 2011-2015 and audited how the Government has dealt with the recommendations in its reporting to the Riksdag. The audit is part of an international cooperation in which six European supreme audit institutions have followed a parallel procedure adapted to national circumstances. By examining how national governments have acted in relation to recommendations from international organisations the audit institutions have shown that the multilateral surveillance contributes alternative approaches that put pressure on political decision-makers to better justify their choices. The supreme audit institutions noted that it is not possible to determine whether a national measure was initiated as a result of international recommendations or independently of them. At the same time, the supreme audit institutions considered that national governments tend to follow recommendations to a reasonable extent, but that procedures for publication and monitoring can be improved.

## The Swedish National Audit Office audit

The purpose of the Swedish NAO's audit was to examine how the Government and Riksdag use recommendations from international organisations in their decision-making data on economic policy. Transparency in the Government's reporting on these issues contributes to an effective decision-making process and is crucial for enabling Sweden to benefit from the multilateral surveillance of the Swedish economy.

The recommendations referred to are those given to Sweden in the context of:

- the European semester
- the IMF Article IV consultations
- OECD Economic Surveys.

## Audit findings

The international organisations' recommendations to Sweden in 2011-2015 reflect their assessments of the Swedish economy. The analyses are often in agreement, and they have repeatedly pointed to a few internally related problems that are familiar from the domestic political debate.

- high indebtedness in the household sector
- rising housing prices
- large and concentrated financial sector
- structural problems in the housing market
- structural problems in the labour market

According to the Swedish NAO's survey of the recommendations, Sweden has received in total about 150 specific proposed measures in the five-year period covered by the audit. In many cases the proposed measures overlap over the years and between the three international organisations. Almost one third of the recommendations are linked to questions of financial stability. About a quarter concern measures in the area of the labour market and as many concern product and factor markets, above all the rental market. A few recommendations relate to fiscal policy focus and long-term challenges.

An important part of the multilateral surveillance is that analyses and recommendations are published and followed up. The EU, the IMF and the OECD all have different procedures in place for this. At national level, however, it is only EU recommendations that are published in Swedish and reported to the Riksdag with a

comment from the Government. Recommendations from the IMF are publicised in Sweden at a press conference at the Riksbank and through an IMF statement published on the Riksbank website. On various occasions they have also been commented on in a press release on the Government's website. OECD recommendations are publicised through an open seminar in which the Minister for Finance participates.

The audit shows that 80 per cent of the measures proposed to Sweden have led to action or comments by the Government. Since it is only in EU contexts that the Government is obliged to inform the Riksdag on various recommendations, this appears to be a high percentage. At the same time, there are a couple of areas where the Government has refrained from action and in several cases has not commented on specific proposed measures either. This applies to recommendations on real estate tax and deductions for interest payable as well as recommendations to introduce market-oriented rents.

All in all, the audit shows that the EU has pointed out macroeconomic and financial stability risks for Sweden that the Government has been well aware of. The Government has analysed and reported on these risks to the Riksdag. In several cases, however, the Government did not give any reasons for not sharing the EU's assessment of specific proposals given within the framework of EU countries' economic policy coordination. The Swedish National Audit Office concludes that the Government and Riksdag can increase the benefit from the work put into the EU semester by means of the Government more consistently explaining which proposals for action they find appropriate.

The Government has not reported to the Riksdag on the proposals from the IMF and the OECD. The Swedish National Audit Office considers that the Government can also increase the benefit of the IMF and OECD surveillance of the Swedish economy by giving the Riksdag its view of the recommendations. This is justified in light of the Government's own approach to the recommendations, as well as Sweden's obligations as a member of these organisations.

## Recommendations to the Government

The Government should be more consistent in reporting to the Riksdag on the recommendations issued in connection with the European semester. In the cases where the Government does not share the assessment of the EU, this should be

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explained, not just as regards the analysis as a whole but also in regard to specific proposals for action.

The Government should also report to the Riksdag on its assessment of the analyses and recommendations for the Swedish economy given by the OECD and the IMF in respect of the Government's areas of responsibility. It is suggested that this reporting could be part of the Budget Bill.