

Summary

An impact assessment provides policymakers with information on the background of a proposal, those affected by it and the relevant economic, social and environmental impacts. It also describes alternative courses of action and why the proposal is considered the most appropriate solution. Internationally, this type of assessment is known as a Regulatory Impact Analysis (RIA, or IA if an instrument other than a regulation is being analysed). Methodologically, it is a systematic, and in some cases mandatory, analysis that weighs the benefits and costs, and assesses the proposal's impact on different stakeholders. Economics (welfare economics) is considered the backbone of RIAs, and the Organisation for Economic Cooperation and Development (OECD) has long worked to improve member countries' use of impact assessments before making policy decisions. In the European Union (EU), the Commission, the Parliament and the Council have agreed that RIAs should be a central component of policy design at different levels to ensure that the impacts of reforms on citizens, business and public authorities are comprehensively illuminated and balanced.

In recent decades, a series of major and minor reforms have been implemented in Sweden, including of pharmacies, the postal system, telephony, railways and schools. Although these reforms were generally successful, it is incomprehensible in retrospect that it had not been possible to anticipate and mitigate certain consequences. Similarly, there are examples of important reforms implemented by the EU where Swedish decision-makers all too late became aware of impacts that should have resulted in Swedish action early on to obtain, for instance a national exception. It may therefore be questioned whether Sweden's preparations ahead of national and European reforms maintain sufficient quality. The shortcomings of Sweden's public administration in analysing relevant societal effects

has been pointed out for a long time. Erlandsson (2010) argues that responsible politicians often stress the importance of analysing impacts, but then demonstrate little or no interest in the results. Accordingly, there is a risk that impact assessments are conducted primarily to tick off a box on a list of requirements. Several audits also show that the background material for decision-making often has quality shortcomings, including of the assessment of economic impacts, possibly because of shortened terms of reference and shorter investigation times.

The Swedish Government has chosen to stand aside from essential parts of the work of the OECD and the European Commission in RIA methods development and implementation. The main questions addressed in this report are *why* this has happened and whether there is reason to strengthen this work instead. My overall answer is that Sweden's use of RIAs is not satisfactory for several different reasons, but mainly because this use has focused on one type of regulatory impact, namely reducing the administrative burden that regulations place on businesses. Although this is not wrong, it has greatly limited the perspective.

It should be noted that many countries have developed RIA frameworks with the primary aim of reducing the administrative burden on businesses, to subsequently (for example in the EU) broaden their analyses to ensure that light is shed on the impacts for society as a whole. In Sweden, however, these efforts have stagnated and demand for economic analyses is largely absent.

My main conclusion is therefore that there are strong reasons for the Government to create the conditions needed to strengthen impact assessment work at all levels of public administration. This may require methodological improvements and access to special expertise, but the most important task is to graft RIAs into the cultural DNA of Swedish public administration.

Background

Around the same time as the EU began to develop its RIA framework in 2002, Swedish public administration increased its focus on impact assessments. The aim was to improve public administration's ability to provide the Government with better

economic impact assessments. The initiative was based on an administrative policy bill (Government Bill 1997/98:136), and after an additional Inquiry (SOU 2004:23) was carried out, the new Government Agencies Ordinance (2007:515) was adopted in January 2008.

The Inquiry clearly highlighted the need for better and more comprehensive impact assessments of regulatory reforms ahead of policy decisions. However, the Government at that time chose to implement only some of the proposals. A separate RIA ordinance (SFS 2007:1244) was introduced, which required the analysis of impacts on businesses, but the Government did not ensure that government agencies received the methodological support and expertise needed to meet the requirements. The Inquiry (SOU 2004:23) recommended that the Swedish National Financial Management Authority (ESV) be responsible for the framework, but the Government instead appointed the Swedish Agency for Economic and Regional Growth, with ‘certain support’ from ESV. The focus of impact assessments was thus narrowed to the impact on businesses, and broad economic impact analyses veered off course. This resulted not only in jeopardising the quality of decision-making, but also adversely affecting Sweden’s position in international negotiations.

The main purpose of RIAs should be a structured *qualitative and comprehensive* assessment. The objective is not monetary cost-benefit calculations, although this may be an important component when it is possible to conduct. Rather, it is to provide decision-makers with comprehensive information in two respects: 1. that all relevant options are identified and that the impacts of a certain decision are compared with the impacts of one or more relevant alternatives; and 2. that all relevant impacts (both costs and benefits) are identified for all stakeholders in all alternatives and, *if possible*, quantified and monetised. This requires identifying both the problem and the objective, so that the proposed solution actually contributes to reducing the problem and achieving the objective.

Economic analysis is more than numerical calculations

Apart from investments in infrastructure, economic analysis has no established role in decision-making in Sweden. Climate change and the environment are areas in which it is gaining traction, and the Swedish Environmental Protection Agency is working to develop input. Transport, especially road transport, is the only sector in Sweden that has a long history of applying and developing methods and input to cost-benefit analysis (CBA). This is one reason why economic analysis is often associated with infrastructure investments, CBA and numerical calculation. The term 'economic analysis' has thus been associated with investment analysis and well-defined measures that are relatively easy to define, quantify and value. This seems to have led to the widespread view that it is only under these circumstances that economic analysis can provide decision-makers with relevant decision-making input.

The question is therefore whether, aside from a few government agencies, there is any widespread understanding of what economic analysis is, and when and how it can be applied in Swedish public administration.

Fragmented and sectoral development and responsibility

Responsibility for methodology development and support when conducting impact assessments is fragmented, and general guidelines and a whole-of-government approach are lacking. One explanation is that Swedish public administration is organised into relatively small ministries and large semi-autonomous agencies. Much of the preparatory work is also carried out by government agencies in individual sectors, where it may be difficult to have a holistic view.

This fragmentation tends to be inefficient, as the development of guidelines, directions and best practices takes place in parallel at a number of agencies. This, in turn, affects the quality and comparability of any analyses, as it is difficult to conduct robust analyses when methods differ and analyses and calculations are based on different assumptions, sources and bases. This is generally the case for all types of calculations, and was also highlighted as a weakness of impact assessments by the Swedish National Audit Office (2017).

Conclusions and recommendations

Sweden's current IA framework does not contribute to the efficient use of public funds simply because a whole-of government approach is lacking. At present, impact assessments risk being too narrow; their focus is on impacts for businesses, their application is mainly on regulatory decisions (administrative instruments) and the analyses are too sector-oriented. Specialisation may be necessary, but the risk is that it occurs at the expense of an overall whole-of government approach.

It is important to clarify when to conduct an impact assessment, by whom and where in the decision-making process it will have the greatest significance. Moreover, it is important that uniform national principles and guidelines are in place that enable government agencies and municipalities to live up to the requirements. The lack of national guidelines and best practice examples has long been highlighted, without any appropriate method being proposed.

The Swedish Better Regulation Council currently conducts external scrutiny on proposals that are expected to have significant impacts on businesses. In practice, this scrutiny means that regulatory proposals are sent to the Council for review if a proposal is assessed to have significant impacts for businesses. There is no systematic external scrutiny of other impact assessments, which may signal that impacts on other stakeholders are unimportant.

It is in the best interest of society that resources are allocated where needed the most. Analysing policy impacts for all concerned parties should therefore be a political obligation more than an act of political will. The overall conclusion is that the impact assessments in Swedish public administration can be significantly improved and conducted systematically in more decision-making situations than just regulatory decisions.

Internationally, experience can be gained from research, and other countries' frameworks and examples of good practice – even though it should be pointed out that there is no 'blueprint' or optimal method, since all countries struggle with problems related to methods and implementation.

Actions to improve the Swedish framework

My main recommendation to the Government is that Swedish public administration should start to more systematically weigh the advantages and disadvantages of different alternatives in impact assessments, from broad analyses to follow-up and evaluation, i.e. economic impact assessments. To achieve the objective of earlier, broader and better impact assessments, the following are necessary:

- *A body with overall and broad responsibility.*

Place the overall responsibility at the Government Offices or broaden the expertise at ESV and allow this agency to take over responsibility for guidelines and methods, in line with the proposal in SOU 2004:23. The Government Offices or ESV should be responsible for the framework and whole-of-government approach from a methodological point of view, but should not be responsible for conducting the impact assessments. As when the Swedish Better Regulation Council was established, consider allowing a committee to develop and be responsible for the framework during an initial transition period.

- *Broader requirements and RIAs early in the decision-making process.*

Impact assessment requirements and scope for action should reflect each other by increasing the importance of impact assessments at early stages when it is still possible to influence decisions, and ensure that the requirements are met by increasing external review (see below). Amend the RIA-ordinance so that it becomes applicable to more decisions and more neutral concerning the preferred solution – it can currently be read as though regulation (administrative instruments) is always the preferred option. Tone down the requirement to calculate details and broaden the analysis instead. Highlight economic analysis (welfare economics) by referring to national guidelines, for example.

- *Broader national guidelines and methods to support conducting RIAs.*

Gain inspiration from international guidelines, such as the European Commission's better regulation guidelines and toolbox, and adapt this framework to Swedish public administration. Gather and compile the knowledge developed across government agencies and ministries. Decide which analysis principles are applicable in national guidelines and good praxis.

- *Broader external scrutiny and the potential for sanctions.*

Broaden the expertise of the Swedish Better Regulation Council (the external quality reviewer), emphasising that the Council's mission includes comprehensive economic impact assessments. Base the review on the broad national guidelines mentioned above. The Government should also consider giving the Council the potential to impose sanctions, for example by requiring proposals to be returned for consideration in situations where it is possible to impact the outcome of the decision. Gain inspiration from the external review performed by the EU Regulatory Scrutiny Board and the US Office of Information and Regulatory Affairs.