



REGERINGEN

Government
Decision

12

Fi2013/3980 (partial)

The Ministry of Finance

STATSKONTORET

2013 -11- 15

D.no.

Dept

Sign:

Statskontoret

Box 8110

104 20 Stockholm

**Assignment of the Swedish Agency for Public Management
(Statskontoret) to conduct an agency analysis of the National
Institute of Economic Research (Konjunkturinstitutet)**

1 Appendix

The Government decision

The Government commissions the Swedish Agency for Public Management (Statskontoret) to conduct an agency analysis of the National Institute of Economic Research (Konjunkturinstitutet; herein NEIR) in accordance with the model the Statskontoret previously submitted to the government (diary number Fi2007/8016) in December 2008 (2008:17).

The analysis shall include reporting in regard to:

- How NEIR performs the objectives specified in their appropriations directive,
- How internal and external factors impact the agency's capability to achieve these objectives, concentrating on those factors that are particularly important for operations, and
- Significant change and future issues, and other considerations of particularly significance in regard to conditions impacting the agency's capability to perform its directive objectives.

The agency analysis hereby commissioned shall specifically highlight:

- How the NIER financial framework and preconditions relate to the directive objectives for the agency,
How the agency's organisation matches the operational objectives of their directive,
How government control functions – including the occurrence of informal contacts between the Government Offices and the agency,
- How the agency has managed in receiving and performing operational objectives of a different nature, which therefore require additional competencies than those needed to perform their primary appropriations directive objectives.
- Possible organisational, financial, legal, or other changes that may be required based on the results of this assessment of the agency's forecasting operations, and other considerations (see further below).

The Agency for Public Management shall conduct this agency analysis in cooperation with the NEIR, who shall provide their support as needed.

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Within the delimitations of this agency analysis, the Agency for Public Management shall perform an assessment of the agency's forecasting operations. This assessment shall also include analyses of economic conditions for wage formation and long-term fiscal sustainability of public finances that the agency performs. This assessment shall be conducted by an external expert panel as specified in appendix 1.

This expert panel shall submit proposals for measures designed to improve achieving objectives in regard to the quality of the NEIR forecasting operations. The expert panel may also, as relevant, propose changes to the operational objectives stated in the NEIR appropriations directive and to their organisation, finances, and similar. The agency analysis hereby commissioned includes considering the panel's proposals in establishing formal proposals to change the agency's objectives, organisation, finances, or similar.

The Swedish Agency for Public Management shall administratively coordinate the expert panel's assessment of the NIER forecasting operations and shall translate the expert panel's final report to Swedish.

Costs associated with this assessment are estimated not to exceed SEK one million. These funds shall finance the expert panel (with related expenses), but may also be used in coordinating the evaluation. Provided approval from the Riksdag, these expenses shall be charged to appropriation 1:7 *Konjunkturinstitutet (the National Institute of Economic Research)* within expenditure area 2. The Agency for Public Management shall, no later than 19 December 2014, requisition this non-recurrent funding.

The Agency for Public Management shall consult with the Government Offices (The Ministry of Finance) in regard to the formation and membership of the expert panel. The Agency for Public Management shall keep the Government Offices (The Ministry of Finance) fully advised during the assignment.

The Agency for Public Management shall submit a combined report of the agency analysis and the expert panel's assessment to the Government Offices (Ministry of Finance) no later than 19 December 2014. The expert panel assessment shall be attached as an annex. The Agency for Public Management shall submit its financial cost documentation to the Government Offices (Ministry of Finance) no later than 1 March 2015.

Motivation for the government order

An important prerequisite for government management of state agencies is their annual review of agencies, including the necessary documentation specifically prepared therefore. The Government deems it important to regularly use other in-depth analyses of agency function to supplement standard documentary information such as annual reports, budgetary documentation, and the Swedish National Audit Office (Riksrevisionen) auditor's report.

These analyses broaden the documentary information available to the Government in its decision-making, thereby providing the prerequisites for better, more considered management. The Government has recently requested similar assessments of other agencies including Statistics Sweden (Statistiska centralbyran) and the Swedish Fiscal Policy Council (Finanspolitiskarådet). As a further step in this effort, the Swedish Agency for Public Management is now commissioned to conduct an in-depth analysis of the NIER.

For the Government
Anders Borg

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Copy to

Ministry of Finance EA, MSS, NIER

Assessment of the NIER forecasting operations

One objective of the NEIR is to produce reliable and well documented forecasts that can be used with relative certainty as a basis for decision-making. A method to assess this reliability in regard to providing such documentary basis for decision-making is to conduct an assessment of the forecasts with a review of the underlying analyses and methods used.

In accordance with their appropriations directive, the NIER conducts internal assessment of their own forecast precision, and that of some 10 other forecasting institutions. Their assessment includes comparing the accuracy of specific forecasts such as GNP, inflation, and unemployment (and, as of 2013, public sector financial savings).

An expert panel shall conduct an assessment of NIER forecasting operations, which in this context also includes the agency analyses of the socio-economic conditions affecting wage formation and the long-term sustainability of public finances.

The expert panel assessment shall include the following.

1. An assessment of whether the agency's forecasting operations are organised appropriately for their purpose, including in regard to:
 - Flexibility – the capability to adapt activities to changes in both short and long-term circumstances, and
 - Resources – regarding the balance between the various forecasting areas within the organisation.

This assessment shall specifically determine whether there are operational areas requiring special attention in regard to quality issues at the agency (such as, improving forecasting precision and analysis of economic trends).

2. An assessment of whether the agency's real economic and public finance forecasting are reliable in regard to the degree of precision these forecasts attain, and whether systematic bias is present. This portion of the assessment should consider the forecasting of GNP, unemployment, inflation, employment levels and public sector savings levels but also may consider other variables.

This assessment shall also assess the reliability of and assessment methods used in the agency's internal forecast assessment process.

3. As assessment of suitable targets in determining forecasting accuracy and a comparison of relative and absolute accuracy targets.

4. An assessment of whether the agency uses appropriate purpose-specific data, models, and other analysis tools that generally comply with international best practice; and whether the assessments, models, outcome and forecast software, and file and document management are properly documented.
5. As assessment of the efficiency of current role allocation between the Ministry of Finance (internal economics department) and the NIER forecasting operations.

Additionally to these points (1 to 5), the expert panel is permitted to analyse other factors they may find relevant to enable conducting a fair assessment of the agency's forecasting operations.

The expert panel shall compare the agency's operations, where relevant, with those of similar institutions in other countries.

Requirements profile for the expert panel

The expert panel shall consist of two or three members, of which at least one should be based outside Sweden. All members should be PhDs and one should be a Professor of Economics or statistics (Econometrics).

Members shall also have:

- Experience in applying economic models to assess economic trends; and how forecasting is used as a basis for making economic policy decisions, in relation to either fiscal or monetary policy,
- Experience of similar forecasting activities either in Sweden or not, preferably in a managerial position,
- Have fully documented understanding of forecasting and forecasting methods, from working with an agency, forecasting institution, in banking or in academics, and
- Substantial understanding of labour market and public sector economics.

Panel members shall not have worked for the NIER within the last seven years.