

Audit of subsidies for export and investment promotion

State Secretariat for Economic Affairs

Key facts

The State Secretariat for Economic Affairs (SECO) commissions the private law association Switzerland Global Enterprise (S-GE) to implement the federal tasks of export promotion and national investment promotion. Within this framework, S-GE provides basic services such as information on new market opportunities and individual market clarifications for export-oriented companies. Moreover, the association promotes the establishment of foreign companies and investors in Switzerland.

The Confederation pays S-GE around CHF 23.3 million per year for the two mandates. S-GE also obtains services from the external network of the Federal Department of Foreign Affairs (FDFA) to execute the federal tasks. The costs of around CHF 9.9 million (gross) are financed by the FDFA. SECO uses service level agreements to monitor task implementation and the achievement of objectives by S-GE.

The Swiss Federal Audit Office (SFAO) examined the quality of task implementation, conformity in the use of federal funds and performance and impact measurement. The SFAO found that the federal tasks of export and investment promotion implemented by S-GE are important elements for strengthening Switzerland's foreign trade and have positive effects. There is isolated potential for improvement in terms of effective management and supervision of task implementation.

Make more targeted use of data for performance and impact measurement in the area of export promotion

S-GE uses a multi-level performance and impact model to check task implementation and monitor success. S-GE's reporting to SECO is in line with the specifications. S-GE fares well as an export promotion agency in international comparisons.

The SFAO believes that additional data evaluations could help to provide valuable information on task implementation by S-GE. The targeted measurement of intended and undesired impacts can provide important information on the achievement of objectives and compliance with the requirements of the service level agreement.

S-GE's position in the export sector calls for clear rules on the service offering

The Confederation's specifications require S-GE's service offering to be subsidiary, competition-neutral and complementary to private initiatives. S-GE has a special position through the use and co-design of Swiss Business Hubs as part of Switzerland's official external network. The question of compliance with the subsidiarity principle and competition neutrality arises with regard to individual S-GE services that are subject to charges. This has led to controversial discussions for years.

The SFAO assumes that marketable and thus non-subsidisable customer mandates are likely to lie only within a limited framework of around 5% of all S-GE mandates subject to charges. The SFAO recommends defining the boundaries more clearly. In order to comply with the subsidiarity principle and allow competition to play a role, customers should be made aware of possible competing offers in an appropriate manner.

Optimisation potential concerning the use and disclosure of federal funds

SECO's service level agreements contain only a few specifications and target values for assessing the efficiency of the use of resources in order to leave as much freedom as possible in customer orientation. A valid assessment of the use of resources cannot be carried out sufficiently on this basis. S-GE's financial and accounting system is very detailed and allows for good cost analyses on the time axis. Time recording as an important performance measurement instrument for better determining the actual cost structures is still being established.

In its balance sheet, S-GE carries a business development fund that is funded by net revenue from subsidised property (headquarters in Zurich) and revenue from member management. S-GE can assign an intended use that lies beyond federal tasks to this fund. Cross-subsidisation would thereby exist. It is thus recommended to allocate this revenue to a restricted fund within service level agreements.

Promising efforts to achieve efficient and effective investment promotion

In Switzerland, investment promotion as a shared task covers all levels of government. S-GE plays an important role by promoting the "Switzerland" brand abroad. Partly due to conflicts of interest and competition among state players, the process of establishing a company leads to redundancies and the fragmentation of tasks, roles and responsibilities. This is not cost-effective given the resources deployed by the Confederation, cantons and communes.

The SFAO welcomes the current efforts towards focused investment promotion based on cooperation and coordination beyond cantonal borders. By joining forces and jointly defining goals, Switzerland can be further strengthened as an attractive business location.

Against the backdrop of declining company establishments in recent years, the SFAO recommends increasing efforts to identify establishment success factors. These include the exchange of data and information between all players involved in investment promotion.

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