

# Sweden's national reform programme **2015**

Europe 2020 – the EU's strategy for smart, sustainable and inclusive growth



REGERINGSKANSLIET

Government Offices  
of Sweden

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inclusive growth**

## Contents

<b>1. Introduction</b> .....	2
<b>2. Macroeconomic situation and scenario</b> .....	6
<b>3. Implementation of the 2014 country-specific recommendations</b> .....	8
3.1 Recommendation concerning fiscal policy.....	9
3.2 Recommendation concerning private indebtedness .....	10
3.3 Recommendation concerning efficiency in the housing market.....	13
3.4 Recommendation concerning measures to improve basic skills and increase labour market participation of youth and other vulnerable groups.....	17
<b>4. Progress towards the objectives of the Europe 2020 strategy</b> .....	27
4.1 Employment target.....	27
4.2 Education target .....	29
4.3 Target for increased social inclusion .....	32
4.4 Research and development targets .....	34
4.5 Climate and energy targets .....	38
<b>5. The importance of the internal market, cohesion policy and the EU's strategy for the Baltic Sea Region</b> .....	44
5.1 Reforms to promote growth and competitiveness in the EU internal market .....	44
5.2 Implementation of cohesion policy 2014 - 2020.....	48
5.3 EU Strategy for the Baltic Sea Region.....	51
<b>6. Institutional issues and participation of relevant parties</b> .....	53
6.1 Institutional issues.....	53
6.2 Consultations with the social partners.....	53
6.3 Local and regional support .....	53
6.4 Consultation with interest organisations and Swedish civil society organisations.....	55

# 1. Introduction

The Europe 2020 Strategy is the EU common strategy for growth and jobs that has been in place since June 2010. The aim of the strategy is to improve the conditions for full employment and inclusive sustainable growth up to 2020. The strategy is based on three priorities that are mutually reinforcing:

- smart growth: developing an economy based on knowledge and innovation,
- sustainable growth: promote a more resource-efficient, greener and more competitive economy, and
- inclusive growth: stimulating an economy with high employment and social and territorial cohesion.

In April each year Member States submit a national reform programme to the Commission, which reports on implementation of the Europe 2020 strategy in national policies, undertakings implemented and progress achieved over the past year, as well as a description of planned measures. The Europe 2020 strategy is based on the integrated economic and employment policy guidelines.<sup>1</sup> The reporting shall also reflect the overarching priorities for the European semester.

Sweden's national reform programme for 2015 is mainly based on the initiatives and reform ambitions proposed by the Government in the 2015 Budget Bill and the 2015 Spring Fiscal Policy Bill and the Spring Amending Budget. It also reflects three overall priorities for the European semester that were approved at the meeting of the European Council in March 2015:

- a boost to investment,
- a renewed commitment to structural reforms and
- pursuing fiscal responsibility.

An appendix to this year's programme also includes contributions received from social partners, the Swedish Association of Local Authorities and Regions (SALAR), regional and local actors and organisations in civil society. The Government has not taken a position on these contributions.

## *Reform policy*

The Government considers that the Swedish economy will gradually recover in the coming years. The international economic situation appears to be improving, even if all the indications are that the recovery will be slow, particularly in the euro area. The risks of weaker growth are significant and poor economic prospects in the euro area is considered the single largest risk.

Presented below are the areas that affect the Europe 2020 strategy and that can be found in the Spring Fiscal Policy Bill of 15 April as regards the focus of policy in coming years.

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<sup>1</sup> Council Decision of 16 May 2014 on guidelines for the employment policies of the Member States (2014/322/EU) and Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union (2010/410/EU)

### *Lowest unemployment in the EU by 2020*

Unemployment has been far too high for a long time and long-term unemployment has become entrenched. One of the Government's most important tasks during this electoral period is therefore to reduce unemployment permanently and increase employment. The target for the Government's employment policy is that unemployment is to decrease and in 2020 be the lowest in the EU. An employment policy framework with a clear target is an important component for achieving results and clarifying priorities for economic policy.

The Government has high ambitions as regards reducing unemployment. The employment rate and labour force participation have long been among the highest in the EU, mainly as a result of the relatively high employment rate and women's labour force participation. At the same time unemployment has long been higher than in many comparable countries. The Government considers that it should be able to be considerably reduced. Unemployment will fall in that the number of people working and the number of hours in the economy is increasing. More people must have a job to go to and fewer must be part-time unemployed.

### *More jobs and greater competitiveness*

The Government's policy for more jobs rests on three pillars: an active industrial policy, knowledge reforms for improved matching and investments for the future that also contribute to sustainable adjustment.

An active industrial policy, increased exports and offensive future investment increases demand for labour and ensures growth. To build a strong Sweden and meet increased international competition creativity, entrepreneurship and innovation are needed. An active industrial policy that allows not least small and medium-sized enterprises to grow, creates the conditions for high demand and continued growth. Furthermore, to strengthen the growth potential of the economy it is of great importance that housing construction, which has been at far too low a level for a long time, increases.

Knowledge reforms are also required for better matching. Education gives the individual a stronger position in the labour market. Equipping citizens with the knowledge required in working life not only reduces the individual's risk of unemployment but also facilitates necessary structural transformation in the economy. A well-educated workforce is also a prerequisite for ensuring the competitiveness of the business sector.

At the same time as unemployment is high, the number of vacancies is at historically high levels and many employers find it difficult to find the right competence. The Government considers that this must be addressed with a series of measures, both in the form of targeted initiatives in adult education and folk high schools and through a clearer matching remit in labour market policy. For employers to find the right competence it is important to facilitate geographical and occupational mobility. This requires that there is sufficient housing in the regions where growth is greatest, as well as well-functioning opportunities for commuting. Public sector future investments in infrastructure and welfare create a sound foundation for more people in employment and stronger growth.

### *Active industrial policy*

The Government's objective for industrial policy is to strengthen Swedish competitiveness and create conditions for more jobs in more and growing businesses. Through growth in companies and more people in work, active industrial policy contributes to the Government's overall employment policy objectives.

Sweden is an export-dependent country and companies' global competitiveness is entirely crucial to the economy and growth. It is of great importance that more companies export and find new markets. Innovations and the ability to commercialise and sell them in a global market are becoming increasingly important in the growing international competition. Climate and environmental challenges may constitute a driver of innovation and development of new technology. Sweden has good prospects of being a frontrunner in the development and spreading of advanced energy and environmental technology. Digitalisation also creates new opportunities and challenges for Swedish companies.

### *Long-term energy policy*

Energy policy is a fundamental part of building a sustainable society. At the same time employment in Sweden is dependent on sound and reliable access to electricity and competitive prices. Sweden has particularly good prospects of extending renewable energy through our plentiful supply of water, wind and forests. The Government considers that in the long term Sweden is to have an energy system with 100 per cent renewable energy. Renewable energy production should therefore be further expanded.

### *Investment to build Sweden*

Sweden needs a long-term and sustainable housing policy for everyone. An effective housing market is of great importance for the functioning of the labour market and thus for the possibilities of reducing unemployment and creating more jobs. The housing shortage will be checked by increased housing construction, above all rented housing that people with average or low incomes may require. From a climate and environmental perspective it is important that construction is energy efficient. With a well-balanced policy for increased housing construction we strengthen the freedom of the individual, municipalities' competitiveness and the Swedish economy as well as contributing to climate adaptation. The Government's target is therefore that at least 250 000 new dwellings are to be built by 2020.

### *A robust transport system*

The Government's overall objective for transport policy is to guarantee an economically efficient, sustainable transport system for citizens and enterprises throughout the country. Environmental impact from the transport sector and its emissions of greenhouse gases is to decrease. The competitiveness of the business sector is dependent on its ability to deliver goods and services to customers within and outside the country. Employees and employers gain from easy and smooth travel to and from work. An effective and modern transport system contributes to Sweden being able to be a more environmentally sustainable society.

### *Knowledge-based education in equal schools with time for each pupil*

The level of knowledge in Swedish schools must be raised and the quality of the teaching situation must be improved. Everyone has the right to succeed and develop at school and schools must become more equal. Teachers are the most important factor for a pupil's journey to knowledge and must be able to give pupils the support they need to allow them to develop in accordance with their own situation and abilities. Fundamental starting points will be high-level school performance, equal schooling and an attractive teaching profession. To turn around declining school performance there must be school reform with four main focuses: early intervention, increased attractiveness of the teaching profession, improved equity – that all schools must be good schools – and completed upper secondary school for all pupils. These measures create the conditions for returning the Swedish school system to the international forefront.

### *A sustainable future*

The question of climate is the crucial issue of our time and one of the Government's highest priorities. Sweden must be at the forefront of necessary climate adaptation. The Government's objective is a resource-efficient economy in which consideration for the environment is a natural part of societal development. Stimulatory measures and economic policy instruments will be used to steer Sweden in a more sustainable direction. It must be easy and worthwhile to make environmentally friendly everyday choices. Through taxes on goods and behaviours that harm the environment or health macroeconomic costs will be made visible, to steer consumption and investment in a more sustainable direction. The guiding effect of environmental taxes is therefore to increase.

### *Increased welfare and security*

Economic policy is to guarantee conditions for effective welfare. Welfare is central to development, employment, sustainable growth and women's living conditions. At micro level welfare systems can influence growth by preventing the loss of productive capital. When a period of sickness or unemployment does not lead to permanent exclusion from the labour market, but a return to work after rehabilitation or education, effective social insurance contributes to growth and increased employment. At macro level welfare systems can have a direct effect on growth by increasing household productivity, lifting the educational level and improving labour allocation.

### *Improve establishment of new arrivals*

The position of foreign-born people in the labour market must be strengthened. The time needed to become established is far too long, particularly for women, and many foreign-born people have jobs that are below their competence level. Too long a period from arrival to establishment in work entails major human and financial costs. The Government therefore intends to pursue a vigorous, coherent policy for faster establishment in working and social life.

## 2. Macroeconomic situation and scenario

A gradual recovery is expected in the Swedish economy in the coming years. The global economic situation appears to be improving, even if the recovery seems to be slow, particularly in the euro area.

Overall, the recovery in the world economy was slow in 2014, but economic developments varied between different countries and regions. While the economic trend in the USA and the UK was relatively strong, growth in the euro area was comparatively weak. In many emerging economies, including China, growth slowed down in 2014. A lower oil price, lower interest rates and a more expansionary monetary policy are expected to contribute to a somewhat stronger economic trend in the euro area in 2015. Economic activity is held back by companies, households and the public sector retaining a high level of savings ratios in order to reduce their debt. In addition high unemployment in many economies dampens demand. On an overall assessment, the global economy will grow stronger in the coming years. However, recovery in the euro area, which is key as it is Sweden's most important export market is likely to progress slowly.

The slow recovery in the rest of the world has meant subdued growth in Swedish exports – particularly exports of goods. Instead growth has been mainly driven by household consumption and housing investment. Investments in machinery, however, showed weaker growth, which is due to the weak export trend. As recovery in the rest of the world continues, growth in Swedish exports is also expected to increase. Growth in household consumption is also expected to increase in 2015 and 2016, supported by low interest rates and a gradual improvement in the labour market situation. Housing investments and growing investment in the service sectors are also expected to make a considerable positive contribution to GDP growth in 2015 and 2016, which is expected to be somewhat higher than 2014.

Since 2011 unemployment has been about 8 per cent. In the same period employment has risen, but not sufficiently enough to reduce unemployment, as the number of people in the labour force has also increased. The upturn in employment in 2014 was above all driven by the service sectors. Unemployment is expected to decline as the economic recovery increases the demand for labour. The Government considers that active measures will also be necessary to reduce unemployment. As a result of the recovery in the Swedish economy, resource utilisation will increase in the years ahead. Overall, approximately 380 000 people are expected to be unemployed in 2016 and a large proportion of them are likely to be individuals with a weak position in the labour market.

The deficit in public finances is estimated to decrease as of 2015 onwards as a result of the economic recovery and the responsible conduct of economic policy. Net lending is estimated to be -1.4 per cent of GDP in 2015 and is expected to be in balance in 2018.



**Table 1. Macroeconomic key indicators**

Percentage change unless otherwise indicated. Outcome 2014, forecast 2015-2019.

	2014	2015	2016	2017	2018	2019
GDP <sup>1,2</sup>	2.3	2.4	2.5	2.7	2.5	2.0
Output-gap <sup>3</sup>	-1.9	-1.4	-0.8	-0.1	0.1	0.0
Employed <sup>4</sup>	1.4	1.4	1.3	1.2	0.9	0.5
Employment rate <sup>4</sup>	66.2	66.6	66.7	66.8	66.9	66.9
Hours worked <sup>2</sup>	1.8	1.3	1.3	1.4	0.9	0.4
Productivity <sup>2,5</sup>	0.4	1.2	1.2	1.4	1.6	1.7
Unemployment <sup>6</sup>	7.9	7.5	7.1	6.7	6.4	6.4
Hourly wages <sup>7</sup>	2.8	2.9	3.2	3.3	3.4	3.5
CPI <sup>8</sup>	-0.2	0.0	0.9	1.7	2.7	3.2
CPIF <sup>8</sup>	0.5	0.8	1.4	1.6	1.8	2.0

<sup>1</sup> Constant prices, reference year 2013.<sup>2</sup> Calendar adjusted.<sup>3</sup> Difference between actual and potential GDP in per cent of potential GDP.

Potential GDP cannot be observed and thus no outcome is recorded.

<sup>4</sup> Aged 15-74.<sup>5</sup> Value added to base price per hour worked.<sup>6</sup> As a percentage of the labour force aged 15-74.<sup>7</sup> Measured by short-term wage statistics.<sup>8</sup> Annual average.

Sources: Statistics Sweden, National Mediation Office and own calculations.

### 3. Implementation of the 2014 country-specific recommendations

The Government welcomes the country-specific recommendations as an important part of the European semester for strengthened economic coordination within the EU, as well as for an ambitious implementation of the Europe 2020 strategy and the Stability and Growth Pact. This section provides an overarching account of the measures that the Government has undertaken, and intends to undertake, in the areas that have also been identified in the country-specific recommendations.

The Commission's proposed country-specific recommendations published on 2 June 2014 state in summary that the Swedish medium-term budgetary objective, which reflects the requirements of the Stability and Growth Pact, will more than fulfil the medium-term objective throughout the programme period. The Commission points out a number of challenges that Sweden still needs to deal with. One of these challenges is indebtedness in the private sector, which is regarded as a continued cause for concern. A related challenge is the Swedish housing market, which, according to the Commission, remains a potential source of macroeconomic instability. A further challenge highlighted is the situation in the labour market for young people, people from an immigrant background and people with a low level of education. It is stated that Sweden has taken measures to deal with the problems, but that continued initiatives are required.

The Council decision of 8 July 2014 recommended that Sweden:

1. Continue to pursue a growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective is adhered to throughout the period covered by the Convergence Programme, also with a view to the challenges posed on the long-term sustainability of public finances by an ageing population.
2. Moderate household sector credit growth and private indebtedness. To this end, reduce the effects of the debt bias in personal income taxation by gradually limiting tax deductibility of interest payments on mortgages and/or by increasing recurrent property taxes. Take further measures to increase the pace of amortisation of mortgages.
3. Further improve the efficiency of the housing market through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage municipalities to make their own land available for new housing developments.

4. Take appropriate measures to improve basic skills and facilitate the transition from education to the labour market, including through a wider use of workplace-based training and apprenticeships. Reinforce efforts to target labour market and education measures more effectively towards low-educated young people and people with a migrant background. Increase early intervention and outreach to young people who are unregistered with the public services.

### **3.1 Recommendation concerning fiscal policy**

#### **Summary – examples of measures taken**

- Fiscal policy is aimed at strengthening net lending at a rate based on an aggregate assessment with reference to stabilisation, distribution and structural policy considerations.
- Reforms proposed in the Spring Amending Budget for 2015 are fully funded.
- Proactive measures for jobs and growth mainly financed by tax increases.
- Net lending will be strengthened in the coming years and is expected to be in balance in 2018.

#### **The Government's view of the recommendation**

The Government shares the view of the Commission on the importance of continuing to pursue a growth friendly fiscal policy while preserving sound public finances.

At the beginning of the financial crisis the general government sector had a considerable surplus. In this situation expansive fiscal policy was justified to dampen the negative effects of the financial crisis on growth and unemployment. However, in addition the previous Government implemented extensive unfunded reforms, mainly tax cuts, even in recent years despite improvement in the economy. Extensive unfunded measures, combined with the drawn-out economic recovery, have thus contributed to considerable general government deficits. The public sector reported a deficit in 2014 of almost 2 per cent of GDP, which was the largest deficit since the crisis of the 1990s.

The Government's overall assessment is that net lending has clearly fallen short of the target in recent years. Net lending therefore needs to be strengthened going forward. The pace at which a return to the target level should take place is based on an aggregate assessment with reference to stabilisation policy, distribution policy and structural policy premises.

#### **Initiatives and measures**

The Government considers that a gradual recovery will take place in the Swedish economy in 2015 and 2016. However, unemployment continues to be high and the protracted recession risks leading to unemployment becoming entrenched at high levels. From this perspective it is desirable that fiscal policy supports economic recovery, for example through increased public investment that will help to push down unemployment.

In 2015 the Riksbank decided on a negative policy rate. If the low interest rates do not lead to increased real investment there is a risk of a build-up of imbalances. Consequently

it is important that fiscal policy takes an active role in widening the bottlenecks that harm the investment climate, thus creating conditions for new investments.

The risks of weaker growth than in the forecast are significant, where poor economic prospects in the euro area are considered to constitute the single largest risk. Therefore it is important that there are margins for meeting a severe deterioration in the economy. The Government's overall assessment is that the reforms proposed in the Spring Amending Budget Bill for 2015 must be fully financed.

This fiscal policy direction is reasonable, both as regards creating margins to manage a deep recession and avoiding putting the ongoing economic recovery at risk. Sound management of public funds provides scope for proactive measures for jobs and growth. The financing consists primarily of proposed tax increases, including a gradual phasing out of the reduction of social security contributions for young people.

General government net lending showed a deficit of -1.9 per cent of GDP in 2014. A deficit of -1.4 per cent is forecast for 2015. Thereafter net lending is calculated to improve gradually and is expected to be in balance in 2018. Consolidated gross debt is expected to be 44.2 per cent of GDP in 2015 and is then expected to decrease to 38.0 per cent of GDP in 2019. A more detailed description of the direction of fiscal policy and development of public sector finances can be found in Sweden's Convergence Programme for 2015.

### **3.2 Recommendation concerning private indebtedness**

#### **Summary – examples of measures taken**

- The risk weight floor of 15 per cent for Swedish mortgages that was introduced by Finansinspektionen (the Swedish Financial Supervisory Authority) has been raised to 25 per cent.
- The Basel III agreement has been implemented. A greater percentage of the capital requirement will be filled by higher quality capital. Capital buffer requirements have been introduced, entailing higher capital adequacy requirements for Swedish institutions.
- Mortgage loan-to-value ceiling: New loans should not exceed 85 per cent of the market value of the property.
- Amortisation requirements will be introduced for new mortgage holders, who must repay their mortgages down to a 50 per cent loan-to-value ratio.

#### **The Government's view of the recommendation**

The Government shares the assessment that Swedish households' high indebtedness increases their sensitivity to such things as interest rate increases, loss of income and a drop in house prices, which is regarded as a macroeconomic risk. The authorities responsible estimate that the systemic risks to the banking system posed by Swedish households' indebtedness are at present limited.

The Government also shares the Commission's view that the structure of the tax system can influence household indebtedness. The question of measures in the area must,

however, be seen in a long-term perspective and must be handled with care due to the negative effects on growth that a change may have. This applies in particular to the question of tax relief on interest payments. Too rapid a phase-out of tax relief on interest may have negative effects on household consumption and the economic recovery. Abolition of tax relief on interest would also affect highly indebted households to a greater extent.

Several measures have been taken in recent years to reduce the risks of household indebtedness and the risks in the financial system. According to Finansinspektionen's annual mortgage survey, in March 2014 almost all new mortgage holders with loan-to-value ratios above 75 per cent amortised and very few households borrowed in excess of the mortgage loan-to-value ceiling<sup>2</sup>. On the other hand new borrowers with lower loan-to-value ratios often decide to wait to amortise. At the same time international experience indicates that households with loan-to-value ratios of more than about 40–50 per cent are more inclined to reduce other consumption when economic conditions are changed. In view of this, Finansinspektionen intends to introduce amortisation requirements for new mortgage holders. The proposal is that they will amortise their mortgages to a 50 per cent loan-to-value ratio.

According to several studies a large part of the increase in housing prices and indebtedness in the past 20 years can be explained by fundamental factors. An increasing number of households own their homes (among other things due to the many conversions from rental properties to tenant-owned properties above all in the period 2000-2010), the supply of housing, particularly in urban areas has increased at a slower pace than the population increase, housing-related taxes have been reduced and household incomes have increased at a good pace. At the same time real interest rates have fallen. The interest quota, i.e. interest expenditure after tax deductions as a percentage of disposable income, shows that the cost of borrowing has fallen. This means that households have been able to support larger loans without needing to exclude the possibility of other consumption, investment or saving.

Swedish households' aggregate debt ratio, i.e. debt as a percentage of disposable income, has remained at a stable level of about 170 per cent since 2010, but recent quarterly outcomes indicate a minor increase in the debt ratio. Growth in banks' and other credit institutions' lending to households has increased in the past two years and it is mainly mortgages that are driving credit growth. In January 2015 the annual growth rate for lending to households was just over 6 per cent.

In this context it is worth noting that while household indebtedness has increased, household savings has also increased. Households' aggregate savings has increased in recent years, which means that households at sector level have built up buffers. Even disregarding the part of household wealth that is tied up in housing and pension savings, the assets are nevertheless greater than the debts.

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2. The mortgage loan-to-value ceiling means that new loans should not exceed 85 per cent of the market value of the property.

## **Initiatives and measures**

Stability in the financial markets has gradually strengthened since the most intensive period of the financial crisis in autumn 2008. This has largely taken place through the introduction of further measures to strengthen the resilience of the financial system. To ensure that banks maintain enough capital to cover the risks in the Swedish mortgage portfolio the Swedish FSA introduced a risk weight floor of 15 per cent for Swedish mortgages in May 2013. Higher risk weights mean that the banks, given existing lending, need to finance themselves with more capital. The measure is estimated to increase the cost of banks' financing to some extent. Finansinspektionen then raised the risk weight floor to 25 per cent in September 2014.

The Basel III agreement was implemented in the EU in 2014 in that the Capital Requirements Regulation (CRR) started to apply, and the Fourth Capital Requirements Directive (CRD IV) was transposed into Swedish law. The new regulatory framework means that a greater proportion of capital requirements must be filled by higher-quality capital, i.e. capital with better loss absorbing capacity. Through the new regulatory framework capital buffer requirements have also been introduced, which have meant higher capital adequacy requirements for Swedish institutions, particularly systemically important institutions.

Several measures have also been taken in recent years to reduce the risks of household indebtedness. In autumn 2010 Finansinspektionen adopted general guidelines for mortgages with the home as collateral. The mortgage loan-to-value ceiling meant that new loans should not exceed 85 per cent of the market value of the property. Finansinspektionen's annual mortgage surveys have shown that the percentage of households with new mortgages with a loan-to-value ratio of more than 85 per cent has decreased by more than half since 2010 and is now about 6 per cent.

Finansinspektion intends to introduce amortisation requirements for new mortgages. These must be amortised to a 50 per cent loan-to-value ratio. It is proposed that the amortisation requirement applies to all new mortgages, granted with a home as collateral, starting 1 August 2015. The purpose of the amortisation requirement is to reduce macroeconomic risks that may arise in the event of unexpected events in households or in the external world, which may deepen recessions and thus have negative effects on growth in the economy.

The Government and responsible agencies are closely following developments to see if further measures may become necessary. It is now important to evaluate the measures already taken and the measures planned to be in place shortly, as well as how these measures interact. Financial crises have proved to be very costly and therefore constitute a serious threat to stable economic development and public finances. The work of ensuring a stable financial system in the wake of the financial crisis therefore continues to be given high priority by the Government.

### 3.3 Recommendation concerning efficiency in the housing market

#### Summary – examples of measures taken

- The ability of municipalities to make more stringent demands in terms of energy and accessibility than apply under the Swedish National Board of Housing, Building and Planning building regulations has been restricted.
- The Government has contributed further resources to the county administrative boards and land and environment courts for reviewing appealed municipal decisions under the Planning and Building Act.
- The previously simple procedure for drawing up detailed development plans is now standard.
- An even simpler procedure has been introduced to cancel detailed development plans and extend the construction period.
- Provisions on what may be regulated in a development contract have been introduced along with certain rules of procedure for the purpose of increasing transparency in implementation of detailed development plans. The “developer provisions” have been removed.
- The possibility of giving planning permission for measures that entail deviation from a detailed development plan or area regulations has been extended,
- The possibility of waiting to carry out a measure that follows a "planning condition" has been introduced.
- A requirement that the municipality must adopt guidelines for land allocation (Swedish Code of Statutes SFS 2014:899) has been introduced for the purpose of creating transparency and increased clarity in the introductory phase of the construction process.
- A new Ordinance on traffic noise near residential buildings has been adopted by the Government to achieve consistent rules in the area and make it easier to plan for more housing in locations exposed to noise.
- The Government is working with urban environment agreements focusing on sustainable transport. The aim is to create conditions for a larger proportion of transport in urban areas to be by public transport, bicycle or walking and sustainable transport, which could ultimately have an effect on housing supply.
- The reform of legislation concerning the non-profit municipal limited liability housing companies and rent setting introduced on 1 January 2011 remains in place. The rules for presumptive rent for new production have been extended to 15 years.

#### The Government's view of the recommendation

The Government shares the assessment that long planning and building permit processes can slow down new production of housing and have a negative effect on competition and costs. Not least long planning and building permit processes contribute to restricting conditions for effective competition since the long lead times mean that small and medium-sized contractors find it difficult to participate in projects that require planning.

The Commission’s country analysis for Sweden points out that the possibility of municipal special requirements and long planning and building permit processes contribute to dampening new production of housing. The legislation has to some extent

been unclear as to the extent to which municipal special requirements were allowed, i.e. that the municipality imposes requirements different from what has been determined at central national level. Normally it has been a matter of the municipality imposing stricter requirements concerning energy and accessibility than apply under the Swedish National Board of Housing, Building and Planning building regulations. The conditions for imposing such special requirements have been limited through a legislative amendment that came into force on 1 January 2015 (Govt. Bill. 2013/14:126).

Appeal processes are often pointed out as taking a disproportionately large part of the period from idea to finished building. The time it takes to review an appeal has decreased, however, mainly as a result of the Government contributing further resources to the county administrative boards and land and environment courts for reviewing appealed municipal decisions under the Planning and Building Act. The government Inquiry on Planning and building Act Appeals has also proposed that the county administrative boards be removed from the appeals system as regards appealing municipal decisions to adopt, amend or cancel detailed development plans etc.

The Commission has also stated that the time needed for approval has been reduced from 8-10 years to 5-6 years. Some planning projects take 10 years or more, but these are isolated cases. The studies carried out state that normal plans take between 1.5–2.5 years from project start-up to a detailed development plan becoming final and non-appealable but local variations are great.

## **Initiatives and measures**

### *Institutional conditions of significance to housing construction*

A new Planning and Building Act was passed in 2010 to simplify and speed up the planning and building process. The previous Government also set up several public inquiries aimed at further simplifying legislation and making administrative and legal processes faster and more effective. As a result of this work the previous Government submitted several bills to the Riksdag and many changes have been made. It will take time before these changes can be evaluated.

### *A simpler and more effective planning and building process*

In Government Bill 2013/14:126 A simpler planning process, amendments to the Planning and Building Act (2010:900), PBL, were proposed with the aim of making the planning and building permit process simpler and more effective. Amendments to the Planning and Building Act mean that the present simple procedure for drawing up a detailed development plan is now standard. An even simpler procedure has been introduced to withdraw detailed development plans and to extend the construction period. Provisions on what may be regulated in a development contract have been introduced along with certain rules of procedure for the purpose of increasing transparency in implementation of detailed development plans. The “developer provisions” have been removed.

The possibility of giving planning permission for measures that entail deviation from a detailed development plan or area regulations has been extended, The possibility of



waiting to carry out a measure that follows a "planning condition" has been introduced. The municipalities' scope for imposing their own technical requirements has been regulated. The legislative amendments and the new Act came into force on 1 January 2015. In light of the Government's assessment that there are deficiencies in effectiveness and transparency of the municipalities' processes for land allotment, on 1 January 2015 requirements were introduced for municipalities to adopt guidelines for land allocation (Swedish Code of Statutes SFS 2014:899). Land allocation refers to an agreement between a municipality and a developer, giving the developer the sole right for a limited period and under certain conditions, to negotiate with the municipality on transfer or letting a particular land area owned by the municipality for development. The guidelines must include the municipality's premises and objectives for transfer or letting land areas for development, processing procedures and basic conditions for land allocation and principles for land pricing. The overall purpose of the requirement for guidelines for land allocation is to create transparency and increased clarity in the introductory phase of the construction process.

#### *Ongoing processes*

The question of how regulation of planning and building can be more appropriate and effective is high on the Government's agenda. Two measures started by the former Government remain to be completed; these are noise regulation and the number of times a detailed development plan or planning permission can be appealed.

A new Ordinance on traffic noise near residential buildings has been adopted by the Government. The purpose of the Ordinance is to achieve consistent rules in the area, which should make it easier to plan for more housing in locations exposed to noise. The Ordinance contains standard values for outdoor noise from rail, road and air traffic for residential buildings. The Ordinance means that the standard value at the exposed frontage is increased for small apartments, which may facilitate building small apartments in central locations. The new standard values will come into force on 1 June 2015. The Ordinance will apply both to the planning stage under the Planning and Building Act and permit applications under the Environmental Code.

As regards the appeal chain the Inquiry on Planning and Building Act Appeals noted that the possibility of appealing a municipal decision to both the County Administrative Board and the Land and Environment Court in most cases means that the same issue is reviewed twice on the same grounds without anything new being added to the process. As it is a very small proportion of all plans that are appealed the Inquiry considered that the courts, with some additional resources, could deal with these appeals directly. The possibility of appealing municipal decisions must not be restricted, but the time expected for review before the decision becomes final and non-appealable – and the risk of delay to the developer's timetable – can thus be cut by up to one year. A side-effect is that the County Administrative Board, which must submit an opinion on the plan during the planning process, will not need to end up in a situation where it must review cases that it had previously dealt with during the planning process. The Government intends to submit a Government Bill to the Riksdag in spring 2015.

Capacity shortages in the transport system cause congestion. In growing urban areas there is also congestion for passengers on public transport. Several Swedish towns need to develop their public transport systems to reduce climate emissions and improve accessibility. At the same time a growing population means increased transport that also needs to be made more effective and environmentally adapted. The Government has therefore instructed the Swedish Transport Administration to prepare a proposal for a framework for special urban environment agreements focusing on sustainable transport in urban areas. The remit includes proposing criteria and processes for selecting projects that may qualify for central government co-financing.

#### *Ongoing inquiries*

The Housing Planning Committee was set up to investigate and propose amendments to the regulatory frameworks that govern the use of land and planning at regional level in order to meet the need for housing and of sustainable development in all parts of the country. The inquiry will evaluate the system of regional planning and how this relates to systems for regional development strategies, county plans for transport infrastructure and regional transport provision programmes. The inquiry will also evaluate how well coordination of housing provision at regional and municipal level functions today and analyse the need for changes in the regulatory framework. The inquiry will also look into what should be included in physical planning at regional level and how to improve the necessary balance between national and regional targets, plans and programmes. The report is due on 15 June 2015.

The Planning Process Inquiry is to analyse how municipalities can be stimulated to plan for more housing and increase the number of land allocations to those wishing to build. The inquiry will investigate whether it is necessary to strengthen incentives to municipalities to plan to a greater extent for housing development and implement the planning faster, as well as considering various alternatives for achieving this. The remit also includes analysing whether the process before detailed planning can be made more effective and analysing the municipal systems for land allocation and propose measures aimed at increasing the supply of land suitable for housing construction. The inquiry will also investigate issues regarding the possibility of municipalities to impose detailed requirements in a detailed development plan, the possibility of better planning preparation and the need for better effectiveness in the participation of central government agencies, in particular the county administrative boards, in the planning and building process and the time needed for this. A report will be presented by 31 December 2015.

#### *Competitiveness in the construction and building materials industries*

Competitiveness in the construction market is of great significance for both supply and pricing and the costs to tenants. A special inquiry will therefore investigate conditions for improving competitiveness in the construction and building materials industries on the basis of the specific conditions applicable to the industry and submit proposals that can improve competition in the construction market. The final report is to be submitted by 1 October 2015 at the latest.

### *Institutional conditions of importance to the rental housing market*

In 2010 the legislation on non-profit municipal housing companies was reformed so that they now run on a commercial basis. At the same time some amendments were made to the Rent Act and the Tenancy Bargaining Act. The latter amendments mean that for a direct comparative review of rent the comparison should no longer be primarily with the rent for housing in a non-profit housing company but with housing in which the rent is collectively negotiated, regardless of whether the housing is owned by non-profit or private landlords. At the same time it was made easier for the negotiating parties to change the rent for housing they have agreed was incorrect in terms of the utility value principle. This change means that – in such a case – the rent for existing tenants can be adjusted gradually over the course of a few years, while new tenants will pay the correct utility value rent from the start.

The reform put non-profit limited liability municipal housing companies and private landlords on equal terms and is expected to have an effect on the long-term functioning of the rented housing market. However, all such processes take time and since rent negotiations are carried out by the organised stakeholders it may take longer than other processes. On the other hand the changes were implemented with the support of the organisations on the rental housing market.

The National Board of Housing, Building and Planning has been instructed by the Government to follow the consequences of all the different aspects of the changes in legislation that came into force on 1 January 2011 in order to carry out a full-scale evaluation when sufficient time has passed for such an evaluation to be meaningful. At the same time it can be noted that rents in new production, regardless of how they are determined, are considerably higher than in the existing stock. The special rules for presumptive periods have also been amended so that the contractual rent set to give reasonable return on the investment apply for 15 year before any utility value review can be made.

### **3.4 Recommendation concerning measures to improve basic skills and increase labour market participation of youth and other vulnerable groups**

#### **Summary – examples of measures taken and planned**

- An upper limit for how long a young person can be unemployed
- Strengthened cooperation with municipalities and local actors
- Education contracts for young people with incomplete upper secondary education
- Trainee jobs for unemployed young people
- A new adult education initiative
- Extra jobs for unemployed people very detached from the labour market
- Fast track into the labour market for new arrivals
- More resources to apprenticeships and vocational education
- The possibilities of validation will be improved
- Skills development initiative in reading and writing for teachers in compulsory and upper secondary school

### **The Government's view of the recommendation**

The Government shares the assessment that the transition from education to labour market needs to be improved and also that labour market and education measures, as well as measures for vulnerable groups and youth need to be strengthened and made more effective. Effective labour market and education policy are of great importance in enabling an increase in employment and a decrease in unemployment. One of the Government's most important tasks during this electoral period is therefore to reduce unemployment permanently and increase employment. The number of people in work and the number of hours worked in the economy must increase so that Sweden achieves the objective of the lowest unemployment rate in the EU by 2020. An important part is getting to grips with the high youth unemployment and high long-term unemployment. More foreign-born men and women must also be given opportunities to quickly enter employment.

In the Government's opinion education is central for establishment, getting a strong foothold in the labour market and for strengthening Swedish competitiveness. The objective of the Government's initiatives in the area of education is to strengthen the entire education system and in that way also reduce the percentage of people who are not eligible to apply to upper secondary school. To give people education that is in line with labour market needs the Government proposes that a new and permanent knowledge boost (adult education initiative) with permanent places in education be introduced from 2015.

The Government also wishes to set an upper limit on how long a young person can be unemployed before he or she is offered a job, a measure that leads to a job or education. As an important component of this the Government intends to introduce an education contract for unemployed young people who have not completed upper secondary education. Support for trainee jobs for unemployed young people furthest away from the labour market is another important part of the Government's proposed measures for young people aged 20–24. Municipalities and county councils will be important actors in the work with education contracts and trainee jobs. Therefore, the Government has started a dialogue with representatives of the municipal sector concerning these reforms and appointed a delegation to work to give labour market policy measures against youth unemployment a greater impact at local level. In order to achieve success in fighting youth unemployment all actors in society need to combine efforts. The responsibility of municipalities for activating people younger than 20 who are not in upper secondary school and who have no known employment was strengthened at the beginning of the year. Also, the Government sees support to vocational introduction employment, introduced in January 2014, which combines work with supervision and education, as an important component of an orderly generational shift. By building further on the tripartite talks the Government also wants to speed up establishment of new arrivals in the labour market. The Government intends to implement most of the new proposals, provided the Riksdag approves the Government's proposals in the Spring Amending Budget for 2015.

## **Initiatives and measures**

### *Improvement of basic skills and the transition from education to working life*

The Government regards it as important to focus on early intervention, particularly as regards basic skills in reading, writing and arithmetic. For example knowledge requirements in reading comprehension and compulsory assessment support in reading and writing development and mathematics in school year 1 will be introduced in 2016. The Government also intends to appoint an inquiry in 2015 to investigate the possibilities of introducing a special reading-writing-arithmetic guarantee and submit proposals on how this should be designed. The purpose of the inquiry is to prepare a proposal for a system that ensures necessary support to pupils to enable them to at least achieve the knowledge requirements in Swedish and mathematics in school year 3. In addition the Government intends to introduce from 2015 a central government grant of SEK 2 billion per year to increase the number of employees to allow primary school teachers more time for each pupil and allow smaller classes. In addition the Government will implement targeted measures from 2015 for schools with poor study outcomes and tough conditions. The Government will also continue to implement various measures to improve teaching and study outcomes for newly arrived pupils. In addition the OECD has been asked to carry out a thematic review of Swedish schools focusing on compulsory school. The OECD will present its recommendations at the end of April 2015. The Government also intends to set up a school commission in 2015 that will make proposals based on the OECD's recommendations for various measures to raise the knowledge level and increase equity in Swedish schools.

To further strengthen the attractiveness of the profession the Government has taken the initiative for a national action for the teaching profession, which includes better pay growth for teachers linked to their competence and career development. The Government's intention is to provide resources in the Budget Bill for 2016 aimed at increasing teachers' salaries.

Upper secondary school must help to further develop pupils' basic skills and facilitate the transfer from education to labour market. The Government considers that society and schools need to take greater responsibility for ensuring that all young people start and complete upper secondary schooling. Consequently, in March 2015 the Government decided to appoint an inquiry to analyse possible measures to enable all young people to have an upper secondary education and receive the support they need to develop according to their own abilities. The report is due in June 2016.

Several initiatives are currently in progress to strengthen upper secondary apprenticeship and occupational programmes. The Government considers this to be important for giving young people good opportunities to obtain occupational skills that are relevant to working life. Funds have been allocated to intensify cooperation between relevant agencies, industry organisations and parties around different forms of learning in working life and young people's transition from education to labour market. Funds have also been allocated to ensure that apprenticeship training is undertaken to a greater extent.

The Government has also decided to set up an inquiry to review upper secondary vocational education to increase its attraction and facilitate young people's transition to the labour market. The inquiry will also review how the influence and responsibility of industries and employers for upper secondary school apprenticeship training can be developed and promote stronger cooperation between upper secondary occupational training and working life in the form of vocational colleges. This type of cooperation is distinguished by being systematic and long-term and is based on agreements between the social partners. Through cooperation with local employers school authorities obtain up to date knowledge of the needs of the labour market so that matching between educational supply and demand in the labour market is improved. The report will be presented in autumn 2015.

The Riksdag has decided on special incentive funds for school authorities to further develop quality in workplace-based learning. The school authorities and workplaces also receive a subsidy to provide upper secondary apprenticeship training programmes. The Government has also instructed the National Agency for Education to procure or run training programmes for supervisors at workplaces that receive pupils for workplace-based learning.

In March 2015 the Government decided on a new Government Bill on adult education. The proposals are above all aimed at adapting education better to the needs of people with a short education and foreign-born people. Adult education needs to be more adapted to individuals, including individuals' opportunities to study in many parts of adult education simultaneously. In addition, the need for support is often great among the pupil groups mentioned above. To enable individual adaptation the Bill proposes a greater focus on support measures such as mother-tongue study mentorship and study and vocational guidance.

The National Agency for Education has been tasked by the Government to carry out an extensive skills development initiative in reading and writing development for teachers in compulsory and upper secondary schools. The programme will run during the period 2014–2018 and the total expenditure will be just over SEK 300 million. There is great demand for the programme and for 2015 a further SEK 25 million will be provided. A similar skills development programme for teachers of mathematics is already in progress. All teachers of mathematics are expected to be able to take part in the programme.

*More effective labour market policy initiatives for young people to facilitate the transition from education to work*

Unemployment continues to be high and an increasingly large proportion of the unemployed have a weak foothold in the labour market. At the same time many employers have difficulty finding people with the right skills. Above all young people who have not completed upper secondary education and people born outside Europe run a high risk of unemployment and long-term unemployment. Measures that increase the possibilities of combining work or work experience with education are therefore important in reducing unemployment among young people while also aiming to alleviate shortages in the labour market.

The job guarantee for youth is a framework programme introduced on 1 December 2007 for young people aged 16–24 who have been unemployed and registered with the Swedish Public Employment Service for at least three months over a four-month period. As part of reducing micro-management of the Swedish Public Employment Service the Government decided on 12 March 2015 to amend the regulatory framework for the job guarantee for young people. This means that the Swedish Public Employment Service will be able to offer young people measures right from the registration period with the job guarantee for youth. At the same time it was also decided that vocational rehabilitation and strengthened vocational rehabilitation will be introduced as part of the job guarantee for youth and that a brief study motivation course can be offered at folk high school for up to five months for young people with reduced working capacity due to disabilities. The changes will enter into force on 4 May 2015.

The Government intends to gradually introduce a 90-day guarantee for young people, meaning an upper limit on how long a young person can be unemployed without being offered a job, a measure that leads to a job or education. The 90-day guarantee will consist of existing labour market policy measures for unemployed youth including new measures, such as education contracts and trainee jobs.

As an important part of the guarantee the Government intends to introduce education contracts in 2015. Education contracts are aimed at getting unemployed young people aged 20–24 to start or return to studies with the objective of completing an upper secondary qualification. Studies within the education contract can be combined with work or practical work experience. A requirement for bringing about education contracts is developed central government and municipal cooperation. Taking the EU state aid rules into consideration, the Swedish Public Employment Service must be able to pay financial compensation to municipalities that arrange education contracts where studies are combined with work or practical work experience. The municipality will also be compensated for study places.

To help guarantee long-term skills provision while ensuring that young unemployed people find work in 2015 the Government intends to introduce the opportunity of trainee jobs where work is combined with vocational education and training. The possibilities of combining existing subsidised employment with education or training will thus be strengthened. Trainee jobs will be designed taking EU state aid rules into consideration. Municipalities and other employers in the welfare sector who employ a young person aged 20–24 who has been unemployed for 6 months will be able to receive a wage subsidy which, together with supervision, is equivalent to the entire cost of employment. At the same time the measure will facilitate a generational shift in occupations important to welfare. A first step will target subsidies to non-economic activities and thus will not constitute state aid. In a second step the Government intends to notify the support to the Commission to then also cover other activities such as elderly care. Employers throughout the labour market who employ 20–24 year-olds who have been unemployed for 3 months and after a labour market policy assessment of being at risk of long-term unemployment will be able to receive a subsidy equivalent to about half of the wage cost. The measure will at the same time facilitate recruitment in shortage occupations. The

trainee jobs will normally be 50 per cent of a full-time position and be combined with relevant half-time vocational education and training.

Moreover, since autumn 2014 the Government has conducted municipal dialogues aimed at taking a joint approach to reduce youth unemployment. The dialogue has highlighted the municipalities' experiences and views on what works and what can be improved. It is important to utilise all successful examples of cooperation that already exist at local level today.

To give labour market policy initiatives against youth unemployment greater impact at local level, on 18 December 2014 the Government also appointed a delegation (A 2014:06). The delegation will promote central and local government cooperation and development of new forms of cooperation to reduce youth unemployment. The delegation is expected also to be able to play an important role in the work concerning the 90-day guarantee and will have funds to finance measures that promote local cooperation.

Young people registered in both the job guarantee for young people and the job and development guarantee have been able, under certain conditions, to receive the higher study grant from the system of financial support for studies if they resume their studies. The Government assesses that the opportunities that currently exist for unemployed youth to receive the higher study grant should continue and be part of the introduction of an education contract. The same applies to the ongoing initiative with study-motivating courses at folk high schools, which make it possible for young people with incomplete compulsory and upper secondary school qualifications to find the motivation to resume studies.

The EU Youth Employment Initiative will be implemented within the framework of the European Social Fund. Measures in this initiative and the National Social Fund programme in other respects for the period 2014–2020 play an important role in labour market policy. The Government therefore proposes in the Spring Amending Budget for 2015 and calculates in the 2015 Spring Fiscal Policy Bill bringing forward resources to speed up implementation.

The initiative for the period 2014–2017 of subsidised employment at Samhall AB to enable more long-term unemployed, particularly young people, with a disability to leave the employment phase of the job and development guarantee and find work is continuing. Moreover the Government intends to review the conditions for improving opportunities of work and employment for people with disabilities that impair their capacity to work on the basis of the proposals in the report from the FunkA inquiry.

The Government also proposes to invest in a knowledge boost in adult education. This means for example investing in more places in municipal adult education (komvux), folk high schools and higher education. The increased demand for education in these school forms means, in the opinion of the Government, that investment in a knowledge boost is necessary. Better access to education for adults, both at upper secondary and post-secondary level, improves the individual's chances of leaving or avoiding unemployment and of readjusting in working life. The investment in a



knowledge boost is also needed in the context of increasing refugee immigration to improve this group's chances of obtaining an education that is viable in the Swedish labour market. A knowledge boost can also be seen as an important initiative for life-long learning.

*More effective labour market and education measures for people with a low level of education and foreign-born people*

The job and development guarantee of 2007 contains individually designed measures for people who have been outside the labour market for a long time and it is divided into three phases. In the last phase, the employment phase, the individual is currently offered employment mainly with a provider. To strengthen the competitiveness of long-term unemployed people for jobs in 2015 the Government intends to introduce extra jobs. As a first step, while observing EU state aid rules, extra jobs will be introduced in parts of the welfare system, such as in health care or schools. The proposal on extra jobs aims to give long-term unemployed people meaningful tasks and a salary in accordance with collective agreements while improving the individual's chances of getting an unsubsidised job. The Government's objective is that the extra jobs will help phase out the employment phase.

The Government also intends from 2015 to introduce a possibility for participants in the employment phase to study for up to one year at Komvux adult education, university, other higher education or higher vocational education institution with retained activity support. One condition is that the formal eligibility requirements are met and that enrolment is in competition with other eligible applicants. The education must also be considered to improve potential for getting a job in the regular labour market. To increase the outflow from the job and development guarantee programme there is special employment support in the form of a subsidy to the employer of 85 per cent of the wage cost up to a ceiling of SEK 890 per day and mentor support.

In 2013 and 2014 the number of people obtaining a residence permit on grounds of protection increased substantially. The main reason is the conflict in Syria. In coming years the number of asylum seekers and residence permits granted is also expected to be at a very high level. This gives rise to challenges within the introduction assignment, which aims at faster introduction of newly arrived refugees and other persons in need of protection and their family members. For this target group the introduction into the labour market is normally linked to challenges. It is important that the measures within the introduction assignment continue to be adapted to the needs and abilities of the target group. The Government has augmented the Swedish Public Employment Service's administration appropriation for the introduction assignment in 2015–2018.

A large proportion of people coming to Sweden are of working age, while the percentage of older people is considerably lower than in the population as a whole. Many have post upper secondary education, many have skills in shortage occupations. The percentage with a short education is, however, higher than in the rest of the population. An upper secondary education is of the utmost importance to enable newly arrived young people to become established in the labour market later in life. The Government intends to direct funds within the framework of cooperation for the best school system to improve study

outcome for newly arrived pupils so that more can continue to upper secondary school national programmes. In March 2015 the Government initiated tripartite talks with the social partners on improving the labour market introduction of new arrivals. One aim of the talks is to create fast tracks into the labour market for new arrivals who have education and work experience that is in demand in Sweden. It should be possible to offer work, workplace-based practical work experience or subsidised employment to new arrivals while industries with labour shortages are given help in managing their skills supply. To identify skills of new arrivals at an early stage the Government intends to set aside funds within existing frameworks for a pilot project for skills mapping of new arrivals living in the Swedish Migration Board's accommodation centres who have residence permits. Correspondingly, the Government intends to allocate funds for validation measures within the framework of the Swedish Public Employment Service's introduction assignment.

Swedish for immigrants (sfi) is an important measure for the introduction of new arrivals and is a municipal responsibility. Apart from ordinary funding, the decision of December 2012 on government grants of SEK 50 million per year payable in the period 2013–2015 to providers of sfi or equivalent training for initiatives that contribute to higher quality and increased individual adaptation in the training still stands. The Government intends to increase the number of teachers in Swedish for immigrants training and implement a skills development initiative for them. For autumn 2015 SEK 15 million should be used for this purpose.

To improve remuneration to municipalities for participants in sfi who have obtained a residence permit and who are living in the Swedish Migration Board's accommodation centres pending a move to a municipality the Government proposes an increase in remuneration in 2015 of SEK 50 million. The Government also proposes that SEK 30 million is allocated to the county administrative boards for distribution to municipalities to increase the number of refugee guides and family contact initiatives aimed at facilitating the introduction into society, creating networks, supporting language learning or giving social support to unaccompanied refugee minors. Moreover the Government proposes funds to enable activities to be implemented in adult education, including study associations, to improve knowledge of Swedish, of society and to promote participation in social life for asylum seekers and people who have residence permits but are still living in the Swedish Migration Board's accommodation centres. These proposals aim to involve the civil society in the introduction process more successfully.

A decisive factor for the introduction of a person with a foreign education in the labour market, doing work that matches the person's level of education may be the possibility of complementing their education within the Swedish higher education system. A special initiative is currently in progress for people with completed foreign qualifications in teaching, law, medicine, dentistry and nursing. In 2014 the initiative amounted to approximately SEK 70 million. For 2015 a further SEK 16 million excluding student aid has been allocated for supplementary education.

People with completed foreign education at upper secondary and post-secondary level can have it assessed by the Swedish Council for Higher Education. The assessment makes it easier for employers and others to understand the level of education the qualification corresponds to in the Swedish education system. The number of assessment cases for foreign education is growing as a result of increased refugee immigration and the Government is therefore temporarily reinforcing the Swedish Council for Higher Education's assessment activities in 2015–2016. For 2015 the reinforcement is SEK 18 million. In December 2014 the Swedish Council for Higher Education presented the results of a study made on behalf of the Government on the effect of the statements directed at foreign academics. It showed that those who had received a statement have a higher frequency of gainful employment, find work faster and have jobs that to a greater extent require post-secondary education.

On 8 April 2014 the Ministry of Education and Research instructed an inquiry to map the validation measures that exist in the labour market and education sector and propose how validation systems that are easier to comprehend for the individual than today's system should be designed. The proposals are to aim at creating more effective use of existing resources to enable more individuals, both Swedish and foreign-born, to have their real competence validated. The remit also includes taking into account the Council Recommendation of December 2012 on validation of non-formal and informal learning. On the basis of this work the Government intends to introduce a cohesive, national and permanent system of validation.

#### *Early intervention and active outreach to youth*

The supply of jobs for people with a short education is decreasing and young people with no upper secondary education meet major difficulties in establishing themselves in the labour market. Society and school need to take greater responsibility for ensuring that pupils achieve the requirements for upper secondary qualifications and major efforts will be required to ensure that all young people complete upper secondary education. Consequently the Government is giving priority to the work on youth unemployment and in particular the situation for young people who are not in employment, education or training (NEET).

On 1 January 2015 the municipalities' responsibility to act came into force. The responsibility to act means that municipalities are responsible for contacting all young people under the age of 20 who have completed compulsory school but are not studying in upper secondary school and who have no known employment and offer them suitable individual measures. The primary purpose of the measures is to encourage education. The legislation clarifies and stresses the previous municipal responsibility to be informed concerning young people beyond compulsory school age. The municipalities will also keep a register of young people covered by this responsibility and to document their efforts appropriately. The authorities responsible for upper secondary schools and upper secondary schools for pupils with learning disabilities must without delay inform the home municipality if a pupil is absent to a considerable extent without a valid reason. On 22 December 2014 the National Agency for Education was tasked with supporting the municipalities in their responsibility to act and annually report their efforts in the area in connection with the annual report. On 22 December 2014 the Swedish Schools

Inspectorate was tasked with implementing a quality review of the municipalities' work in connection with the municipal responsibility to act. A final report on the Swedish Schools Inspectorate's assignment will be made to the Government Offices (Ministry of Education and Research) on or before 11 December 2015.

Furthermore, the Swedish Agency for Youth and Civil Society is working on more assignments to strengthen the influence, ability to earn a living and mental health of young people. Among the assignments is one particularly intended to strengthen mental health of young people who are not in employment, education or training. From 2015 the Agency has also been specially instructed to make in-depth analyses of the situation of young people in terms of the transition from school to working life.

## 4. Progress towards the objectives of the Europe 2020 strategy

The Member States have set up national targets in the same areas as the overall Europe 2020 targets taking into account their relative baselines and national circumstances and in accordance with their national decision-making processes. Sweden’s national targets were set through the Spring Fiscal Policy Bill of 2011. The Government has started a review of Sweden's national Europe 2020 targets for the purpose of possible revision.

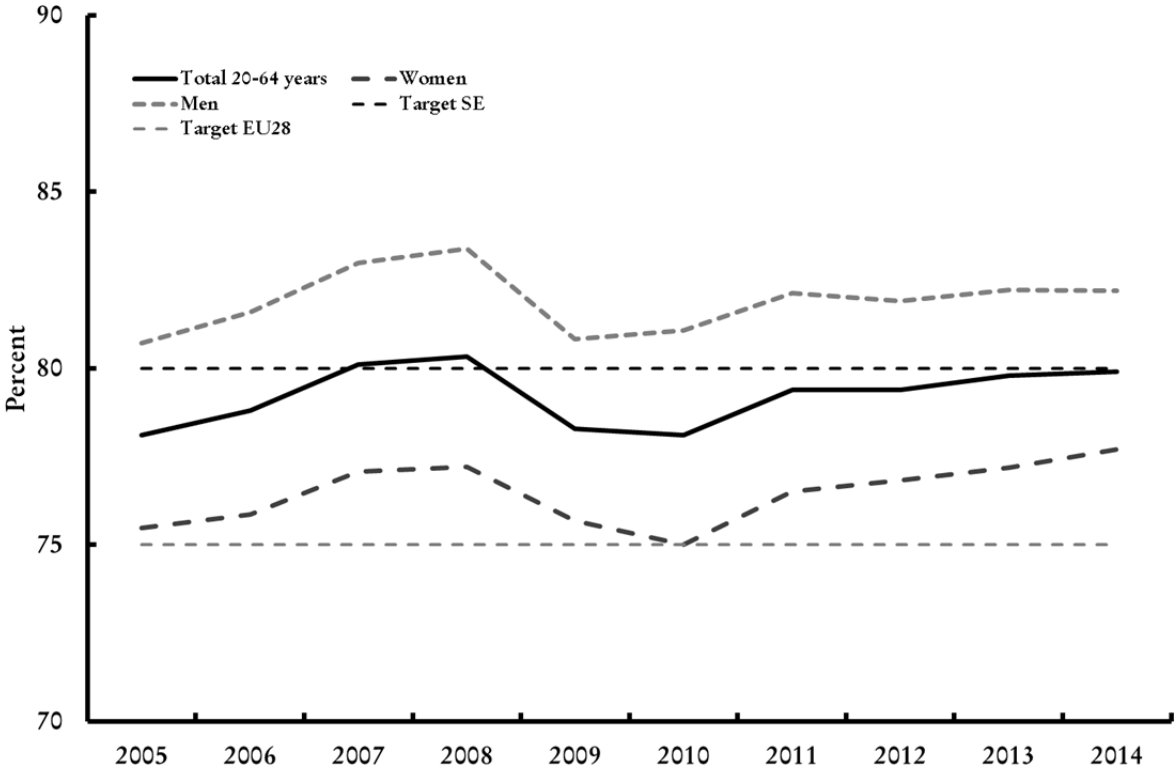
### 4.1 Employment target

**Sweden’s national targets**

*To try to increase the employment rate to well over 80 per cent for women and men aged 20–64 by 2020. The increase is mainly to be achieved among groups with a weak foothold in in the labour market, such as young people and people born outside Sweden, by counteracting long periods without work. The difference in employment rates between women and men must be reduced by increasing the employment rate of women.*

#### Current situation

**Figure 1. Development of employment for the 20-64 age group in 2005-2014 contrasted with the Europe 2020 target for Sweden (well over 80 %) and for the entire EU (75 %).**



Source: Ministry of Employment

The employment rate and labour force participation have long been among the highest in the EU, mainly as a result of the high employment rate and women's labour force participation. The employment rate for Sweden increased in 2014 to 79.9 per cent; 77.7

per cent for women and 82.2 per cent for men, which is the highest in the EU. Sweden is also regarded as having good prospects of achieving the target of an employment rate of well over 80 per cent for people aged 20-64 within the framework of Europe 2020.

Despite a prolonged recession, the employment rate increased for broad groups in recent years. Developments have been particularly strong among older and foreign-born people. In 2014 the number of employed foreign-born people (aged 15–74) was 796 000, an increase of 44 000 compared with 2013. The percentage of employed among foreign-born people increased during the entire period 2006–2014.

### **Initiatives and measures**

Apart from those presented below, several reforms were mentioned in Section 3.4, which are estimated to contribute to the achievement of targets.

#### *Reform of the Swedish Public Employment Service*

The Swedish Public Employment Service plays a central role in successfully meeting future challenges. Consequently the Service must be given better conditions and its remit changed to meet the requirements of jobseekers and employers. The Government has started a reform to modernise and develop the Swedish Public Employment Service and thereby ultimately strengthen the functioning of the labour market. The Government further considers that it is important that the Swedish Public Employment Service is well equipped to implement the proposed reforms in labour market policy, for example extra jobs, trainee jobs and education contracts as well as maintaining quality in the introduction of new arrivals. This is an extensive task that will take time.

#### *Higher ceiling in unemployment insurance*

A person who becomes unemployed should not suffer an immediate economic crisis. The individual should be given good prospects of actively seeking and finding a new job, preferably in line with his or her competence and qualifications. The Government considers that an increase in the maximum daily allowance in unemployment insurance is vital to enable the insurance to function as insurance against loss of income and as a safety net for the individual in the event of unemployment. In the Spring Amending Budget for 2015 the Government therefore proposes that the maximum daily allowance in loss of earnings insurance be increased from 7 September 2015 to give a person with an income of SEK 25 000 per month 80 per cent of their income for the first 100 days of benefit. The maximum daily allowance is thus increased from today's SEK 680 to SEK 910 for days 1-100 of benefit. Thereafter there is a reduction to SEK 760 per day. The Government also proposes that the minimum level in unemployment insurance be increased from 7 September 2015 from the current SEK 320 to SEK 365 per day.

#### *A longer working life*

A report was submitted to the Government in April 2013 proposing measures for a longer working life. The report has been circulated for comment and is currently under preparation as part of the review of the pension system initiated by the Working Group on Pensions, with representatives of the parties behind the pension agreement.

In 2015 the Government will draw up a new national strategy for labour market policy in

close consultation with the social partners. Not least the psychosocial dimension and the feminist perspective are important in the Government’s ongoing work to improve the work environment.

**4.2 Education target**

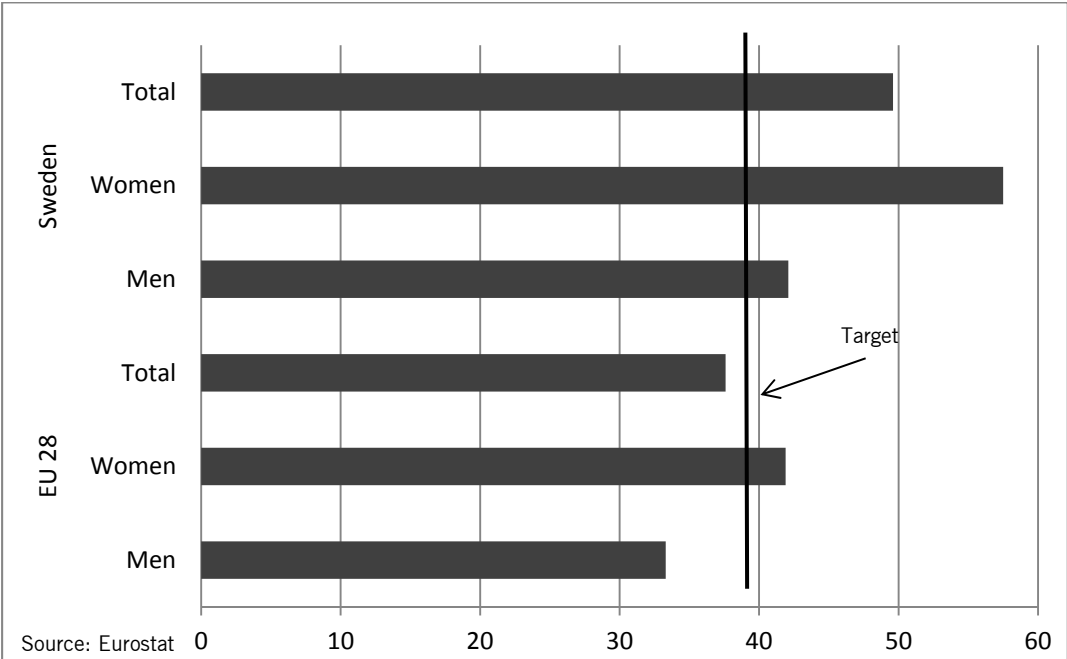
**Sweden’s national targets**

- *The proportion of 18–24 year-olds who have not completed upper secondary education and are not participating in any form of study is to be less than 10 per cent in 2020.*
- *The proportion of 30–34 year-olds with at least a two-year tertiary education is to be 40–45 per cent in 2020.*

**Current situation**

The proportion of Swedish 18–24-year-olds without a completed upper secondary education and who are not in education has continued to decrease and in 2014 was 6.9 per cent (7.7 per cent for men and 6.0 per cent for women), which is better than both the EU target level and Sweden’s national target of less than 10 per cent.

**Figure 2. Percentage of 30-34 year-olds with at least two years tertiary education (2014)**



The proportion of 30–34-year-olds with at least two years tertiary education in 2014 was 49.6 per cent (42.1 per cent for men and 57.3 per cent for women), which is above the EU target level as well as Sweden’s national target (see the figure above). The proportion has been continually increasing for more than a decade. Tertiary education includes university education, advanced vocational training and vocational higher education. The proportion of people with tertiary education is expected to decrease somewhat by 2020. This is primarily due to participation in education having decreased during the period 2003–2008. Many of those who began their studies at the end of this period will be 30–34 years old in

2020. A forecast made in the Government Offices shows that in 2030 more than 50 per cent of 30–34 year-olds could have completed at least a two-year tertiary education.

### **Initiatives and measures**

Apart from those presented below, several reforms were mentioned in Section 3.4, which are estimated to contribute to the achievement of targets.

#### *Initiatives to reduce upper secondary drop-out rates*

Teachers are the key to improving knowledge outcomes in schools. Through the career stages for teachers reform, introduced in autumn 2013, a major and important initiative for teachers was implemented. The Government also intends to take further measures to increase the attraction and status of the teaching profession. The Government also intends to introduce national school development programmes in 2015 where a number of different skills development and support measures will be offered to school authorities and schools.

Pupils with a good level of knowledge from compulsory school are better equipped to follow a national programme at upper secondary school. In the Spring Budget Bill for 2015 the Government has announced several measures aimed at increasing the number of pupils eligible for upper secondary school national programmes, for example through extensive measures for more teachers and special needs teachers in pre-school classes and school years 1–3.

Study and careers guidance prevents interruptions of studies and acts as a motivator for the students. The Government has charged the National Agency for Education with the task of linking study and careers guidance more clearly to the labour market. Within the framework of this remit, the National Agency for Education is to offer continuing professional development to study and careers counsellors. SEK 10 million was allocated in 2013 for this purpose and SEK 11 million for 2014. For 2015 SEK 10 million has been allocated and for 2016 SEK 5 million is projected.

A raft of measures is needed to prevent dropout from studies and create attractive upper secondary schooling for everyone. Consequently, in March 2015 the Government decided to instruct an inquiry to analyse the measures needed to ensure that all young people start and complete upper secondary school education. The inquiry will include links between upper secondary education and the pupils' future labour market, regulations on support in upper secondary school, the need to increase the age limit for newly arrived pupils as regard the right to start an upper secondary school education and how relevant actors can cooperate in ensuring that all young people start and complete an upper secondary school education. The report is due in June 2016.

#### *Measures to increase the percentage of 30–34 year-olds with tertiary education*

#### *More places in higher education and vocational education*

In the Budget Bill for 2015 the Government has emphasised the importance of giving everyone the chance to go on to higher education regardless of background. The Government has tasked the Swedish Council for Higher Education to survey and analyse



the work of higher education institutions on broadened recruitment to and broadened participation in higher education. The remit includes presenting good examples and spreading information about them. Higher vocational education plays a central role in meeting the needs in working life of a qualified workforce. The Government intends to revisit the issue of more places in higher vocational education.

To increase the percentage of 30–34-year-olds with at least two years' tertiary education a number of initiatives have been undertaken:

- In 2013-2015 a reinforcement of SEK 300 million will be provided to universities and other higher education institutions for education at undergraduate and advanced level. This measure means that the number of full time equivalents in higher education in 2013-2015 will be increased by about 4 200.
- Continued extension of medical, dental and nursing programmes as well as MSc and BSc programmes in engineering. For example the engineering initiative will cover about 800 places for higher education entrants.
- As of 2015 some universities and other higher education institutions will be allocated resources equivalent to 100 full time equivalents in special needs teacher training.
- For special investment in health care education in Stockholm extra resources will be allocated from 2015. For 2016 the investment is estimated to cover about 340 full time equivalents.
- The appropriations to universities and other higher education institutions for undergraduate and advanced level education will increase in 2015 by just over SEK 380 million compared with the Budget Bill for 2014, corresponding to 5 000 full time equivalents. For the coming year further reinforcement is expected.

#### *Measures to raise quality in education*

The Government's objective is for education and research at universities and higher education institutions to maintain an internationally high level of quality and to be operated efficiently. Measures to raise quality in education are therefore a priority.

The last cycle of national evaluations of higher education programmes by the Swedish Higher Education Authority was completed in autumn 2014. Of more than 2 000 programmes evaluated a clear majority were assessed as being of high quality or very high quality. As of 2013 universities and other higher education institutions have been allocated resources based on the quality evaluations. The quality-based resource allocation amounts to SEK 298 million in 2015. Ahead of the next cycle of evaluations the Government has started a review of the fundamental principles of the quality assurance system.

### 4.3 Target for increased social inclusion

#### Sweden's national targets

*To improve social inclusion by reducing the percentage of women and men aged 20–64 who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well below 14 per cent by 2020.*

#### Current situation

The percentage of women and men aged 20–64 who are not in the labour force in accordance with Sweden's national target continues to decrease somewhat and was 12.6 per cent in 2014. This is a decrease of about 86 000 people since 2010. The calculations for the national target for increased social inclusion are mainly based on the Swedish Labour Force Survey. In spring 2013 the estimation method for the Labour Force Survey was improved, resulting in revision of data for 2010–2012. Consequently, data for the period 2010–2011 differ somewhat from those reported previously. Table 2 details calculations regarding the national target based on both the old and new methods.

**Table 2. Percentage of women and men aged 20–64 outside the labour force 2010-2014**

	2010	2011	2012	2013	2014
Previous method	13.9 %	12.9 %			
New method	14.4 %	13.4 %	13.1 %	12.7 %	12.6 %

#### Initiatives and measures

Apart from what is presented below, several reforms mentioned in Sections 3.4, 4.1 and 4.2 have a bearing on the national target for increased social inclusion. Measures are also described below that are considered to contribute to the Europe 2020 strategy targets for social inclusion.

##### *Support and requirements referring to unemployed people receiving social assistance*

In 2014 an inquiry was set up to propose how support and requirements referring to unemployed people receiving social assistance can be developed. The overall objective of the assignment is that more people receiving social assistance should achieve better conditions for becoming self-supporting.

##### *Combating homelessness*

In June 2014 the national homeless coordinator submitted a report to the Government. As part of the remit, the coordinator visited 39 municipalities on two occasions and conducted a dialogue with them on their work with homelessness and made proposals for how their local work to combat homelessness and exclusion from the housing market can be conducted and developed. There was special focus on families and children at risk of eviction. In parallel with the national homeless coordinator's assignment all 21 county administrative boards were tasked by the Government to work to combat homelessness in 2012-2014. Apart from analysing how municipalities take the work to combat

homelessness into account, the county administrative boards also gave the municipalities support and advice in preventing homelessness, particularly among families with children at risk of eviction. The work will continue in 2015.

#### *Higher maintenance support*

In the Spring Amending Budget for 2015 the Government proposed an increase in maintenance support of SEK 300 per month and child from SEK 1 273 per month to SEK 1 573 per month. Through maintenance support society guarantees that children whose parents are living apart receive a certain level of maintenance when the parent who is liable to pay maintenance does not comply or do not have sufficient funds. Single parents more often have a limited budget compared to parents who live together, and financial support to families make up a larger percentage of their disposable incomes. As many children with a low economic standard live in households that receive maintenance support it is sound distribution policy to increase maintenance support.

#### *Work to augment parental support*

A national parental support strategy was presented in 2009 with the overall objective of offering support to all parents all the time their children are growing up. The importance of equality of support is emphasised, i.e. that all parents must have access to the support, even those with low socio-economic status.

#### *Fund for European Aid to the Most Deprived*

In 2014 a programme proposal was submitted to the Commission regarding implementation of the Fund for European Aid to the Most Deprived (Regulation (EU) No 223/2014 of the European Parliament and of the Council). The overall aim of the Swedish programme is to increase the potential for social inclusion and empowerment of socially vulnerable people. The target group for the measures in Sweden is socially and economically vulnerable EEA citizens when they are in Sweden temporarily, i.e. a maximum of three months, without the right of residence.

#### *National coordinator for work concerning vulnerable EEA citizens*

In January 2015 the Government appointed a national coordinator who is to support work being conducted by government agencies, municipalities, county councils and organisations that come into contact with vulnerable EEA citizens staying temporarily in Sweden, i.e. no longer than three months, and who do not have the right of residence.

#### *Economically and socially vulnerable children – statistics and processing*

In 2014 the National Board of Health and Welfare was tasked with developing statistics on economic vulnerability of children. During the same period the National Board of Health and Welfare was also instructed to investigate how the child's perspective is taken into account when processing social assistance. Further, the County Administrative Board in the county of Västerbotten and the County Administrative Board in the county of Skåne were instructed to support the municipalities in preparing municipal action plans to combat economic vulnerability among children through a pilot scheme adapted to local conditions. In addition, the county administrative boards have prepared methodological support to municipalities regarding how to draw up, develop and follow up municipal

action plans against economic vulnerability. All assignments are for the purpose of providing the Government with a report on the current situation.

#### *Compensation for high sick pay costs*

In December 2014 the Government decided to propose that the charge limitation protection for sick pay costs be replaced by a new compensation. The Government's intention with the proposal is to reduce the burden of high sick pay costs and improve conditions in particular for small employers to employ more people. Based on the fact that many new jobs are created among small and growing companies and that it is the small employers that the proposal mainly targets, in the opinion of the Government the reform will ultimately also make a positive contribution to growth. The regulations came into force on 1 January 2015.

#### *Higher housing supplement for pensioners*

Housing supplement to people aged 65 and above will be payable from 1 September 2015 at 95 per cent of the housing cost up to the housing cost ceiling. The reasonable standard of living for people aged 65 and over in the special housing supplement to pensioners and maintenance support to elderly persons will be raised from 1 September 2015 to 1.473 times the price base amount for unmarried people and 1.204 times the price base amount for married people. Women are economically vulnerable to a greater extent than men and are predominate among recipients of housing supplement. About 75 per cent of the funds allocated for improving housing supplement will go to women.

#### *Increased equality in health and access to high quality health and medical care*

Access to good quality health care contributes both added value to the individual and in the form of active participation in society. The Government's measures focus on offering everyone care on their terms on the basis of their needs. Care must be patient-focused, accessible, safe, knowledge-based and effective. On 1 January 2015 a new Patients Act came into force intended to strengthen the position and freedom of choice of patients. Special measures, for example in the areas of equality of care, mental ill health and more accessible cancer care, constitute further examples of measures in 2014. In 2014 work was also started on setting up a commission for health equality. In 2014 Sweden has continued and intensified it work to follow up health and medical care from an equality perspective. Regional, socioeconomic and gender related factors have been in focus.

### **4.4 Research and development targets**

#### **Sweden's national targets**

*For public and private investment in research and development to correspond to about 4 per cent of GDP in 2020.*

#### **Current situation**

The Government's research policy objective is for Sweden to be a prominent research nation, in which research is conducted to a high standard, contributing to the development of society and the competitiveness of industry. More than many other countries, Sweden bases its economy on a high level of knowledge in society and business,

which has contributed to Sweden developing into one of the world's leading welfare countries.

Every other year Statistics Sweden publishes official statistics on expenditure on research and development (R&D) in Sweden. The latest official statistics refer to 2013. Total expenditure on R&D in 2013 was just under SEK 121 billion, which is an increase from SEK 118 billion in 2011. The R&D expenditure share of GDP in 2013 was about 3.30 per cent, which is about the same level as 2007. The level of 3.30 per cent is, however, high in an international comparison and puts Sweden in fourth place among OECD countries after South Korea, Israel and Finland.

A comparison over time shows that companies with at least 50 employees have increased their R&D investments from about SEK 83 billion in 2011 to about SEK 86 billion in 2013. There was a decrease in firms' investments in R&D between 2001 and 2005 when a lowest level of SEK 73.5 billion was recorded.

### **Initiatives and measures**

Central government R&D resources have increased substantially since 2009. In the period 2009–2012 resources grew by SEK 5 billion and for the period 2013–2016, in its 'Research and Innovation' Bill (Govt. Bill.2012/13:30) the Government announced an increase in appropriations for research and innovation in 2013–2016 so that the annual investment as of 2016 will be SEK 4 billion more compared with the 2012 level.

Combined, the increases implemented and estimated during this eight-year period amount to an addition of approximately SEK 9 billion for Swedish research and innovation. According to a forecast by Statistics Sweden these additional funds mean that central government R&D investment<sup>3</sup> has increased from 0.80 per cent of GDP in 2008 to 0.87 per cent of GDP in 2013.

To build a strong Sweden and meet increased international competition creativity, entrepreneurship and innovation are needed. To strengthen the Swedish innovation system the Government has set up a national innovation council led by the Prime Minister. In the Spring Amending Budget Bill for 2015 the Government proposes that funds be allocated as part of the Innovation Council for promotion of innovation.

### *Measures to realise the European Research Area*

In December 2012 the Council resolved on how the European Research Area (ERA) can be realised in 2014. The Council thereafter emphasised the importance of international cooperation with third countries as significant for ERA. On the basis of the Council's positions an account is given below of the measures implemented by Sweden in 2014 and that are planned for 2015.

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<sup>3</sup> Data from Statistics Sweden's central government budget analysis that estimates the percentage of R&D in appropriation items.

### *More efficient national research systems*

In 2013, 24 per cent of central government funds for research was distributed through calls for applications via the research financing agencies the Swedish Research Council, VINNOVA (the Swedish Governmental Agency for Innovation Systems), the Swedish Research Council Formas, Forte (the Swedish Research Council for Health, Working Life and Welfare) and the Swedish Energy Agency. Distribution through calls for applications leads to competition and raises the quality of Swedish research. Direct funding to universities and higher education institutions accounted for 45 per cent of the total funding in 2013. The Government considers it important to create incentives for increased quality of research. Since 2010, 10 per cent of the existing direct funds are allocated based on quality criteria. To further stimulate quality, as of 2014 the share of funding allocated in this way has been raised to 20 per cent.

### *Optimum transnational cooperation and competition*

A clear trend in European research and innovation cooperation is the increased extent of partnership programmes in which Member States, the Union and the business sector are responsible for funding. To increase the potential for Swedish participation in partnership programmes in future, in Government Bill 2012/13:30 the Government assessed that funds allocated for participation in these programmes should be increased by SEK 100 million in 2014. The Government also considered that a further SEK 100 million should be provided in 2016, which in total will mean that resources for participation in these programmes will be doubled compared with the 2013 level.

Since 2013 there is a special EU coordination function consisting of the central government research financiers (the Swedish Research Council, VINNOVA (the Swedish Governmental Agency for Innovation Systems), Forte (the Swedish Research Council for Health, Working Life and Welfare), the Swedish Research Council Formas, the Swedish National Space Board and the Swedish Energy Agency). The remit of the EU coordination function is to facilitate the prioritisation of participation in partnership programmes, coordinate and augment the strategic and proactive work in the European research cooperation and promote synergies between EU initiatives and national initiatives in research and innovation. The EU coordination function issues recommendations to the Government regarding participation in the partnership programmes proposed by the Commission and distributes the funds allocated to ensure Swedish participation in the partnership programmes.

In 2013 the participation of the central government research financiers in partnership programmes (through calls for applications) amounted to about SEK 307 million.

Swedish involvement in the ERA is great and Sweden participates at different levels in eight of the ten joint programmes (Joint Programming Initiatives, JPI) and coordinates one programme on antimicrobial resistance (JPIAMR). Joint programming is based on Member States joining together to coordinate their national research efforts and cooperating to meet common societal challenges.

Sweden continues to allocate large resources to constructing research infrastructure. In Government Bill 2012/13:30 the Government stated that the appropriation to the

Swedish Research Council should increase by a total of SEK 200 million in 2013–2016 to finance planning, construction, operation and development of the European Spallation Source (ESS). In Government Bill 2013/14:1 the Government has been authorised to decide on membership of a European Research Infrastructure Consortium (ERIC) for construction and operation of the ESS. The organisation is expected to be set up in 2015. Considerable central government resources are also being set aside for financing the Max IV facility and SciLifeLab. The research facilities entail extensive transnational cooperation. In 2014 the Swedish Research Council initiated a review of the processes of priority, financing and organisation of national research infrastructure. The new model is expected to be entirely implemented in 2016.

#### *An open labour market for researchers*

The main asset in research is knowledgeable individuals with a drive to make new discoveries. To attract internationally prominent researchers to locate their research in Sweden the Swedish Research Council was allocated SEK 150 million in 2014.

#### *Gender equality*

In November 2011 the Government instructed the Swedish National Agency for Higher Education to carry out a pre-study to map existing reference material for following up appropriations to higher education institutions for research and research education from a gender equality perspective. In December 2012 a report was submitted showing that at present there is no reference material for follow-up.

In view of the Swedish National Agency for Higher Education report in November 2013 the Government instructed the Agency for Public Management to map and analyse the distribution of appropriations for research and research education at universities and higher education institutions from a gender equality perspective. The report was presented in December 2014 and shows that women have access to research appropriations to a lesser extent than men at the higher education institutions investigated.

The Swedish Research Council, which is the largest central government research financier, was tasked in 2013-2014 to draw up a plan for how the agency should develop its operations to contribute to the gender equality targets. The idea is that the plan is to form the foundation of developing gender equality integration so that the activities can contribute to achieving the gender equality policy targets.

#### *Optimum dissemination, access to and transfer of research-based knowledge*

In 2013 the idea banks initiative continued, which enables researchers who do not want to take their idea to the market to nevertheless make use of their results via commercialisation. The idea banks are funds that are allocated to the universities' holding companies, where ownership of these results is held.

The number of innovation offices increased in 2013, which now means that all universities in Sweden have a function that supports the process of making use of research-based knowledge.

The Council has also stressed the digital dimension of this ERA priority. In its recommendation (C(2012)4890) the European Commission proposed that by 2014 Member States should have drawn up national guidelines for open access to scientific articles and research data. Consequently, in 2012 the Government tasked the Swedish Research Council with drawing up these national guidelines. In January 2015 the Swedish Research Council presented its proposal on how national guidelines for open access to scientific publications should be designed to the Government.

#### *International cooperation*

As part of the development of international cooperation Sweden has increased its involvement in the SFIC (Strategic Forum for International S&T Cooperation) and conducts activities to promote synergies between cooperation projects and initiatives at EU level and national level. An example of this is the report on indicators for international cooperation in research and research-based innovation that the Swedish Agency for Growth Policy Analysis compiled in 2014. The report has formed the basis of information seminars at both European and national level.

The research financing agencies are required under their appropriation directions to report on their international activities and cooperation. One such report will be made in 2015 for the 2014 activities. The special assignments to deepen cooperation with China and India are progressing well and joint committee meetings have been held with India on two occasions in 2014.

In 2015 a joint committee meeting was held with South Africa at which a number of activities were planned. A meeting was also held with the USA and Brazil and one is planned with South Korea.

#### **4.5 Climate and energy targets**

##### **Sweden's national targets**

*Sweden's national targets in the area of climate and energy were established as early as in 2009. According to the EU's allocation of responsibilities, Sweden is to reduce emissions of greenhouse gases by 17 per cent by 2020 compared with 2005. Sweden's national climate target is to reduce emissions by 40 per cent, equivalent to about 20 million tonnes, by 2020 compared with the 1990 level. This target applies to the activities not covered by the EU Emissions Trading System (EU-ETS). The reduction will be made through emission reductions in Sweden and in the form of investment in other EU countries or flexible mechanisms such as the Clean Development Mechanism (CDM). Sweden has also undertaken to increase the share of renewable energy to 49 per cent by 2020. The national target is set to at least 50 per cent of the total energy use by 2020. The Riksdag has also adopted a target on energy efficiency, expressed as a 20 per cent reduction in energy intensity by 2020, compared with 2008.*

##### **Current situation**

Environmental and climate challenges transcend borders, thus environmental conditions in Sweden are highly dependent on what measures are implemented in the EU and



internationally. At the same time, a great deal of work remains at the national level before Sweden's environmental quality and climate targets are met. Climate, environment and energy-related challenges represent an opportunity for the development of technologies, goods and services in all sectors. For the purpose of strengthening and focusing measures to achieve the environmental quality objectives, national structural and investment funds will be used to a greater extent. Companies are stimulated to environmentally driven business development and environmental consideration as a means to strengthen competitiveness and thus contribute to a resource-effective economy.

Sweden is entirely behind the EU target to reduce climate emissions by 80–95 per cent by 2050. With regard to emissions reductions, Sweden considers that an ambition level of 30 per cent by 2020 and 50 per cent by 2030 reflects the EU's responsibility and capability. The national target is for Sweden's emissions to decrease by 40 per cent by 2020 compared with 1990. The National Institute of Economic Research estimates that the national targets will be reached with approved policy instruments, which is also stated in a report (in Swedish) from the Swedish Environmental Protection Agency and the Swedish Energy Agency: *Basis for checkpoint 2015 – Analysis of possibilities of achieving the climate and energy policy objectives decided by the Riksdag*.

The key to Swedish climate policy is the carbon dioxide tax. Sweden's most difficult challenge in meeting our climate commitments is if the carbon dioxide tax, due to ongoing discussions with reference to the EU's rules on state aid with the Commission, can no longer function as the cost-effective policy instrument it has been in recent decades. Sweden is working at EU level to be able even in the future to use the carbon dioxide tax as a policy instrument outside EU ETS, without it having unreasonable consequences for taxation of biofuels for example.

The Riksdag has decided that the proportion of renewable energy in 2020 must be at least 50 per cent of total energy use. According to the Swedish Environmental Protection Agency's and the Swedish Energy Agency's report *Basis for checkpoint 2015 – Analysis of possibilities of achieving the climate and energy policy objectives decided by the Riksdag* the percentage of renewable energy in relation to final energy use is expected to be 55 per cent in 2020. This percentage may increase if the Government's objective of increasing the amount of renewable electricity generation by 2020 is achieved.

The percentage of renewable energy in the transport sector must be at least 10 per cent in 2020. According to the Swedish Energy Agency's preliminary calculations the percentage of renewable energy in the transport sector, in accordance with the Renewable Energy Directive calculation method, in 2013 was 15.6 per cent. According to the recently mentioned report from the Swedish Environmental Protection Agency and the Swedish Energy Agency the percentage of renewable energy in the transport sector is expected to be 26 per cent in 2020.

For energy efficiency the target is 20 per cent more effective energy use by 2020 compared with 2008. The target is expressed as a cross-sectoral target of a 20 per cent reduction in energy intensity by 2020 relative to 2008. Energy intensity is calculated as the quotient between power input and GDP at fixed prices (kWh/SEK). With regard to

energy efficiency, the previous Government explained in its Budget Bill for 2014 that energy intensity is following a long-term decreasing trend. In 2012 energy intensity was about 6 per cent below the reference year 2008. According to the above-mentioned report from the Swedish Environmental Protection Agency and the Swedish Energy Agency energy intensity is expected to decrease further by 2020. In a longer time perspective there is a vision that in 2050 Sweden will not have any net emissions of greenhouse gases in the atmosphere. The Government has also stated that Sweden is to increase its ambition for renewable electricity generation to 30 TWh in 2020 and that in the long term Sweden is to have a 100 per cent renewable energy system.

## **Initiatives and measures**

### *Renewable energy measures*

To further facilitate continued strong expansion of renewable electricity generation in Sweden the Government has decided on an ordinance to solve the problems of threshold effects when connecting electricity generation plants to the electricity grid. The ordinance will come into force on 1 May 2015.

In July 2012, the previous Government appointed an Inquiry Chair to map out possible alternative approaches and to identify measures to reduce the transport sector's emissions and dependency on fossil fuels. The Inquiry Chair presented deliberations and proposals in December 2013. These proposals are currently being processed by the Government Offices.

On 6 March 2014 the Government decided on the Government Bill "Tax reduction for micro production of renewable electricity" (2013/14:151). The Bill proposes the introduction of a tax reduction for micro production of renewable electricity. The tax reduction applies to producers of renewable electricity and is given to private individuals and companies. The basis for the tax reduction consists of the kilowatt hours of renewable electricity fed into the access point during the calendar year, with a maximum of as many kilowatt hours of electricity withdrawn in the access point during the year. The basis for the tax reduction may not exceed 30 000 kilowatt hours and amounts to the basis multiplied by 60 öre. The legislative amendments came into force on 1 January 2015.

The Swedish Energy Agency was instructed in its appropriation directions for 2013 to prepare analyses for the coming review of the electricity certificate system that under the agreement with Norway on a joint electricity certificate market must be carried out by the end of 2015. The Agency's report was submitted to the Government Offices on 11 February 2014. The proposal has been circulated for comment and prepared in the Government Offices. In January 2015 the Swedish Energy Agency was given a further task of preparing proposals to adapt the quota curve for the purpose of achieving the Government's target of 30 TWh renewable electricity by 2020. The report, which also included a description of the consequences of an extra increase, was presented on 5 February 2015. In April the Government submitted Government Bill 2014/15:110 to the Riksdag with proposed legislative amendments to come into force on 1 January 2016.

The reduction in the taxable benefit rate for electric cars, plug-in hybrids and gas-powered cars has been extended up to and including 2016. The national demonstration programme for developing electric cars and plug-in hybrids is being further developed. The programme was started in 2011 and has been extended to 2017. As part of the programme the charging infrastructure will be improved throughout Sweden. In January 2015 the Swedish Transport Administration was instructed to prepare a proposal for a framework for special urban environment agreements focusing on sustainable transport in urban areas.

Solar cells are not yet commercially competitive compared with established technologies. Consequently, in order to create favourable conditions for this technology, the support for solar cell installation was extended up to and including 2016 by a further SEK 210 million. For 2015 a further SEK 50 million will be added for the purpose.

On 18 December 2014 the Government instructed the Swedish Energy Agency to prepare a proposal for how augmented support to offshore wind power can be formulated. The Swedish Energy Agency remit includes analysing different forms of support such as procurement, investment support and financing of electricity connection. A report will be submitted to the Government Offices (Ministry of the Environment and Energy) by 1 June 2015.

In the proposed Rural Development Programme 2014-2020 about SEK 500 million is allocated for promoting investment that can increase production of renewable energy, such as biogas.

#### *Energy efficiency enhancement measures*

In March 2014 the Government presented a Bill to the Riksdag proposing how the EU Directive (2012/27/EU) for energy efficiency should be implemented in Sweden (Govt. Bill 2013/14:174). The Riksdag passed the Bill on implementation of the Energy Efficiency Directive (Govt. Bill 2013/14:174) in April 2014. Thereafter a number of new laws and amendments of existing laws came into force, aimed at promoting increased energy efficiency in various sectors. These are the Act on Energy Measurement in Buildings (2014:367), the Act on Energy Surveys in Large Companies (2014:266), the Act on Certain Energy Cost-Benefit Analyses (2014:268), and the Ordinance on the Purchase of Energy Efficient Goods, Services and Buildings by Government Agencies (2014:480).

Apart from this the Swedish Energy Agency was tasked with investigating the need to introduce an energy efficiency obligation system ("white certificates") and the consequences of this policy instrument for the national economy. The remit is linked to provisions in Article 7 of the Directive and a report is to be made to the Government Offices (Ministry of the Environment and Energy) in April 2015.

Besides decisions on new and amended legislation, a total of SEK 120 million is allocated for the period 2014–2016 to promote nearly zero energy buildings. The calculated funds are for the demonstration and evaluation of new building, conversion and renovation of low-energy buildings. In connection with this the Government has also instructed the National Board of Housing, Building and Planning to submit proposals for quantitative

guidelines for energy performance for nearly zero energy buildings by 15 June 2015. Moreover, SEK 140 million is allocated annually up to and including 2017 for central government support to municipal energy and climate advice services. With the support of the EU Regional Development Fund a national programme for energy efficiency in small and medium sized enterprises will be implemented during the programme period 2014–2020. SEK 40 million per year will be provided as national co-financing for this programme. In addition, initiatives in the area of energy efficiency, use of renewable energy and low-carbon technology will be implemented in the framework of the eight regional structural fund programmes.

#### *Carbon dioxide reduction measures*

Sweden is participating in the international New Climate Economy project. It is thought that the work can have a positive effect on climate negotiations and national commitments and measures enabling us as far as possible to keep the global rise in temperature below two degrees over time. At the end of 2014 several tax changes were approved aimed at reducing emissions of greenhouse gases. These include the introduction of a congestion charge for foreign vehicles and a ban on use for late payment of congestion charges. Furthermore vehicle tax will be increased, taxation of biofuel will be changed and the tax on landfill waste will be increased. The restriction on tax exemption for aviation fuel and marine fuel will be changed. The global partnership initiated by Sweden for the reduction of emissions of short-lived climate forcers (such as soot, methane and ground-level ozone) has attracted a large number of countries and other actors, including the World Bank and the European Commission, in a short time. The county administrative boards have on behalf of the previous Government prepared regional action plans for climate adaptation. A report was submitted in June 2014. In March the Government proposed a new appropriation for climate investment in municipalities and regions etc. as well as an increase in funds for climate measures in developing countries.

The Knowledge Centre for Climate Adaptation at the Swedish Meteorological and Hydrological Institute (SMHI) plays an important role in the national work of climate adaptation, in support of national agencies, the county administrative boards and municipalities on climate change and the need for climate adaptation. The appropriation for climate adaptation increases the prospects of knowledge acquisition and thus preventive work. The Government has started work on the checkpoint for climate and energy policy to be carried out in 2015, when emission trends in relation to the target will be more carefully analysed. In connection with the checkpoint the Government also intends to review the work of climate adaptation in Sweden.

The transition to a green economy implies opportunities for the development of Swedish technologies, including sustainable goods, services and production systems, and can thus reduce environmental impact nationally and globally while also having the potential to create more jobs.

#### *Additional reform measures*

The 2013 Budget Bill proposed an extension and gradual strengthening of the efforts for research and development in expenditure area 21 “Energy” by a total of SEK 1 240 million

in 2013–2016. This entails a level of about SEK 1.3 billion in 2013–2015 and a level of about SEK 1.4 billion as of 2016. Guidelines for the activity were approved in accordance with the Bill “Research and Innovation for a Sustainable Energy System” (Govt. Bill.2012/13:21, Committee Report.2012/13:NU6, Riksdag Comm.2012/13:153). According to this, measures for research and innovation in the energy area must be focused on achieving the energy and climate objectives, long-term energy and climate policy and relevant energy-related environmental quality objectives.

In 2012 the Swedish Environmental Protection Agency submitted a draft for a Swedish roadmap to achieve the vision that Sweden will have no net emissions of greenhouse gases in 2050. Taking its cue from this draft, the Government instructed the National Institute of Economic Research to analyse macroeconomic costs of reduced greenhouse gas emissions for various emission reduction pathways in the period 2020-2050. In December 2014 the Government instructed the cross-party Parliamentary Committee on Environmental Objectives to propose how a climate policy framework and strategy for cohesive and long-term climate policy can be formulated. The Committee will thus also take over the task of submitting proposals for a strategy to achieve the long-term vision. At the same time, needs for national efforts on resource efficiency are being identified. Close cooperation with the business sector has been started. As part of this process, potentially environmentally harmful subsidies are continuing to be mapped. The Swedish Environmental Protection Agency has reported on the national contribution to implementation of Europe 2020 and notes that Sweden’s national environmental quality objectives are well in line with the milestones in the EU Roadmap to a Resource Efficient Europe.

## **5. The importance of the internal market, cohesion policy and the EU's strategy for the Baltic Sea Region**

### **5.1 Reforms to promote growth and competitiveness in the EU internal market**

The development of the EU internal market regulatory framework represents an important driving force for structural reform at the national level. Over the year, Sweden has therefore ascribed high priority to the negotiations and the elaboration of the growth-promoting measures in the two single market acts and has stressed the importance of implementing the single market regulations correctly and consistently. In this context Sweden has directed particular focus on the implementation and application of the Services Directive in all Member States. At national level work continued on monitoring the realisation of the Commission's two communications on how European industry can be strengthened and how they may interact with the Government's announced new industrialisation strategy. In 2014 the Government, in cooperation with the business sector, started to draw up an export strategy to strengthen exports in all parts of the country. This strategy will be ready in 2015. The strategy will include measures to strengthen Swedish companies' export and internationalisation opportunities in important markets and to increase the number of exporting companies. Particular focus should lie on strengthening small and medium sized enterprises' export opportunities as this is where most new jobs emerge.

Together with a number of other EU Member States Sweden has taken an initiative to investigate the need for national reforms to create an internal market that is more efficient in practice. The initiative, called Frontrunners, covers the areas of professional qualifications and free movement of persons, cross-border eCommerce, improved user friendliness for points of single contact for services and the creation of effective single market centres. The Frontrunners project was started in 2012 and a report was last presented at the time of the Competitiveness Council in February 2015. The follow-up linked to promotion of cross-border eCommerce as a result of the Frontrunners cooperation will be initiated in the coming year.

In 2014 a new law was passed on authorisation to issue certain regulations on market surveillance of goods and other related enforcement. During the year the Government also passed an ordinance on market surveillance of goods and other related enforcement. Market surveillance is regulated at EU level through a regulation on market surveillance in the harmonised area. There is also an EU regulation on mutual recognition that is applicable in the non-harmonised product area. Even if the EU Regulations are directly applicable, some supplementary national rules are necessary to ensure that they function as intended under national conditions. The Swedish ordinance supplements existing EU regulations on market surveillance and on mutual recognition, for example concerning information that agencies must provide to the Commission and other Member States. This applies for example to information on measures that restrict free movement of goods and information for setting up market surveillance programmes. Market surveillance is conducted in Sweden mainly by central government agencies but in some cases municipalities also participate. Based on the authorisation central government agencies can gain access to the information on municipal participation in market surveillance

necessary to meet the requirements of the EU regulations. The rules on market surveillance are an important component of the regulatory system aimed at ensuring free movement of goods in the internal market.

### *Digital single market*

Development of the EU digital single market is a priority for the Government in the coming year. A well-developed broadband infrastructure is a precondition for achieving the digital internal market objectives. Access to broadband with high transmission speed is of great importance for the possibility of living, working and conducting business activities throughout the country and for providing good public service. New digital services and changed user patterns mean that demand for high transmission capacity and mobility is continually growing, which in turn necessitates major investment in IT infrastructure. Provision of mobile broadband services with new efficient technology (“4G”) can be facilitated by allocating more frequencies (spectrum). After the Government decision in February 2014 preparations are in progress to enable availability of the 700 MHz band (694–790 MHz) after 31 March 2017 for electronic communication services such as mobile telephony and wireless broadband. The 700 MHz band has good propagation characteristics that make it highly suitable for services with good outdoor and indoor coverage.

The Government is continuing its measures to stimulate continued broadband expansion and make available communications robust and reliable. The Government will also in the future invest in broadband expansion in the framework of rural and regional development funds in areas where the market does not regard it as profitable to expand. To further support the build-out of broadband throughout the country, the Government is continuing its work with Bredbandsforum (Broadband Forum) to join with broadband actors in tackling the challenges that confront them.

It is also important to draw attention to identifying and removing obstacles to growth of digital services and commerce in this context. The work of promoting cross-border eCommerce in the internal market will continue to be a matter of priority. Access to and creation of digital content is important for creativity and innovation, continued economic growth and employment, not least for young people. Here the cultural and creative industries play an important role. Digitisation is a factor that is important for the advancement of cultural and creative industries, for the content, use and innovative stimulation of digital development.

The Government is strengthening governance and coordination of overall IT use in public administration through an initiative in the period 2015–2018. Digitisation of the Swedish public administration will be stimulated. Digitisation should also support cooperation of agencies with their counterparts in other countries, above all in the EU. The initiative is to contribute to achieving the Government’s objective for eGovernment of simpler, more open and effective administration, and promote development and use of common solutions. The initiative aims to improve central government agencies’ possibilities of enhancing effectiveness on the basis of a comprehensive analysis, i.e. initiating, developing, introducing and administering common eGovernment solutions as well as

improving the Government's capability of managing, coordinating and following up central government agencies' digitisation of public administration.

The IT sector and IT investments account for almost half of Swedish productivity growth. Positive effects of digitisation may also benefit other sectors. Consequently, in 2015 Sweden will clarify the potential of digitisation for Swedish industry and others, for the purpose of further stimulating its competitiveness in a globalised and digitalised economy.

Sweden is currently implementing the amending Directive concerning the re-use of public information to promote re-use and which also means that archives, libraries and museums will be included. This concerns institutions that administer large volumes of information of public interest. Sweden also has a national strategy for digital cultural heritage that runs until 2015 to make the cultural heritage available.

#### *Professional Qualifications Directive*

In summer 2013 negotiations were concluded for the modernised Professional Qualifications Directive (2013/55/EU), which contains a framework for recognition of professional qualifications for regulated professions and will make it easier for individuals intending to establish themselves or provide their services on a temporary basis in another Member State. In the final phase of the negotiations the Government set up an inquiry with the task of proposing how the Directive should be transposed into Swedish law and administration. The Inquiry was tasked with reviewing the current legislation to achieve full implementation of the Directive. The Inquiry presented its proposals in April 2014 and the report was circulated for comment by the end of August 2014. The report is now under consideration in the Government Offices. In parallel with the work of the Inquiry a survey of regulated professions in Sweden was carried out, aimed at establishing whether they meet the proportionality requirements of the Directive. The result of this survey will be dealt with in the work on the "national action plan" and the final report that the Member States are expected to produce in accordance with Commission Communication COM(2013) 676 final.

#### *Transport*

A well-functioning transport system is of great importance for the provision of long-term sustainable transport for business competitiveness and for the investment climate. It is also essential for growth and development throughout the country to utilise the full potential of a well-functioning transport market. This is a precondition for enabling trade in goods, including eCommerce, to develop, as well as for service sector activities and other contexts where people need to move around. The Government's goal is to move goods transport from road to rail and sea to strengthen sustainable modes of transport.

After the Riksdag decision in 2012 on a new focus for measures in transport infrastructure, equivalent to about SEK 522 billion to 2025, action planning took place in which the Swedish Transport Administration and planning bodies at county level prepared a proposal for how the financial frameworks should be allocated during the period. On the basis of the overall proposals the Government decided in spring 2014 on the national plan and established the definitive financial framework for the counties for



the period 2014–2025. The SEK 522 billion breaks down into SEK 155 billion for operation and maintenance of roads, SEK 86 billion for operation and maintenance of railways and SEK 281 billion for development of roads, railways but also shipping infrastructure. The initiative means for example that maintenance of railways is doubled compared with before and that more than 150 investment projects are included in the plan. For 2015 the Government is increasing railway maintenance by a further SEK 620 million and thereafter the investments will increase to SEK 1.24 billion annually between 2016 and 2018. Extensive investment is planned for the lines connecting Sweden but also for development of transport systems in metropolitan areas that account for a large part of economic development. Examples include four new underground lines in Stockholm, investments that make about 80 000 new dwellings possible. Examples from Skåne are development of systems with high capacity fast buses and examples from Gothenburg are expansion to double tracks on the West Coast Line and a new train service Gothenburg – Borås.

### *Public procurement*

The central government procurement support for suppliers, contracting agencies and entities has been spread between four different institutions (VINNOVA, the Legal, Financial and Administrative Services Agency, the Swedish Competition Authority and AB Svenska Miljöstyrningsrådet). The Government, in light of the fact that two inquiries have pointed out problems with the split, has decided to augment and coordinate central government procurement support by setting up a new agency for procurement support. The new agency, the Procurement Agency, will start its operations on 1 September 2015. The Government has decided that procurement support will be clearer if it is in a separate agency. Setting up a separate agency will increase the chances of working on procurement from a strategic perspective. Correctly used, procurement can constitute an effective instrument for achieving several positive effects in the economy, including promotion of increased growth and employment as well as sustainable development taking into account environmental, social and ethical aspects. Moreover, improved central government procurement support may help contracting agencies and units to carry out their procurement more effectively. Procurement support will continue to include environmental considerations. It will also include social considerations and promote innovation. The strategic perspective on public procurement is also central.

### *Simplifying for businesses*

Making it simpler for businesses to develop and run their operations will be given priority by the Government during the electoral period. The simplification is based on the conditions and needs of small companies. Regulatory frameworks and procedures adapted to small companies often work well for larger companies but the opposite is not always true. The work is mainly aimed at increasing employment and growth. The work of simplification will continue in two areas:

- Better service – simpler and less time consuming.
- More appropriate rules – promote growth and reduce costs.

In the Budget Bill for 2015 the Government presents a number of measures to strengthen the work of simplification for companies. On 1 January 2015 the Better Regulation Council's function was made permanent. The Better Regulation Council's responsibilities

were placed under the Swedish Agency for Economic and Regional Growth where a special decision-making body was set up for decisions on the Council's cases. The Better Regulation Council fulfils an important function in the work of ensuring that proposed new and amended regulations are carefully investigated and reviewed. To move faster towards the goal in spring 2015 of normally requiring companies to provide data only once and to one place, the Government allocated SEK 52 million for developing technical infrastructure for reduced and simplified reporting requirements. Two of the objectives of the work of simplification are that service must increase and processing times decrease, and public administration must have a better understanding of firms' conditions. The above-mentioned objectives no longer only cover County Administrative Boards and municipalities but also 19 central agencies.

## **5.2 Implementation of cohesion policy 2014 - 2020**

### *Partnership agreement*

The Swedish partnership agreement for the 2014–2020 programme period was approved by the Commission on 29 October 2014. The partnership agreement is an overall strategy for the four funds; the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. The main purpose of the partnership agreement is to help achieve the Europe 2020 targets and strengthen the competitiveness of the EU and Sweden.

The agreement is also aimed at promoting synergies and avoiding overlaps between the Funds and improving conditions for coordination using instruments at EU and national levels. The partnership agreement was drawn up in broad partnership with agencies and other actors concerned.

The Swedish Agency for Economic and Regional Growth, the Council for the European Social Fund in Sweden and the Swedish Board of Agriculture, on the instructions of the former Government in December 2013, have also started in-depth cooperation on common Fund issues within the framework of a "fund coordination group".

### *Investments for growth and employment 2014-2020*

Sweden will implement eight regional and one national regional fund programme. The programmes were approved by the Commission on 18 December 2014.

The regional funds' initiatives aim at strengthened regional competitiveness and sustainable growth. An important change in the new regulatory framework is that funds are concentrated to the highest priority areas. Consequently, in Sweden the programmes will be focused on structural change in priority areas, innovation, entrepreneurship and the green economy. About 80 per cent of the total funds of about SEK 16 billion are therefore estimated to go to these three priority areas. Other funds mainly go to the areas of information and communications technology and sustainable transport. About 20 per cent of the expenditure on the programmes goes to supporting the transition to a low-carbon economy.

A clear ambition for the 2014–2020 programme period is an increased focus on enterprise; therefore it is important that the business sector participates in implementing the

programmes. A new feature to underline this is that private co-financing is now included in the programmes, which means that private as well as public funds are used to co-finance funds from the EU.

The total extent, including EU funds and public and private national co-financing, of the eight regional programmes is SEK 15 939 million (see Table 3).

**Table 3. The regional development fund programme in the “Investments for growth and employment” objective**

Programme/SEKm	Financing from Structural Funds	National funds <sup>2</sup>	Total
Upper Norrland	1 779	1 779	3 558
Central-Norrland	1 292	1 292	2 585
North-Central Sweden	1 234	1 234	2 467
Stockholm	311	311	621
East Central-Sweden	587	587	1 175
West Sweden	470	695	1 165
Småland and islands	554	554	1 108
South Sweden	512	512	1 024
National regional fund programme for investments in growth and jobs 2014-2020	1 118	1 118	2 236
<b>Total</b>	<b>7 857</b>	<b>8 082</b>	<b>15 939</b>

<sup>1</sup> Regional development fund programme calculated on exchange rate of 8.39 in accordance with the Ordinance on exchange rate for support from European Structural and Investment Funds (1999:710).

<sup>2</sup> This refers to private and public funds.

Source: Regional and national regional development fund programme for the period 2014–2020

In addition to this, during the period 2014–2020 a national programme of SEK 2 236 million will be implemented. The programme has been added to complement and contribute to synergies for the regional programmes and covers efforts intended to strengthen research and development, risk capital and to support the transition to a low-carbon economy.

Larger initiatives will also be implemented in the form of financial engineering instruments. The risk capital investments made regionally in the 2007–2013 programme period will continue within the existing structure. Apart from this, two initiatives are planned in the national programme. One refers to a fund of funds to stimulate private venture capital investments and one refers to a fund for investments in early phases of companies specialised in a low-carbon economy.

In total for all nine programmes the funds will be allocated in the following areas;

- Innovation, research and technical development – SEK 4.5 billion
- Entrepreneurship - SEK 5.1 billion
- Energy efficiency and green economy – SEK 2.9 billion
- Increased access to and use of ICT – SEK 1.6 billion
- Sustainable transport – SEK 1.3 billion
- Technical support- SEK 0.6 billion

Further, the Swedish national Social Fund Programme 2014-2020 is being implemented within the “Investments for growth and employment” objective. The programme was approved by the Commission on 2 December 2014. The Social Fund Programme is to contribute to an effective labour market and permanently increased employment in the long term. Measures aim to stimulate skills development to strengthen individuals' position in the labour market, strengthen the link between education and working life, increase transitions to work among people far from the labour market, and facilitate young people's establishment in working life and participation in education and training.

An important starting point for the national Social Fund Programme is that it is to strengthen and develop national labour market policy and contribute to achieving the Europe 2020 strategy targets. The EU employment initiative for young people refers to the period 2014–2018 and in Sweden is being implemented within the framework of the national Social Fund Programme. The initiative is to supplement and extend existing labour market policy measures for young people in the regions of Southern Sweden, Northern Central Sweden and Central Norrland. The total extent, including EU funds and national co-financing is SEK 13 224 million.

#### *European Territorial Cooperation 2014-2020*

The Commission has also approved seven cooperation programmes for the period 2014-2020. The programmes are a part of the EU cohesion policy aimed at strengthening competitiveness in EU countries and regions through cross-border cooperation.

Sweden participates in a total of thirteen different cooperation programmes; the seven that have now been approved are: North, Botnia-Atlantica, Sweden-Norway, Central Baltic, Öresund-Kattegat-Skagerrak, Northern Periphery and the Arctic and the Baltic Sea Region programme. All counties in Sweden are affected by at least one of these seven programmes. The programmes have a total budget of about SEK 9 billion. A decision on the other six programmes Sweden participates in will be made in spring/summer 2015.

**Table 4. Programmes adopted within European Territorial Cooperation**

<b>Breakdown by programme:</b>	<b>Total budget (SEK billion)</b>
North	0.7
Botnia-Atlantica	0.6
Sweden-Norway	1.2
Central Baltic	1.3
Öresund-Kattegat-Skagerrak	2.5
Baltic Sea Region Programme	2.8
Northern Periphery and the Arctic	0.7

Other countries that participate in the programmes now approved are: Finland, Denmark, Norway, Estonia Latvia, Lithuania, Poland, Germany, the United Kingdom, Ireland, Northern Ireland and Iceland.

### **5.3 EU Strategy for the Baltic Sea Region**

The EU Strategy for the Baltic Sea Region makes use of the areas where regional cooperation within the EU generates added value in the implementation of EU policies. The Government considers that the EU Strategy for the Baltic Sea Region contributes to the targets in the Europe 2020 strategy through enhanced regional cooperation that benefits Sweden's neighbourhood and the EU as a whole.

The development of cross-border cooperation is prioritised and the internationalisation of activities is a stage in the process of strengthening Sweden's competitiveness. The economic development of the neighbourhood has a clear impact on Sweden's competitiveness, and consequently increasing cooperation and integration is of high priority for the Government.

Increased ventures in research and innovation are enabled through improved coordination between countries, thus benefitting from various comparative advantages. Cooperation on innovation cooperation in the Baltic Sea Region may become an important complement within several areas where the Baltic Sea countries are at the fore, not least in environmental technology.

Increased cooperation between EU Member States in the region is needed to improve the functioning of the transport system. Through the EU's strategy for the Baltic Sea Region, the countries are able to cooperate on achieving increased multi-modality, harmonised transport services and transport conditions, the implementation of shared traffic management systems, increased safety and reduced environmental impact. Measures in the EU's strategy for the Baltic Sea Region that improve infrastructure and facilitate procedures at border crossings between the Member States and their neighbouring countries are also of particular interest.

At the same time, the EU's strategy for the Baltic Sea Region builds on the geographical and climatological conditions common to the region, motivating close cooperation to

combat climate change but also to prepare and equip our communities for the consequences of climate change. The region also has the potential for the sustainable production and refinement of biomass. Cooperation between Baltic Sea countries in research, development and refinement of biomass, called bio economy, is therefore important.

The EU's strategy for the Baltic Sea Region deepens cooperation to reduce nutrient input, environmentally adapt shipping and prevent the proliferation of hazardous substances. The strategy also serves as a regional application of the EU's integrated maritime policy with ecosystem-based maritime planning and "blue growth". Blue growth is the maritime agenda's contribution to the Europe 2020 strategy and is expected to both strengthen competitiveness in coastal and maritime regions and, at the same time, to undertake initiatives to improve water and maritime environments.

## **6. Institutional issues and participation of relevant parties**

### **6.1 Institutional issues**

Sweden's national reform programme 2015 is mainly based on the initiatives and reform ambitions proposed by the Government in the 2015 Budget Bill and the 2015 Spring Fiscal Policy Bill and the Spring Amending Budget. In the elaboration of these bills, the country-specific recommendations from 2014 have been taken into account and the programme reflects the overarching priorities for economic policy adopted by the Council of the European Union in March 2015. The Riksdag Committee on Finance has been informed about the national reform programme. In the course of the Council's processing of the country-specific recommendations in summer 2014 the Riksdag was informed on several occasions.

### **6.2 Consultations with the social partners**

To develop the dialogue with the social partners in the European semester and the national decision-making process, the Government has established a reference group with representatives from the ministries concerned in the Government Offices of Sweden and the social partners (the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Employees (TCO), the Swedish Confederation of Professional Associations (Saco), the Swedish Association of Local Authorities and Regions (SALAR), the Swedish Agency for Government Employers and the Swedish Federation of Business Owners). The reference group holds regular meetings over the year at strategic points in time for discussions and consultations on the implementation of the strategy in Sweden. The initiative was taken after consultation with the social partners. In March 2015 the Prime Minister invited the social partners to participate in a consultation at chair level on the broader issues of growth ahead of the meeting of the European Council on 19-20 March. Consultation meetings have also taken place at senior official level on four occasions since the presentation of the NRP 2014.

The social partners were invited, as in previous years, to contribute texts to this year's national reform programme. In the appendix with external contributions there are contributions from the social partners that describe examples of the work the partners conduct in accordance with the strategy guidelines and the objectives, as well as comments on Government policy as regards measures with a bearing on the recommendations.

### **6.3 Local and regional support**

Local and regional support for the Europe 2020 strategy's targets and intentions, and thus for the regional and local growth process in Sweden, are crucial for successful implementation. In the period 2007-2013 the national strategy for regional competitiveness, entrepreneurship and employment was an important instrument for converting the EU's common targets for growth and employment into regional and local priorities. The strategy included the Government's priorities for regional growth policy in the period 2007-2013 and guided regional development strategies, among other things. The Government is now preparing a new national strategy for sustainable growth and

attractiveness 2015-2020. Adoption of the new strategy is planned for spring/summer 2015 and its priorities will continue to guide implementation of regional development strategies, structural fund strategies and other relevant strategies and programmes for regional growth. The national strategy, together with the regional development strategies, creates the conditions for increased interaction between the national and regional level. The regional actors thus play a role in implementing the Europe 2020 strategy based on their particular conditions and priorities within the framework of regional development. In the light of local self-government, the local level has a central role to play in implementing some of the targets set by the Government, including through cooperation with the regional level on various projects in the county.

To further develop the dialogue between national, regional and local levels on issues of importance to regional growth the Government has set up a national forum for regional growth and attractiveness 2015-2020. It is based on a shared responsibility between the regional and national levels for implementation of policy for regional growth, which requires a political dialogue and a shared view and understanding of important development issues. It is also one way of increasing local and regional influence and responsibility. Political representatives from every county participate in the forum, together with representatives of the Government. In 2014, two national forums were held, where current topics were discussed. Examples that can be mentioned are: the work of the regions on innovation and innovation in the public sector, the potential of digitalisation, infrastructure and dialogue on Sweden's partnership agreement with the Commission and cohesion policy.

In January 2015 the Representation of the European Commission in Sweden, the Swedish Association of Local Authorities and Regions and the Government Offices arranged a conference on the implementation of the Europe 2020 strategy at local and regional level. The conference took place in Stockholm and gathered about 150 people and could also be followed via a webcast. It was the fourth Europe 2020 conference organised in collaboration between the Swedish Association of Local Authorities and Regions (SALAR), the Representation of the European Commission in Sweden and the Government Offices with the aim of providing information and conducting a dialogue between the EU, national, regional and local levels on the implementation of the strategy in Sweden. The theme of the conference this time: Europe 2020 – current situation, review and what next? Among the speakers at this year's conference were the Prime Minister's State Secretary with responsibility for foreign and EU affairs Hans Dahlgren, the Minister for Finance's State Secretary Karolina Ekholm, acting head of the Representation of the European Commission in Sweden Johan Wullt and Vice President of SALAR Illmar Reepalu. Starting from two of the country-specific recommendations to Sweden, panel debates took place on challenges to the Swedish labour market and housing market.

The appendix also contains the contribution received from the Swedish Association of Local Authorities and Regions (SALAR), as the representative of the local and regional levels, giving an account of examples of work being conducted in accordance with the strategy's guidelines and objectives.



#### **6.4 Consultation with interest organisations and Swedish civil society organisations**

At present there are several consultation processes that form a part of the Government's decision-making process. These also cover issues affecting the Europe 2020 strategy. Stakeholders concerned are often included in reference groups within the inquiry system and are given the opportunity to present their views on inquiry proposals through the referral process in their specific areas. Occasionally, the Government also issues invitations to hearings, in order to maintain a dialogue on specific topics. There are also continual discussions in various consultation bodies.

Following requests that the dialogue with civil society organisations on the implementation of the Europe 2020 strategy be developed, an initial horizontal consultation with civil society took place in the autumn of 2011 and this approach was welcomed by the participants. For this reason, the Prime Minister's State Secretary called the relevant organisations to a new horizontal information and consultation meeting on the Europe 2020 strategy on 18 February 2015. The purpose of the meeting was to give information on the work of the Government and to discuss the proposed priorities of the Europe 2020 strategy in 2015 on the basis of the Commission's Annual Growth Survey. The Government also invited further dialogue and future forms of consultation were discussed. The organisations concerned were also invited to contribute texts to the national reform programme that highlight good examples of how Swedish civil society actively contributes to the implementation of the Europe 2020 strategy in Sweden. After the consultation the Government Offices received contributions from Coompanion, Famna, the Swedish National Council of Adult Education, Forum, Lika Unika (Equally Unique), RFSL (Swedish Federation for Lesbian, Gay, Bisexual and Transgender Rights), the Church of Sweden, Sveriges Kvinnolobby (Swedish Women's Lobby), Verdandi and Vetenskap & Allmänhet (Public and Science). The contributions can be found in an appendix to the reform programme.



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