

Sweden's national reform programme **2014**

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



REGERINGSKANSLIET

Government Offices
of Sweden

Sweden's national reform programme 2014

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inclusive growth**

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1. Introduction

Since June 2010, the Europe 2020 strategy has been the EU's common strategy for growth and employment. 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: fostering a high-employment economy with 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.¹ The reporting shall also reflect the overarching priorities for the European semester.

Sweden's national reform programme for 2014 is an update of the 2013 national reform programme based on the initiatives and reform ambitions proposed by the Government in the 2014 Budget Bill and the 2014 Spring Fiscal Policy Bill. It also reflects five overall priorities for the European semester that were approved at the meeting of the European Council in December 2013:

- pursuing differentiated, growth friendly fiscal consolidation,
- restoring lending to the economy,
- promoting growth and competitiveness,
- tackling unemployment and the social consequences of the crisis and
- modernising public administration

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 Swedish economy showed great resilience when the financial and debt crisis struck the global economy. A major reason why Sweden has managed the crisis better than many comparable countries is that we entered the crisis with large surpluses in our public finances. This has enabled the Government to

¹ Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States (2010/707/EU), Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union (2010/410/EU)

implement forceful measures to maintain jobs and welfare. During the crisis the Government has bolstered growth with both temporary stimulation measures and measures that improve the potential for growth opportunities in the long term. The international recession is estimated to abate and as of 2014 the Swedish economy is now gradually recovering. As the economic situation improves, the need to support the economy via fiscal policy measures is gradually declining. Returning to surplus is vital in order to protect jobs and welfare in a small open economy like Sweden's. Since many other countries, due to problems in their government finances, will have little scope in the future to tackle the next recession by means of fiscal policy, there are strong arguments in favour of Sweden building up surpluses again and carrying a low level of debt.

Presented below are the areas that affect the Europe 2020 strategy and that can be found in the Spring Fiscal Policy Bill of 9 April 2014 as regards the focus of policy in coming years.

A policy for more knowledge

Results in Swedish schools have deteriorated since the mid-1990s. The Government takes this development very seriously and has been conducting extensive reforms since 2006 to promote more knowledge in schools. The levels of knowledge in schools is being raised by increasing the number of teaching hours, evaluating pupils' results earlier and more clearly and reinforcing teachers' skills, role and status. It is important to continue the work of reform.

A policy for full employment

The Government's policy for full employment comprises measures that both stimulate the supply of and demand for labour, and ensure that matching in the labour market works well. The main focus has been on measures to strengthen the labour supply. The Government's policies to increase the supply of labour have been effective. Since 2006 the number of employed has risen by more than 250 000. At the same time the number of people in the labour force has increased even more. More people have therefore found work, but more are also actively seeking work, which means they are closer to employment. The Government will continue its work of reform to bring Sweden closer to full employment.

A policy for more housing and efficient and sustainable provision of transport

More building and more efficient infrastructure increase opportunities to match labour supply and demand. The measures being implemented and prepared to improve housing construction and the infrastructure provide broader access to work. They do so partly by offering more job opportunities and partly by offering better opportunities for workers to move to jobs and commute longer distances, and for companies to set up operations throughout in Sweden.

A policy for an improved climate for business and innovation

To achieve more job growth in tough international competition, there is a continued need to strengthen the climate for business and innovation. The Corporate Tax Committee is a strategic part of the Government's work of improving tax conditions for business.

A policy for more people in work narrows income differentials

The distribution of income in a society is largely determined by the distribution of human capital. This means that a well-functioning education system and good conditions to grow up in are of the utmost importance to preserve social cohesion. The Government has therefore initiated an extensive process of reform and intends to implement further measures aimed at raising the quality of Swedish education and increasing equality between schools. These measures are expected, in the long term, to help even out people's opportunities in life and their prospects on the labour market.

A policy to meet the global climate and environmental challenges

Climate change is the Government's top environmental priority. Other particular important areas of environmental policy include the preservation of biological diversity and marine and aquatic environments, and progress towards a non-toxic environment. The Government's environmental work is based on the system of environmental objectives adopted by the Riksdag in 2009. The Government's efforts aim to achieve these objectives and they are the standards against which the Government reports on the progress of environmental work. Alongside ecological sustainability, competitiveness and a secure energy supply are important preconditions for welfare and growth that are sustainable in the long term. A balanced development of the energy system is therefore required, which satisfies the need for sustainable energy at internationally competitive prices.

A policy for financial stability and reduced vulnerability of households

Financial crises generally have major negative consequences for the economy and the public finances. Apart from the loss of production that normally occurs in connection with financial crises, these can also lead to considerably lower output and employment over extended periods of time. The Government has therefore raised the level of the deposit guarantee, and sharply higher capital and liquidity requirements will apply to banks and other credit institutions. The Government has also substantially strengthened supervision of the financial sector. In addition, a stability fund financed by the banks has been established. The fund is intended for use in the event of a financial crisis. On a national basis, the Swedish Financial Supervisory Authority has reached an agreement with the industry on voluntary amortisation plans. The Government continues to follow developments in household debt closely and is prepared to take further measures if indicators show that debt levels are rising in a way that increases the risks of imbalances in the economy.

2. Macroeconomic situation and scenario

2.1 Macroeconomic prospects for the programme period

The international economic recovery that started in 2013 appears to be continuing. An expansive monetary policy in large parts of the world and reduced fiscal consolidation is expected to contribute to relatively high growth in the rest of the world. In the euro area the end of 2013 was characterized by stronger economic development compared with the last few years and in early 2014 there have been clear signs of a broad upturn in economic activity. The growth rate in the American economy speeded up in 2013 and is expected to be relatively high going forward.

Swedish GDP growth is expected to be higher in 2014 than in 2013 (see Table 1). Confidence among companies and households has strengthened since summer 2013. This indicates increased activity in the Swedish economy in 2014. Exports are expected to grow again as a result of higher growth in the rest of the world. Investment needs in industry are also expected to increase when the economic outlook improves. Good growth in disposable incomes and an improving labour market, along with a high level of household savings at the outset provide scope for strong growth in household consumption. This means that household consumption is expected to make a relatively large contribution to growth in 2014 and 2015.

Higher economic growth is expected to lead to a slightly greater increase in employment than in the labour force in 2014 and 2015. Thus unemployment is expected to fall. The increase in employment is expected to be mainly in the service sector. This increase follows from the rising domestic demand for services, particularly through increased consumption of services by households. Employment in the goods industries is expected to show a weak trend.

In 2013 the public sector reported a net lending of -1.3 per cent of GDP. The public sector financial deficit will increase somewhat in 2014. The stronger economic development in the subsequent years mean that public sector net lending will gradually strengthen to 1.2 per cent of GDP in 2018. As a result of the public sector deficits, gross debt as a percentage of GDP is expected to increase somewhat in 2014. Gross debt is then expected to decrease gradually to 32 per cent of GDP until 2018 (public finances are dealt with in more detail in Sweden's convergence programme for 2014).

Table 1: Key indicators

Annual change as a percentage, unless otherwise stated

	2013	2014	2015	2016	2017
GDP	1.5	2.7	3.3	3.5	2.5
Output-gap ¹	-2.9	-2.4	-1.5	-0.5	-0.2
Employed ²	1.0	1.2	1.2	1.2	1.0
Employment rate ³	79.8	79.9	80.2	80.7	81.1
Hours worked ⁴	0.4	1.4	1.2	1.4	1.1
Productivity ^{4,5}	1.7	1.8	2.2	2.1	1.9
Unemployment ⁶	8.0	7.7	7.3	6.7	6.3
Wages ⁷	2.5	2.7	2.9	3.2	3.4
CPI ⁸	0.0	0.2	1.6	2.5	2.8

¹ Difference between actual and potential GDP in per cent of potential GDP.² Ages 15–74.³ According to the EU2020 target, i.e. employed as a percentage of the population in the age group 20–64.⁴ Calendar-adjusted.⁵ Productivity in business sector.⁶ As a percentage of the labour force aged 15–74.⁷ Measured by short-term wage statistics.⁸ Annual average.

Sources: Statistics Sweden and own calculations.

2.2. Macroeconomic effects of structural reforms

Effects of measures in light of fiscal policy recommendation

Changes in public net lending are usually used as an indicator of fiscal policy stance. Changes in structural net lending in Sweden have an expansive effect in 2013 and 2014, as it is weakened by 0.3 and 0.2 per cent of GDP. In the same years total deterioration in net lending is 0.8 per cent of GDP. On the whole, the trend in public net lending helps to maintain demand in the Swedish economy for those years.

Effects of measures in light of recommendations on private indebtedness and the housing market

The Government has taken a number of measures to strengthen the financial system and increase the stability of the housing and mortgage markets. The measures are described in more detail in sections 3.2 and 3.3. Many of the measures came into force in 2013 and 2014 and it is still difficult to assess in detail all their effects.

Much suggests, however, that the measures undertaken have helped restrain the previously rapid increase in lending to households. The 2013 mortgage survey by the Swedish Financial Supervisory Authority shows that the loan to value ratios for new loans have fallen for the first time in ten years. The percentage of households with new loans for more than 85 per cent of the market value of the property has been cut by half since 2009. Only 11 per cent of households take out new loans in excess of the “mortgage ceiling”.

The Swedish FSA’s survey also shows that households that are borrowing in

excess of the mortgage ceiling amortise, and that nine out of ten households amortise loans in excess of 75 per cent of the market value of the property. On the basis of stress tests the Swedish FSA concludes that most households taking out a new mortgage have a good repayment capacity and are resilient to interest rate increases. The effect of measures is also apparent in that annual growth in credit has fallen from levels in excess of 10 per cent annually in 2000–2010 to less than 5 per cent in recent years. The Government continues to follow developments in household indebtedness closely and is prepared to take further measures if indicators show that it is rising in a way that increases the risks of imbalances in the economy.

The macroeconomic effects of measures to restrain household borrowing are, however, very difficult to calculate. In most instances, the purpose of the measures is to prevent a negative trend and to avoid financial crises and naturally it is very difficult to estimate quantitative effects under such conditions. The measures can potentially limit demand at the macroeconomic level but have a positive effect by reducing the risks of later setbacks.

Effects of measures in light of recommendations in the labour market area

The design of government policy to reduce exclusion and increase sustainable employment entails a combination of general measures that stimulate supply and demand for labour and improve matching between jobseekers and vacancies. The Government has also implemented targeted measures to increase employment among groups with a weak foothold in the labour market. The most important reform in strengthening the labour supply is the in-work tax credit, which has been introduced gradually and strengthened incentives to work by making work more profitable. If it is more profitable to work, more people will seek participation in the labour market and sustainable employment can thus increase in the long term. A detailed description of the policy pursued to improve labour market participation among young people and other vulnerable groups is given in section 3.4.

There are clear signs that the Government's policy has increased sustainable employment and reduced exclusion. Since 2006 employment and the number of people in work has increased more than can be explained by demographic and cyclical factors. While employment is rising, exclusion has decreased. The number of people receiving benefits from various social security systems, measured as the number of full year equivalents, has decreased by almost 200 000 since 2006 and the decrease is expected to continue.

The Government estimates that sustainable employment will increase by about 250,000 people and that equilibrium unemployment will fall by 1.8 percentage points in the long term as a result of some of the structural reforms the Government has implemented since 2007 (see Table 2 below). Most of the effects are expected to have made themselves felt by 2018. The assessments are

based on existing research on the effects of structural reforms.²

Table 2: Expected long-term effects of the Government's policy 2006–2012

Change in per cent, unless otherwise stated

	Annual full time equivalents¹	Employed²	Labour force	Unemployment³	GDP
In-work tax credit	137 000	120 000	1.8	-0.8	2.5
Higher in-work tax credit for older people	6 000	10 000	0.2	0.0	0.1
Threshold	6 000	0	0.0	0.0	0.1
Unemployment insurance	40 000	45 000	0.2	-0.7	0.7
Labour market policy	11 000	14 000	0.1	-0.2	0.2
Sickness insurance	20 000	17 000	0.9	0.5	0.4
Reduced social security contributions	18 000	21 000	0.2	-0.2	0.3
HUS deduction	27 000	25 000	0.2	-0.3	0.4
Reduced restaurant VAT	6 000	4 000	0.0	-0.1	0.1
Higher housing allowance	- 2 000	- 2 000	- 0.05	0.0	0.0
Total structural reforms	267 000	254 000	3.5	-1.8	4.8

¹ Hours worked recalculated as annual full-time equivalents. One annual full-time equivalent corresponds to 1 800 hours worked.

² Number of people in age group 15–74.

³ Change in percentage points.

Source: Own calculations.

Knowledge of the effects and the pace at which they achieve an impact is, however, far from complete. Thus the assessments presented in the table are subject to a high level of uncertainty and regular follow up of the effects of the reforms is important. The follow-ups can provide guidance on how the policy needs to be supplemented and whether it needs to change direction.

² See the report “Hur ska utvecklingen av arbetsmarknadens funktionssätt bedömas?” (Ministry of Finance Economic Affairs Department 2011:1) for a description of the calculations.

3. Implementation of the 2013 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, to meet the country-specific recommendations.

The Commission's Communication of 29 May 2013, which includes the proposed recommendations, summarises the Swedish medium-term budgetary objective as being well in line with the requirements of the Stability and Growth Pact and states that this MTO will probably be achieved during the programme period. In its Communication the Commission points out a number of challenges that still need to be dealt with. One of these challenges is indebtedness in the private sector, which is regarded as a continued cause for concern. The Swedish housing market constitutes an associated challenge, as according to the Commission it has been stable recently but remains a potential source of macroeconomic instability. Improving the efficiency of the Swedish housing market will probably contribute to reducing household borrowing. A further challenge highlighted is unemployment among young people, people from immigrant backgrounds and people with a low level of education. It is stated that Sweden has taken many new relevant measures to deal with the problems, but that continued initiatives are required.

The Council decision of 9 July 2013 recommended that Sweden:

1. Implement the measures necessary to pursue a growth-friendly fiscal policy and preserve a sound fiscal position ensuring compliance with the medium-term objective over the programme horizon.
2. Continue addressing risks related to private debt by reducing the debt bias in housing taxation by phasing out tax deductibility of interest payments on mortgages and/or increasing property taxes. Take further measures to foster prudent lending by measures promoting amortisation of mortgages. Further reduce the debt bias in corporate taxation.
3. Improve the efficiency of the housing market by continued reforms of the rent setting system and strengthening the freedom of contract between individual tenants and landlords. Promote increased competition in the construction sector and review the planning, zoning and approval processes with the aim of increasing transparency, shortening lead times and reducing entry barriers for construction companies.

4. Reinforce efforts to improve the labour-market integration of low-skilled young people and people with a migrant background by stronger and better targeted measures to improve their employability and the labour demand for these groups. Step up efforts to facilitate the transition from school to work, including via a wider use of worked-based learning, apprenticeships and other forms of contract combining employment and education. Complete the Youth Guarantee to better cover young people not in education or training. Complete and draw conclusions from the review of the effectiveness of the current reduced VAT rate for restaurant and catering services in support of job creation.

3.1 Recommendation regarding fiscal policy

Summary and examples of measures taken

- Necessary in 2014 to have a structurally sound fiscal policy to stimulate the economy:
 - Strengthening of households' finances through a further step in the in-work tax credit combined with reduced taxation of pensioners.
 - Abolition of the unemployment contribution in unemployment insurance.
 - Increase in the special allowance in the housing allowance.
 - Support to vocational introduction jobs.
 - Initiatives in compulsory and upper secondary school.
- Fiscal policy is now focused on gradually regaining balance and surplus.
- Net lending is expected to exceed 1 per cent 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. Returning to surplus is vital for protecting jobs and welfare in a small open economy such as Sweden's. Since the beginning of the financial and debt crisis Sweden has been able to use its strong public finances to stimulate the economy. This was right and necessary in a situation where unemployment has increased in an internationally difficult economic environment. At the same time the incentives were designed to give priority to important structural reforms, which promoted employment and growth in the long term as well. In 2014 it has been necessary to have a structurally sound fiscal policy to stimulate the economy, since unemployment remains high and there are plenty of spare resources. It is in that perspective that the augmented in-work tax credit should be seen, a tax reduction that both strengthens incentives to work and stimulates consumer demand in the economy, in a situation when demand for Swedish exports has not taken off and resource utilization continues to be low.

In the coming electoral period the policy premises will change, since resource

utilization is gradually strengthening, employment is rising and unemployment decreasing. This means that fiscal policy is now entering a phase where the focus will be gradual return to balance and then surplus. When the state of the economy improves, the need to support it via fiscal policy gradually diminishes. This means that continued necessary reforms, whether on the expenditure or revenue side of the budget, will need to be fully funded.

Net lending should, according to the current forecast, return to surplus of more than 1 per cent when resource utilisation approaches balance in 2018. The pace of the reinforcement of public finances should be adapted to the labour market situation and progress of resource utilisation.

Initiatives and measures

When designing support for recovery the Government believes it is of utmost importance to give priority to the measures that are cyclically and structurally correct and that meet long-term growth challenges. This year household finances will be strengthened through a further step in the in-work tax credit combined with reduced taxation of pensioners. In addition, priority has been given to the discontinuation of the unemployment contribution in unemployment insurance and increase of the special allowance in the housing allowance. Other important measures are support to vocational introduction agreements and initiatives in compulsory and upper secondary education to accelerate the transition between school and work and strengthen the knowledge level (see also section 3.4 and chapter 4 for a detailed description of measures to improve participation in the labour market for young people and other vulnerable groups).

General government net lending showed a deficit of -1.3 per cent of GDP in 2013. A deficit of -1.6 per cent is forecast for 2014. Net lending is subsequently expected to gradually improve to a surplus of 1.2 per cent of GDP in 2018. Towards the end of the same year utilisation of resources in the Swedish economy is also expected to have regained balance. Consolidated gross debt is expected to be 41.3 per cent of GDP in 2014 and is then expected to decrease to 31.7 per cent of GDP in 2018. This trend is in line with the surplus target and Sweden's medium term budgetary objective (MTO). Public finances are addressed in greater detail in Sweden's convergence programme for 2014.

3.2 Recommendation concerning private indebtedness³

Summary – examples of measures taken

- Mortgage ceiling: new loans should not exceed 85 per cent of the market value of the property
- A risk weight floor of 15 per cent for Swedish mortgages was introduced by the Swedish FSA in May 2013 to ensure that banks maintain an available solvency margin that covers the risks in their mortgage portfolios. An increase of 25 per cent has been announced.
- Basel III: To be implemented in 2014. The Government's clear ambition is to increase capital requirements to strengthen Swedish banks' resilience to financial crises.
- Since 1 January 2013, companies' opportunities to make interest deductions for internal loans have been further limited.
- Reduction of the corporate tax rate (from 26.3 per cent to 22 per cent). This reduces companies' incentive for loan-based financing.
- The Swedish FSA has responsibility for financial stability tools.

The Government's view of the recommendation

The Government shares the Commission's view of the importance of continuing to address the risks of private indebtedness. High household and corporate indebtedness, as well as extensive international banking activities may constitute risks to financial stability. There is also a risk that a high level of private debt may constitute a threat to the macroeconomic balance, which is also pointed out in the Commission report "Macroeconomic imbalances in Sweden 2014". The Government is following developments in private indebtedness and is prepared to take further measures if indicators show that it is rising in a way that increases the risks of imbalances in the economy.

Since 2010, the Swedish household debt ratio, i.e. debt as a percentage of disposable income, has stabilised at just over 170 per cent. Despite an upturn from the average level of just over 100 per cent in the 1980s and the 1990s, there are factors that indicate a low risk of households finding it very difficult to manage the higher debt ratio. The interest quota, i.e. interest expenditure after tax deductions as a percentage of disposable income, is under the average for the past 30 years. Thus a lower interest rate level may have contributed to households being able to bear a larger debt.

In this context it is relevant to take into account households' indebtedness behaviour in the light of their saving behaviour. At the same time as households' debt has increased rapidly, their net saving has been positive. Average saving between 1980 and 2012 was 4.9 per cent of household disposable income, including occupational and premium pensions. In recent

³ This is also addressed in the Commission's in depth review of the Swedish economy of March 2014.

years saving has also increased.

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. Household indebtedness is also addressed in Sweden's convergence programme.

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 taken place largely through a combination of measures that have strengthened the resilience of the financial system. To reduce the risks of private indebtedness and strengthen financial stability, in the autumn of 2010, the Swedish Financial Supervisory Authority issued general advice on mortgages with the home as collateral. The mortgage ceiling meant that new loans should not exceed 85 per cent of the market value of the property. The Swedish FSA's follow-ups in 2012 and 2013 have shown that loan to value ratios of more than 85 per cent have fallen, and that the percentage of households with new loans of more than 85 per cent have fallen by half since 2009 and the figure is now about 10 per cent. Moreover, the Swedish FSA's follow-up in 2013 shows that almost 90 per cent of households with loan to value ratios of more than 75 per cent amortise. This means that the banks follow the Swedish Bankers' Association's recommendation on amortisation of loans with a loan to value ratio of more than 75 per cent. The follow-up also shows that all households that have taken unsecured loans are repaying them. The Swedish Bankers' Association has also stated that they will extend their current amortisation recommendation to cover all mortgages with a loan to value ratio of more than 70 per cent.

To ensure that banks maintain an available solvency margin that covers the risks in the Swedish mortgage portfolio in May 2013 the Swedish FSA introduced a risk weight floor of 15 per cent for Swedish mortgages. Higher risk weights mean that the banks, given existing lending, may need to finance themselves with more core Tier 1 capital, which is the capital that first absorbs losses. The measure is estimated to increase the cost of banks' financing to some extent. Ultimately this can lead to the banks reviewing their loan portfolio and that mortgages in general will become somewhat more expensive. At the same time risks in the banks' operations are expected to decrease, which is of benefit to the banks, their customers and the economy as a whole. The Swedish FSA has also announced a further increase in the risk weight floor to 25 per cent, given that this is compatible with future EU regulations.

The size of the banks' available solvency margin is also affected by the Basel rules. The Government is positive towards the Basel III agreement and its implementation in the EU, which will be in 2014, when the Capital Requirements Regulation (CRR) comes into force and the Fourth Capital

Requirements Directive (CRD IV) is transposed into national law. The Government's clear ambition is to increase capital requirements to strengthen Swedish banks' resilience to financial crises. The new regulations will introduce new capital buffer requirements, making it possible for authorities to approve higher capital adequacy requirements, in particular for systemically important institutions.

To strengthen consumer protection while improving transparency and stability in the financial sector the Swedish FSA has presented a report on possible measures for how banks could improve customer insight into factors determining mortgage interest rates. The Swedish Bankers' Association has also drawn up a recommendation for its member banks that all new mortgage customers are to be given an individual amortisation plan by the banks.

Moreover, the Government has proposed amendments to legislation aimed at creating a fair model for calculating early redemption charges for fixed rate mortgages. A fairer model makes it easier for borrowers to change banks and should also increase demand for loans with longer interest rate adjustment periods and thus reduce the interest rate risk for households. In order to reduce households' vulnerability the Swedish Consumer Agency will be empowered from 1 April to levy a financial penalty from fast loan companies that do not carry out proper credit rating checks. The Government also intends to draw up a strategy to combat excessive debt.

Since 1 January 2009, companies' opportunities to make interest deductions for internal loans have been limited. As of 1 January 2013 the rules have been further tightened. The restriction was introduced to protect the Swedish corporate tax base from tax planning. Internal borrowing for tax planning purposes is consequently expected to decrease. On the corporate side the cut in the corporate tax rate in 2013 from 26.3 per cent to 22 per cent has contributed to reducing companies' incentives for loan-based financing. The remit of the Corporate Tax Committee includes preparing proposed tax rules to make conditions for loan-based financing and equity financing more similar. The proposal, which will be presented by 16 June at the latest, is expected to further reduce incentives for loan-based financing.

An economic recovery must rest on robust foundations, avoiding imbalances in the economy. Consequently the Government continues to give high priority to the work of strengthening stability in the financial system. As part of this work the Government has decided to give the Swedish FSA the main responsibility for financial stability tools, for example the contracyclical capital buffer. To better equip the Swedish FSA to contribute to an effective financial system the Government has also proposed that a further SEK 100 million in total be provided to the Authority in 2014-2016, in addition to the SEK 103 million provided in 2011-2013. The Government has also set up a formal financial stability council, consisting of representatives of the Government, the Swedish

Financial Supervisory Authority, the Riksbank and the Swedish National Debt Office. The Council will provide the opportunity for consultation and exchange of information. The work of the Council is to include both crisis prevention and potential crisis management.

The Government follows developments in household indebtedness and will review the need for further measures if indicators show that it is increasing in a way that increases the risks of imbalances in the economy.

3.3 Recommendation concerning efficiency in the housing market⁴

Summary – examples of measures taken

- Changes in rental legislation to create equal conditions for private and municipal actors.
- Lower municipal property fee for apartment blocks
- New rules for letting private housing.
- Simplification of both building regulations and regulations affecting planning conditions.
- Amendments to the Planning and Building Act
- New measures that do not require planning permission
- A simpler planning process.
- Amendment of the Housing Provision Act.

The Government's view of the recommendation

The recommendation concerning the housing market, building sector and planning process is mainly in line with government policy. This is also shown in the review of problems in these areas in the Commission's report on "Macroeconomic imbalances in Sweden 2014" (section 3.3). The objective of housing policy is housing markets that work well in the long term and in which consumers are supplied with a range of housing that meets their needs. To achieve this there must be reforms in the institutions that regulate conditions on the housing markets as such, for example as regards the possibilities of more housing becoming available in the market. However, it is important to note that investment in housing construction is a long-term decision and it takes time before even significant changes in the regulatory framework governing the planning and building process have any impact on companies' operations and investment plans and thus on the supply of new housing.

Initiatives and measures

Institutional circumstances of significance for the housing market

As regards institutional circumstances of importance to the housing market as such, there have been changes in recent years that have created equal conditions for public housing companies and private housing companies. For

⁴ This is also addressed in the Commission's in depth review of the Swedish economy of March 2014.

example, the rent-normative role of public housing companies has been abolished and replaced by a normative role for all collectively negotiated rents, which has created equal conditions in rent negotiations. A separate Act on letting by private individuals has been introduced that allows individuals who are not letting housing as a business activity to charge a rent that covers their own costs. The taxation rules for private letting have also been improved. In 2014 a Government Bill was presented that improves the opportunities for tenant-owners to be granted permission to let their home for a limited period. The possibility of creating housing in multi-dwelling buildings available with right of ownership was introduced on 1 May 2009. An inquiry will propose the legislative amendments necessary for converting rented apartments in multi-dwelling buildings to owner-occupied apartments. A report will be presented by 30 May 2014.

Municipal property fee for apartment blocks

To stimulate the supply of rented housing, the municipal property fee for apartment blocks was reduced on 1 January 2013. An Inquiry has calculated that rented housing is disadvantaged in terms of taxation compared with owner-occupied housing. It is proposed to abolish the municipal property fee for rented housing if the rental right is granted for housing purposes in the context of business activities ("Some housing taxation issues", Swedish Government Official Reports SOU 2014:1).

Institutional circumstances of importance for the supply of new housing

As regards institutional circumstances of importance for the supply of new housing, the policy in the current electoral period has focused on simplifying both building regulations and regulations that affect planning conditions, thus ensuring a shorter, simpler and faster planning and building process. This creates the conditions for building more cheaply and for small companies to enter the market, thus improving competition.

The Planning and Building Act

In December 2013 the Government proposed that amendments be made to the Planning and Building Act (2010:900). The amendments mean that departure from accessibility and functionality requirements are always allowed when preparing housing of a maximum of 35 square metres in a loft. The amendments also mean that the comprehensive plan must show how the municipality intends to meet the long-term need for housing. The bill contains additional proposals to extend the maximum period for temporary planning permission to fifteen years and that the construction process when moving certain buildings could be simplified through exemption from the technical consultation requirement. The legislative amendments are proposed to enter into force on 1 July 2014 (Govt. Bill 2013/14:59 "More housing for young people and students to the Riksdag").

New measures that do not require planning permission

In 2014 the Government decided on the Government Bill 2013/14:127 “New measures that do not require planning permission”. The Bill proposes amendments to the Planning and Building Act (2010:900). The purpose of the amendments is to simplify the regulations to prevent planning permission being required to a greater extent than is justified on the basis of public interest in ensuring appropriate and sustainable building. The amendments mean that the number of measures that can be implemented without requiring planning permission is increased. In the first place erection of large ancillary buildings and small dwellings of a total of 25 square metres is to be allowed. These buildings may also contain an independent housing unit. In the second place building of one and two dwelling units up to 15 square metres are to be allowed. In the third place it will be possible to include one more housing unit in a one-dwelling building. A maximum of two dormer windows will be allowed on buildings of one and two dwellings without requiring planning permission.

A simpler planning process

The Government Bill “A simpler planning process” proposes for example that the Planning and Building Act should be amended to make it easier for a municipality to draw up a detailed development plan. A detailed development plan should not either be required as often as at present and the municipality should not be able to impose stricter requirements concerning the technical qualities of buildings than follow from the building regulations issued by the Swedish National Board of Housing, Building and Planning. In addition the proposals include:

- An entirely new law for municipal land development,
- A limitation to the detailed development plan requirement and making the current simple procedure for a detailed development plan standard,
- Allowing the delegation to the municipal executive committee or the planning and building committee to adopt more types of plan,
- An even simpler procedure for cancelling a detailed development plan and extending the construction period,
- Allowing planning regulations on the design of construction works and plots principally to cease to apply after the close of the construction period,
- Introducing provisions on what may be regulated in “development contracts”,
- Introduction of some rules of procedure to increase transparency and openness in implementation of detailed development plans,
- Abolishing "developer provisions",
- Extension of the possibility of giving planning permission for measures that entail deviation from a detailed development plan or area regulations,
- Introduction of the possibility of being able to wait to carry out a measure that follows a "planning condition",

- Application of the right to planning permission for measures on land that according to the detailed development plan constitutes developed land for general purposes, also to applicants that are not a public body, and
- Regulation of municipalities' scope for imposing their own technical requirements.

Coordinated review of noise

Government Bill 2013/14:128 “Coordinated review of noise under the Environmental Code and the Planning and Building Act” notes that a more coordinated regulatory framework to facilitate application of the Planning and Building Act and the Environmental Code when assessing and reviewing noise is needed. As a first step towards a clearer and more predictable regulatory framework that facilitates planning and building of housing in areas exposed to noise it is proposed that the noise levels accepted at the planning and planning permission stage should also be accepted for supervision under the Environmental Code. Harm to human health must be prevented in planning and planning permission. The plan description (detailed development plan) or planning permission should include a report on noise levels. New possibilities of stipulating requirements that prevent noise pollution are being introduced. New provisions are being introduced in the Environmental Code implying that at the time of supervision no decision concerning orders or prohibitions may be made if the noise does not exceed the levels stated in the plan description or in the planning permission. Orders or prohibitions may never be determined referring to a supplementary dwelling. The Government also intends to regulate by law standard values for noise from road and rail traffic and for aircraft noise. An ordinance on standard values for noise can come into force at the same time as the proposed legislation, i.e. 2 January 2015.

The Housing Provision Act

As of 1 January 2014 the Housing Provision Act, which obliges municipalities to plan for their housing provision, has been amended so that municipalities must also take into account regional conditions and needs and consult both with other municipalities in the region and with regional bodies. A parliamentary committee has been set up, whose tasks include investigating and if necessary proposing amendments to the regulatory frameworks that govern spatial planning and production of data for planning at regional level needed to meet housing supply requirements and long-term sustainable development in all parts of the country. In addition, the committee is to evaluate how coordination of housing supply issues at regional and municipal level functions at present and analyse the need for amendments to the relevant regulatory frameworks. The committee will also investigate what should be included in spatial planning at regional level and in this context analyse in particular the need at regional level to consider national and regional objectives, plans and programmes.

3.4 Recommendation regarding measures to improve labour market participation among young people and other vulnerable groups

Summary – examples of measures taken

- Support to vocational introduction jobs.
- Investment in apprenticeship training and vocational programmes.
- More effective labour market policy measures for young people.
- Investment in special employment support for long-term unemployed.
- Specially designed education programmes for newly arrived immigrants covered by the introduction assignment.
- Reduction of social security contributions for the youngest.
- Evaluation of the effects of reduced value added tax for restaurant and catering services.

The Government's view of the recommendation

The Government shares the Commission's view that participation in the labour market for young people and other vulnerable groups needs improvement. The Government's economic policy focuses to a great extent on increasing employment, strengthening the incentives to work, increasing employability and reducing thresholds into the labour market. For many people with low incomes it is still not sufficiently worthwhile to move from exclusion to work. Consequently, the in-work tax credits form a central part of the Government's policy to permanently raise employment and reduce exclusion. The tax credit makes it more profitable to work, leading to more people participating in the labour force.

In the 2014 Budget Bill the Government presented reforms, for example to accelerate the transition from studies to work and to reduce long-term unemployment among young people. Since 2006 the Government has pursued policies aimed at permanently increasing employment, increasing the labour supply and reducing unemployment. The job guarantee for young people and the job and development guarantee were introduced in 2007. In connection with the 2012 Budget Bill a number of further changes were made in labour market policy. The purpose of the change in policy was for example to supplement initiatives to reverse long-term unemployment by means of measures that prevent unemployed people becoming long-term unemployed. Consequently, measures from day one of unemployment have been made possible for people at risk of long-term unemployment, while monitoring of job seeking has been improved. Government policy is aimed at continually monitoring and improving the labour market situation for groups with a relatively weaker foothold in the labour market, such as young people, long-term unemployed people, people born outside Sweden and people with disabilities that impair their capacity to work. The social partners have an important role to play in this work and much has been done within the framework of tripartite talks between the Government and the social partners.

The Government's aim with these talks is to find measures that reduce equilibrium unemployment and improve the opportunities of young people and other groups with a weak foothold in the labour market.

Initiatives and measures

Tripartite talks to facilitate transition from school to work for young people

Crucial steps for new and broader paths into work have been taken within the framework of the tripartite talks between the Government and the social partners. Points of departure for the tripartite talks are that the social partners and the Government are jointly responsible for the functioning of the labour market, that responsibility for wage formation rests with the social partners and that agreements build on initiatives from the social partners. The Government's overall objective for the tripartite talks is to achieve a permanent increase in employment and lower equilibrium unemployment.

Within a number of areas of agreement in the labour market the parties have signed vocational introduction agreements aimed at facilitating young people's transition from school to working life and to guarantee long-term skills provision for employers. Normally these agreements build on the principle that people lacking relevant occupational experience receive coaching and training during part of their working time. The Government assesses that the vocational introduction agreements have the potential to make a major contribution in facilitating labour market entry.

Financial support to employers was introduced on 15 January 2014 to stimulate employment of young people (aged 15–24) on the basis of vocational introduction agreements. The support is given partly in the form of a wage subsidy equivalent to one ordinary employer's contribution (31.42 per cent of the gross wage) and partly in the form of a supervisor subsidy (SEK 2 500 per month). Special funds have also been allocated for 2014 to support the development work of the parties in structured learning at workplaces and to spread knowledge about and promote the use of vocational introduction agreements.

Other measures to facilitate the transition from education to work for young people

To further facilitate the establishment of young people in the labour market, in February 2014 the Government submitted a Government Bill to the Riksdag proposing a new form of employment; upper secondary apprentice employment. The proposal means that upper secondary apprentices can be offered employment while still in education in accordance with adapted labour law provisions.

The Government has started several initiatives 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 into dimensioning, supply and content of upper secondary vocational education to increase its attraction and facilitate young people's transition to the labour market. The inquiry will also review how industries' and employers' influence and responsibility for upper secondary apprenticeship training can be developed.

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 employer's part has been increased by SEK 17 500 to a total of SEK 47 500 per pupil and year. 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. For employers that have a supervisor that has completed approved supervisor training the organiser subsidy is increased by a further SEK 10 000 to a total of SEK 57 500 per apprentice. In addition the authorities receive a subsidy of SEK 10 000 that can be used to cover their own costs or be forwarded to the employers.

To increase the attraction of apprenticeship training, apprentices will receive compensation for expenses of SEK 1 000 per month of study for the period of the apprentice's training contract. The compensation is to meet any additional expenses arising when the apprentices are at the workplace.

Within the vocational introduction programme, which is one of the upper secondary school's introduction programmes (not to be confused with the vocational introduction agreements), students non-eligible for national programmes can gain an introduction to concrete tasks in the labour market or further studies. The Government gives an incentive grant to the schools to develop the quality of the vocational introduction programme. Subjects in compulsory schooling and motivation-raising efforts based on pupils' needs can also be included so as to increase the share of pupils who continue their studies on a national programme or another introduction programme.

On 13 March 2014 the Government approved the Bill "More focused reduction of social security contributions for the youngest" (Govt. Bill 2013/14:116). According to the proposal, social security contributions, including the general salary contribution, will be lowered for individuals who have not reached the age of 23 at the beginning of the year in that only the old age pension contribution of 10.21 per cent must be paid. For individuals between the ages of 23 and 25 at the beginning of the year the reduction is retained in its present

form. For individuals aged 25 at the beginning of the year it is proposed that the reduction will no longer apply. The reform is expected to lead to increased employment of young people in the long term.

In March 2014 the Government presented a new youth policy Bill “Focus on young people – a policy for good living conditions, power and influence” (Government Bill 2013/14:191). The Bill proposes a new objective for all central government decisions and initiatives that affect young people aged between 13 and 25: All young people are to have good living conditions, power to shape their lives and influence over social development. The Bill presents a youth policy action programme for the period 2014–2017 with initiatives in three priority areas: young people’s influence, earning a living and mental health. In the area “Earning a living” in the action programme initiatives to improve efforts for the group of young people who neither work nor study are given priority. Amendments to the Education Act are proposed to clarify the “responsibility to provide information” for young people not obliged to attend school, which will instead be called “activity responsibility for young people”. The responsibility means that municipalities are obliged to offer the young people concerned appropriate individual measures. The measures should primarily provide motivation for education. The municipalities will have the new task of keeping 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.

Moreover, in the Budget Bill for 2014 the Government announced that a joint mandate will be given to the National Board of Health and Welfare and the Swedish Public Employment Service to draw up proposed models for how more formalised and structured interaction between social services and the Public Employment Service can be designed. According to the appropriation directions for 2014 the Swedish Public Employment Service is tasked with reporting on how interaction takes place with other actors such as agencies, municipalities and the social partners.

More effective labour market policy measures for young people

Since 2012 young people have had greater opportunities at an early stage to utilise augmented job seeking assistance and labour market policy programmes. For 2014 the Swedish Public Employment Service has been tasked with giving higher priority to providing guidance to young people, both before and within the job guarantee scheme. The Government has also allocated additional resources in 2014–2016 to augment the work of the Public Employment Service with young people to induce them to leave unemployment for work or study at compulsory school and upper secondary school level. The higher student grant for young people within the guarantees who resume their upper secondary school studies has been extended up to and including 2014. The level

is SEK 7 115 per month of study.

Foreign born persons

Like young people without completed upper secondary education, newly arrived immigrants find it more difficult to establish themselves in the labour market. The focus of the introduction reform, which was introduced in 2010 and aims at faster establishment of newly arrived persons in need of protection and their relatives, remains in place. The focus on work in the introduction reform has, however, been strengthened and measures better adapted to the target group in question. To meet the need to combine various initiatives more effectively, as of 2014 folk high schools will be able to draw up specially designed study programmes for newly arrived immigrants covered by the introduction reform. Examples of these may be integrated programmes covering Swedish for immigrants, civic orientation and employment preparation activities. Initiatives specifically targeting pupils that have immigrated after the age of seven have been augmented in the Budget Bills for 2013 and 2014.

To increase the incentive to work newly arrived immigrants covered by the introduction reform may receive, as of 1 February 2014, some benefits (introduction supplement and housing compensation) even when earning income from work. A requirement is also being introduced that newly arrived immigrants with an introduction plan must accept an offer of suitable work.

Swedish for immigrants (sfi) is an important part of integration policy. Sfi is the responsibility of the municipalities, but apart from ordinary initiatives, in December 2012 the Government decided that government grants of SEK 50 million per year in the period 2013–2015 may be paid to arrangers of sfi or equivalent training for initiatives that contribute to higher quality and increased individual adaptation in the training.

The Government has also strengthened the resources for supplementary higher education for people with a foreign qualification by about SEK 17 million per year, excluding student aid. Thus the initiative for supplementary courses for lawyers, teachers, doctors, nurses and dentists accounts for about SEK 70 million per year, excluding student aid. The Swedish Higher Education Authority has been instructed to follow establishment in the labour market of individuals who have completed supplementary courses.

Long-term unemployment

The job and development guarantee contains individually designed measures for people who have been outside the labour market for a long time. To increase the outflow from the 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 maximum of SEK 890 per day. The temporary investment in increased supervisor support (SEK 150 per day for the three first months and then SEK

100 per day) to employers that employ people who are furthest from the labour market has been made permanent from 2014. The possibility of employment with special employment support has also been introduced for a further twelve months for a total period of two years. The temporary investment making programme measures in the employment phase possible has been made permanent from 2014.

People with reduced working capacity due to functional impairment

To enable more people with functional impairment who are long-term unemployed to leave the employment phase and get into work the Government is investing in development employment in Samhall AB, a state-owned company focusing on creating meaningful employment for people with reduced working capacity due to functional impairment. The jobs are temporary and aim to develop work capacity. Young people will be given priority. The programme will run for the period 2014-2017. Effective from 2013, people with reduced working capacity due to functional impairment can also acquire practical work experience within central government authorities and agencies. In 2013 a total of 230 people participated in the practical work experience programme. The ambition is for this volume to increase.

The Government considers it important to review and scientifically evaluate the effects of new forms of employability oriented rehabilitation. Knowledge of how different measures affect young people's opportunities to become established in the labour market is limited. The Swedish Public Employment Service and the Swedish Social Insurance Agency have therefore been assigned to implement a project focusing on the method Supported Employment. The purpose is to evaluate the effects of the project, both on the basis of cost-effectiveness and effects on the transition to work.

Evaluation of the reduction in the VAT rate for restaurant and catering services

Three agencies have reviewed the reduced value added tax reform of 2012. The National Institute of Economic Research follows up the effects on wages, prices and employment and presented its second interim report in December 2013. The interim report shows that the reform to date has reduced restaurant prices, increased demand for restaurant services and increased employment in the restaurant industry. The National Institute of Economic Research considers it probable that the reform is having a positive effect on employment.

The Swedish Agency for Growth Policy Analysis, which monitors effects as regards enterprise and effects of simplification of regulations, presented an interim report in January 2014. The Swedish Agency for Growth Policy Analysis estimates that the reduced VAT rate has led to a positive trend in the restaurant industry.

The Swedish Tax Agency, which reviews how the reduction in the value added

tax rate affects value added tax fraud and other tax infringements, submitted a final report in January 2014. The Tax Agency report shows that tax evasion has fallen as a result of the reduced VAT rate by about SEK 0.7 billion annually.

4. Progress towards the objectives of the Europe 2020 strategy

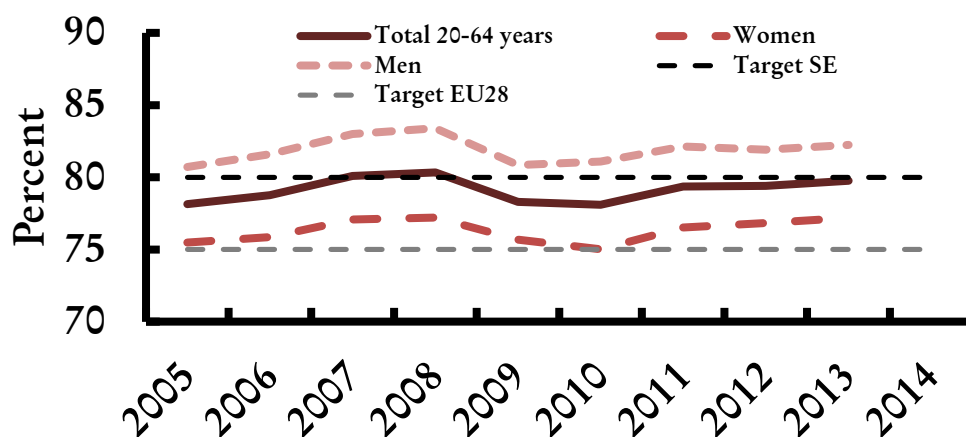
4.1 Employment target

Sweden's national target

To strive for a level of employment well above 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 the labour market, such as young people and people born outside Sweden, by counteracting long periods without work. The difference in the level of employment between women and men is to decrease through an increase in the level of employment among women.

Current situation

Figure 1. Development of employment for the 20-64 age group in 2005–2013 contrasted with the Europe 2020 target for Sweden (well over 80 %) and for the entire EU (75 %).



Source: Statistic Sweden

The Swedish labour market is strong in an international comparison. The employment rate for Sweden increased in 2013 to 79.8 per cent; 77.2 per cent for women and 82.2 per cent for men, which is the highest in the EU. The Government's assessment is that the employment rate will rise to 81.6 per cent in 2018. Thus the assessment is that Sweden has good prospects of achieving its national target.

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 2013 the number of employed foreign born people (aged 15–74) was 751 900, an increase of 31 000 compared with 2012. The percentage of employed among foreign born people increased during the entire period 2006–2013.

Initiatives and measures

Since coming into office the Government has carried out extensive measures to increase sustainable employment. The policy has meant a combination of measures that both stimulate labour supply and labour demand. Moreover several measures have been taken to improve matching between jobseekers and vacancies. The Government has also implemented extensive measures specifically to increase employment among groups with a weak foothold in the labour market. The policy has also been adapted to the state of the economy and extensive measures taken to dampen the lasting effects of the recession.

The Government's most important reform to strengthen incentives to work is the in-work tax credit that to date has been implemented in five stages (the latest stage was introduced in 2014). The in-work tax credit creates incentives for more people to participate in the labour market. The Government has also strengthened the role of unemployment insurance as readjustment insurance. For example, benefit levels now decrease over the period of unemployment with the aim of shortening unemployment periods. To reduce rates of ill-health and increase employment the Government has also implemented extensive reforms in sickness insurance.

Several other reforms mentioned previously in National Reform Programmes and in section 3.4 are expected to contribute to target fulfilment. These include support to vocational introduction jobs, investments in apprenticeship and vocational education and the proposal announced on reduced social security contributions for the youngest. Apart from this, a number of other measures have been taken that are expected to make a positive contribution to the Government's target fulfilment.

Tripartite talks

Since autumn 2011 talks have been taking place between the Government and the social partners, called tripartite talks. Three areas have been in focus:

- Creating a new path into the labour market for young people through vocational introduction agreements (see section 3.4).
- Providing improved opportunities for readjustment in the labour market. Negotiations on a developed adjustment agreement are in progress between the Council for Negotiation and Cooperation (PTK) and the Confederation of Swedish Enterprise. The talks have covered such things as better education opportunities through offering further education and training in a way that is easy to combine with work and earning a living during the period of training. To improve the opportunities for readjustment in the labour market, in the 2014 Budget Bill the Government has implemented a number of changes to the study support system and opportunities to pursue studies at tertiary level.
- Introducing a system of central government support for short-term employment. Through the Budget Bill for 2014 the Government has set up central government support to employees that reduce their working

hours and wages temporarily in order to retain jobs when there is a particularly deep recession.

Review of the Swedish Public Employment Service

In recent years both labour market development and several political reforms have contributed to changing the premises under which the Public Employment Service fulfils its mandate. The number of people registered with the Public Employment Service is at a high level and a majority of those registered belong to groups with a weak foothold in the labour market. The Public Employment Service's target group is now broader, larger and consists to a greater extent than before of individuals who are in need of more extensive measures in order to find work. This has affected the premises under which the Public Employment Service carries out its mandate.

For the purpose of improving the Swedish Public Employment Service and thus the efficiency of the labour market and matching on the labour market, the Government assesses that it is important to carry out a broad review of the Swedish Public Employment Service. No such review has been carried out since the mid-1990s. The Government has therefore set up an inquiry. On the basis of recent years' reforms and changes in the labour market the inquiry is to analyse the Employment Service's abilities to successfully carry out its mandate to improve the functioning of the labour market. A report will be presented by 15 January 2016.

Longer working life

In 2011 the Government appointed an inquiry chair to analyse how the average pensionable age can be raised and to draw up concrete proposals for measures to enable more people to work longer. The Inquiry Chair submitted a final report in April 2013, which is now under consideration. One of the Inquiry proposals was raising a number of pension-related age limits. The Inquiry also put forward a number of proposals for measures in the work environment area.

Preventing discrimination

Preventing discrimination is important, for example in working life. In February 2012, the Government adopted a long-term strategy for Roma inclusion for the period 2012–2032. It is aimed at ensuring that Roma people be afforded the same opportunities and rights as others and that they not be exposed to discrimination in their everyday lives. The strategy includes targets and measures in six areas of activity, including education and work. Work on the strategy commenced in the spring of 2012 with the Government allocating various assignments to authorities, agencies and others, with the Public Employment Service, for example, being tasked with cooperating in pilot activities regarding Roma people's establishment in the labour market. The initiative aims to improve Roma people's opportunities to gain a foothold in the labour market, particularly the opportunities of young Roma people. The pilot activities are to be reported on in 2016.

Other measures

Other new measures and reforms of importance for the fulfilment of targets include:

- The employment initiative for young people being implemented within the framework of the European Social Fund.
- Increased places in folk high schools' study motivating course programmes.

4.2 Education targets

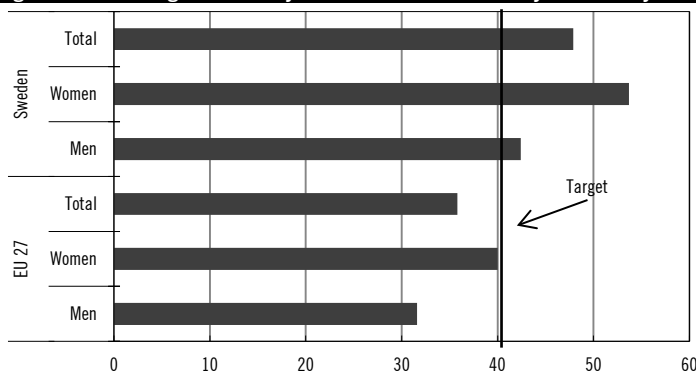
Sweden's national targets

- *The proportion of 18–24 year-olds who have not completed upper secondary education nor are 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 were not in education in 2012 was 7.5 per cent (6.3 per cent for women and 8.5 per cent for men), which is better than both the EU target level and Sweden's national target of less than 10 per cent.⁵

Figure 2. Percentage of 30-34 year-olds with at least two years tertiary education (2012)



Source: Eurostat

The proportion of 30–34-year-olds with at least two years tertiary education has risen in Sweden since 2002 and in 2012 was 47.9 per cent (53.7 per cent for women and 42.4 per cent for men), which is above the EU target level as well as Sweden's national target (see the figure above).⁶ The measure includes higher

⁵ The overall register-based statistics indicate that the survey-based Swedish Labour Force Survey and thus also the Labour Force Survey on which Eurostat's data is based, to a certain extent underestimates the proportion of young people lacking completed upper secondary education. This is probably linked to the fact that those lacking completed upper secondary education have a somewhat lower response rate to the survey than those having completed upper secondary education. Consequently, the actual proportion of 18–24 year-olds not having completed upper secondary education and who are not currently in education is likely to be somewhat higher.

⁶ The overall Swedish statistics (the educational register) shows that the proportion of 30–34 year-olds with at least two years of tertiary education was 44.0 per cent in 2012, i.e. almost four percentage points lower than the percentage reported by Eurostat. The difference suggests that highly educated people respond to the LFS questionnaire to a greater

education, advanced vocational education and training and higher vocational education. The percentage is expected to fall somewhat up until 2020. This is primarily due to decreasing participation rates in education 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.⁷

Initiatives and measures

The Government has implemented a large number of reforms in the area of education that are deemed to contribute to target fulfilment.

Initiatives to reduce upper secondary drop-out rates

Teachers are the single most important factor affecting students' academic performance. An additional large-scale and important measure for teachers will be taken through the Government's career-development reform introduced in the autumn of 2013. The initiative means that it is possible for school authorities that establish the career stages lead teacher and senior master/mistress to receive central government support. This central government support may only be used for salary increases for these teachers. The initiative affects teachers in compulsory schools, upper secondary schools and equivalent types of 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 Budget Bill for 2014 the Government has announced a government grant to school authorities to arrange homework help for pupils in compulsory school at risk of not meeting the knowledge requirements. SEK 16 million has been allocated for this purpose in 2014. The initiative is expected to continue until 2017.

In the Budget Bill for 2014 the Government has also announced a new summer school initiative. According to the Government, the focus should be on pupils in years 6-9 at risk of not meeting the knowledge requirements. But the Government also considers that it should be possible for school authorities to apply for government grants for summer schools for pupils in upper secondary school vocational programmes that have not achieved the knowledge requirements of the introductory course in Mathematics. SEK 78 million has been allocated for summer school in 2014. SEK 78 million is calculated annually for 2015 and 2016. In the Spring Fiscal Policy Bill for 2014 the Government states that it intends to extend initiatives for homework help and summer

extent than those with a lower level of education and that the statistics reported by the EU therefore overestimate how Sweden stands in relation to the target.

⁷ The forecast shows that the changes in cohort sizes means that cohorts leaving upper secondary school in coming years have considerably higher potential for starting tertiary education than before, given today's study patterns and resources for tertiary education, as well as an unchanged percentage of new higher education entrants who are students from abroad.

schools with a total of SEK 2.2 billion in 2015-2018. Moreover the Government intends to investigate an obligation for school authorities to offer homework help and summer school.

Declining skills in reading and mathematics may be one of several explanations for upper secondary school dropouts. The Government has therefore recently instructed the National Agency for Education to carry out a skills development programme in reading and writing development for teachers of Swedish in compulsory school and the first year of upper secondary school. A similar skills development programme for teachers of Mathematics is already ongoing. The Riksdag has also voted in favour of more teaching time in Mathematics in compulsory school.

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 is projected and for 2016 SEK 5 million.

Additional places in tertiary and 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:

- The number of places in higher vocational education will be increased by more than 3000 full-time equivalents in 2013–2016.
- The Government allocated higher education institutions SEK 300 million for undergraduate education both in 2013 and 2014 and expects a further SEK 300 million to be allocated in 2015 for the same purpose. This initiative means that the number of full-time equivalents in higher education will be increased by about 4 200 in 2013–2015.
- Continued extension of medical, dental and nursing programmes as well as MSc and BSc programmes in engineering. Fully built out, the engineering initiative is expected to amount to SEK 152 million in 2018.
- The Government decided on a temporary initiative to extend the number of full-time equivalents in nursing and engineering programmes in 2013-2014. SEK 107 million was allocated for 2013 and 2014.
- In the Budget Bill for 2014 resources equivalent to 100 full-time equivalents were allocated for special needs teacher training as of 2015 to permanently increase the number of places in this programme.
- A special initiative when it comes to health care education in Stockholm in which SEK 34 million is allocated in 2015 and SEK 51 million in 2016.
- In the Spring Fiscal Policy Bill for 2014 the Government presents an expansion of higher education that when fully expanded in 2018 will correspond to about 9 700 new full-time equivalents in teacher training

and health care. After full expansion this will mean more than SEK one billion per year as of 2017.

Measures to raise quality in education

The Government’s objective is for education and research at 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. There is also cause to adjust the dimensioning of specific programmes and higher education institutions. The Government emphasises the importance of higher education institutions giving high priority to opportunities for students to embark on tertiary programmes resulting in a degree. To strengthen quality in educational programmes, in 2012 and 2013, the Government implemented a permanent increase totalling SEK 800 million from 2013 for increased compensation in the humanities, social sciences, law and theology. Effective from 2013, higher education institutions can be allocated resources on the basis of assessments of the quality of the results of their educational programmes. The quality-based allocation of resources will encompass SEK 295 million when fully built out in 2015.

4.3 Target for increased social inclusion

Sweden’s national target

Increasing 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 according to Sweden's national target continues to decrease and was in 2013 about 12.7 per cent. This is a decrease of about 80 000 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 Labour Force Survey was reinforced, resulting in revision of data for 2010–2012. Consequently, data for the period 2010–2011 differ somewhat from those reported previously. Table 3 presents the development of the national target based on the old and the new reinforced survey.

Table 3: Percentage of women and men aged 20–64 outside the labour force				
	2010	2011	2012	2013
Previous method	13.9 %	12.9 %		
New method	14.4 %	13.4 %	13.1 %	12.7 %

Source: Labour Force Survey, calculations by Ministry of Health and Social Affairs

Initiatives and measures

The Government's overarching objective is to take Sweden towards full employment. A weak foothold in the labour market is the principal cause of economic deprivation. Consequently, Sweden's national targets encompass groups who are not in the labour force or that risk exclusion from the labour force. See also Sections 3.4 and 4.1 regarding the recommendation as well as employment targets, since these measures also have a bearing on the target for increased social inclusion.

Raised housing allowances to households with children

In 2014 the housing allowance for households with children was increased by SEK 466 million, which together with the increase in 2012 has given a total increase of 48 per cent compared with 2011 for an average family. For an average family with two children the increase has been close to SEK 1000 a month. To strengthen the finances of families with children with the weakest economic conditions, without weakening the incentive to work, the special allowance for children was increased in 2014. For a family with two children, the housing allowance was raised by SEK 200 per month. In principle, this increase reaches all recipients of housing allowances, that is, more than half a million people. A major group consists of single parents with children, among whom more than 35 per cent of households receive housing allowance.

Parental benefit reform

Amended rules for parental benefit apply for children born or adopted on or after 1 January 2014. A maximum of 20 per cent of the total 480 days of parental benefit may be used after the child's fourth birthday. This amendment to the rules emphasises that the main part of parental leave should be used when the child is small and its need for care the greatest. Furthermore, the Government is raising the upper age limit for parental benefit withdrawals from eight to twelve. The amended rules form part of the measures planned to improve the opportunities for newly arrived women born outside Sweden to become established in the labour market. The earlier design of parental benefit meant that parents of children born outside Sweden were allocated days of parental benefit retroactively. This meant that the parents of a child that arrived in Sweden at four years of age were allocated parental benefit for 480 days, that is, the same number as when a child is born. The old rules apply to children born before 1 January 2014.

Social assistance reforms

On 1 July 2013 several changes were made to the Social Services Act aimed at strengthening the opportunities for those receiving social assistance to support themselves through work and to extend the social services' possibilities to stimulate, encourage and support those receiving assistance to support themselves. An incentive to seek work was then introduced that entailed changing the basis for calculating social assistance so that part of earned income was not included in the assessment of entitlement. This change means that for

those having received income support for six consecutive months, 25 per cent of income from employment will not be taken into account when assessing their entitlement to social assistance. The calculation rule is to apply for two years. The Government is setting aside SEK 200 million annually for the municipalities' resulting increased costs.

Municipalities have also been afforded increased opportunities to refer assistance recipients of 25 years of age or older to practical work experience or other skills-enhancing activities, if it has not been possible to offer them any suitable labour market policy measure.

In addition the threshold for when the earned income of children and schoolchildren living at home is taken into account when calculating entitlement to social support has been raised from half a price base amount (SEK 22 250) to one price base amount (about SEK 44 500) per calendar year. The Government is setting aside SEK 10 million annually for this purpose.

For the purpose of improving the opportunities of children in financially vulnerable families to participate in organised leisure time activities to the same extent as other children, the Government intends to introduce leisure allowance for children in households on income support. The proposal mainly means that households with children in school years 4–9 are to be entitled to compensation from the Social Welfare Committee for the costs of the child's leisure time activities if at the time of application the family is receiving income support and has received income support for at least six months in the last twelve-month period. The leisure activity allowance is to compensate for the costs of regular leisure time activities that are organised with a leader. The Government may issue regulations concerning the maximum amount for leisure activity allowance. It is proposed that the Bill enter into force on 1 July 2014.

Workplace-based support

There is a need for further support and assistance to employers and employees to facilitate a return to work. The purpose of workplace-based support is to prevent sickness or in the event of sickness to increase the employee's possibilities of returning to work, by helping employers to take early and adapted measures. This is to be achieved by means of financial grants to employers who buy workplace-based support from providers of such measures. In more concrete terms, it may be a matter of considering assistive devices, part-time sick leave, adaptation of the employee's duties/working hours etc. The grant is paid for half of the cost paid by the employer to the provider of a workplace-based support measure, to a maximum of SEK 7 000 per measure. A grant application can be made for an employee at risk of being on sick leave or employees who are already on sick leave. The reform will come into force on 1 April 2014.

Income ceiling for earned income when calculating housing supplement for old-age pensioners

As a consequence of an increasing average life expectancy, it has become increasingly clear that working life needs to be extended. This is not just a matter of drawing a pension later, but of more hours worked, regardless of when this takes place in the course of lifetime. Consequently, it is important to have a regulatory system that encourages work - even after retirement. The Government has therefore launched further improvement to the rules for housing supplement to old-age pensioners with an earned income. The proposal means that an income ceiling of SEK 24 000 per year will be introduced for income earned by an old-age pensioner aged 65 and over. Earned income includes all income from gainful employment, including income from business activities. Thus only 50 per cent of the income that exceeds SEK 24 000 per year will be counted when the housing supplement is calculated. The rules apply for every old-age pensioner aged 65 and over. This means that the amount applies to each of two spouses who are both aged 65 or over and receiving housing supplement. The proposal entered into force on 1 January 2014.

Access to high quality health care for the individual

Access to good quality health care contributes both added value to the individual and in the form of active participation in society. Swedish health care is characterised by good results and also by improvements in several respects. The proportion of the population that considers that it has access to the care it needs increased from 75 per cent in 2006 to 80 per cent in 2012. The percentage of the population that has great confidence in primary care increased from 55 per cent in 2006 to 66 per cent in 2012. However, continued development is warranted. The Government's efforts include focusing on individual participation and freedom of choice, accessibility, systematic follow up and knowledge based approaches.

For example, in 2013 the Government drew up a proposal concerning new patient legislation aimed at further strengthening the position and freedom of choice of patients. Further examples of measures in 2013 are special projects in such areas as mental health, equality of health care and chronic illness. The development work builds further on the work of national guidelines, quality registers and open comparisons of performance, quality and effectiveness. In 2013 the Government continued to pursue eHealth issues, partly by setting up the Swedish eHealth Agency at the turn of the year 2013/14, partly by promoting better electronic access to health-related information for individuals. In addition, at the turn of the year 2013/14 the Public Health Agency of Sweden was set up to improve conditions for more effective and knowledge-based public health work. In 2013 the Government also set up the Health and Social Care Inspectorate to strengthen oversight in the area of health care. Individuals can put forward views and complaints concerning health care to this agency.

4.4 Research and development target

Sweden's national target

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 target is that Sweden is to be a prominent research nation, where research and innovation is of high quality and contributes to the social development and business competitiveness. More than many countries, Sweden bases its economy on a high level of knowledge in society and business, which has contributed to enabling Sweden to develop into one of the world's leading welfare countries.

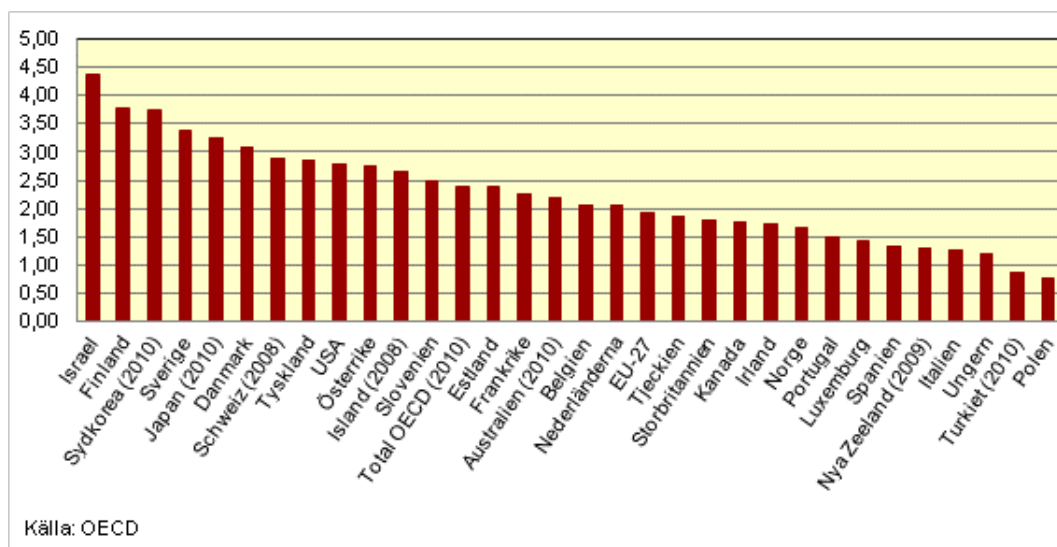
Every other year Statistics Sweden publishes official statistics on expenditure on research and development (R&D) in Sweden. The latest official statistics refer to 2011. Total expenditure on R&D in 2011 was just under SEK 118 billion, an increase from SEK 114.5 billion in 2009 (2011 prices). The increase of SEK 3.5 billion is mainly explained by additional funds from the higher education sector, but the business sector also increased its R&D investments by just under SEK 0.5 billion⁸.

If R&D expenditure is related to GDP the level has fallen from 3.62 per cent in 2009 to 3.38 per cent in 2011. The fact that the percentage has fallen, despite an increase in R&D expenditure between 2009 and 2011, is due to the substantial GDP growth since the financial crisis. The level of 3.38 per cent is, however, high in an international comparison and puts Sweden in fourth place among OECD countries after Israel, Finland and South Korea (see figure below).

A comparison over time shows that companies with at least 50 employees have reduced their R&D investments from about SEK 88 billion per year in 2001 (2011 price level) to about SEK 81 billion in 2011. The decrease took place in 2001 and 2005, when a lowest level of 73.5 billion was recorded. From 2005 to 2011 companies' R&D investments increased in total by SEK 2.5 billion. Since 2005 Statistics Sweden has carried out an extended survey in which R&D investments in companies with 10-49 employees are also surveyed. In the period from 2005 to 2011 these decreased from SEK 7.1 billion to SEK 4.9 billion.

⁸ According to a forecast published by Statistics Sweden in July 2013 R&D investment in 2012 amounted to SEK 120.9 billion. This is an increase of SEK 1.8 billion compared with 2011 (2012 prices). The increase has taken place in the higher education sector while companies' expenditure is unchanged.

Figure 3. Expenditure on R&D as a percentage of GDP in the OECD in 2011, per cent



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, the Government, in its Bill “Research and Innovation” (Govt. Bill.2012/13:30) announced an increase in appropriations for research and development in 2013-2016 so that the annual investment as of 2016 will be SEK 4 billion 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 has increased from 0.80 per cent of GDP in 2008 to 0.87 per cent of GDP in 2013.

For 2014 there are additional funds of SEK 960 million, equivalent to an increase in appropriations of 3 per cent. Thus the increase in central government appropriations is greater than the expected GDP growth of 2.7 per cent. Since the percentage increase in central government research appropriations is more than GDP, their share of GDP is expected to increase.

To stimulate increased investment in research and development (R&D) employers’ contributions were reduced on 1 January 2014 by 10 percentage points for people working in R&D. The reduction may be a maximum of SEK 230 000 per company group and month.

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 for ERA. On the

basis of the Council's positions an account is given below of the measures implemented by Sweden in 2013 and that are planned for 2014.

More efficient national research systems

In 2013, 33 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 higher education institutions accounted for 50 per cent of the central government 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. The Swedish research financiers have allocated about SEK 200 million per year for participation in these programmes (2011). 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.

In February 2014 the Government informed the Commission that Swedish research funding agencies will participate in all four research and innovation programmes based on Article 185 of the Treaty on the Functioning of the European Union (TFEU). The programmes mean that member states, together with the EU, fund programmes in research areas of great importance to society, the environment and the economy.

In 2013 a special coordination function was set up consisting of the central government research financiers. The 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.

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). Considerable central government resources are also being set aside for financing the Max IV facility. Both facilities entail extensive transnational cooperation. The Swedish Research Council has evaluated Swedish researchers' need for e-infrastructure, such as large-scale computing resources for calculation and storage. The evaluation will be followed up in 2014.

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 2013. The Government also assessed in the Government Bill 2012/30:30 that additional funds should be allocated for the purpose so that the total appropriation level will amount to SEK 250 million in 2016.

In its final report (Swedish Government Official Reports – SOU 2011:28) the Committee for Circular Migration and Development has proposed a number of measures that could contribute to students and doctoral students from third countries choosing to come to Sweden to study. The Committee proposed for example that a new form of permit should be introduced for a person from a third country who has been accepted for studies at research level. The Government assesses that it is important to have a good potential for attracting and recruiting international students and doctoral students to Sweden. The Government therefore intends to revisit this issue.

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 higher education institutions from a gender equality perspective.

The Swedish Research Council, which is the largest central government research financier, was tasked in 2013 to draw up a plan for how the agency should develop its operations to contribute to the gender equality targets. In 2014 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 scientific knowledge.

In 2013 the idea banks initiative continued, which is an opportunity for researchers who do not want to take their idea to the market to nevertheless see their results being made use of. The idea banks are funds paid into the universities' holding companies.

The number of innovation offices was also increased in 2013, which now means that all universities in Sweden have a function that supports the utilisation process.

In 2013 VINNOVA was tasked, in consultation with other central government research financiers, with designing methods and criteria for assessing the quality of higher education institutions' cooperation with the surrounding community. From 2015 funds will be allocated to higher education institutions on the basis of cooperation indicators and expert assessments of quality in cooperation. SEK 30 million was allocated to the project in 2013, in 2014 SEK 50 million is allocated and in 2015 and 2016 SEK 60 million is expected to be allocated. A related task, assigned in 2013, is that VINNOVA, in consultation with the Swedish Research Council, is to support the higher education institutions' development of strategies for cooperation with the external community, and to work to ensure that research-based knowledge is utilised.

In its recommendation (C(2012)4890) the European Commission proposes that by 2014 member states should have drawn up national guidelines for open access to scientific articles and research data. In 2012 the Government tasked the Swedish Research Council and the National Library of Sweden with drawing up these national guidelines.

International cooperation

The Government approved a strategy for international cooperation in research and research-based innovation in 2012. The work within the strategy framework continued in 2013. A requirement to report on international activities and partnerships has been introduced into the appropriation directions for the research-funded agencies.

In 2013 the research funding agencies reported on joint projects for how research and innovation partnerships with India and China can be intensified. On 11 October 2013 the research ministers from Sweden and South Africa signed a renewed agreement on cooperation in research and innovation. In 2013 top level meetings took place with India and China based on the research and innovation agreements Sweden has with these countries. In 2014 meetings are planned with South Korea, India, the USA and possibly South Africa.

The Swedish Agency for Growth Policy Analysis has been tasked with mapping indicators that are relevant for international cooperation in research and research-based innovation. A report will be presented on 19 May 2014.

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. The target applies to operations not covered by the trading system for emission allowances in the EU (EU-ETS). Two thirds of the target is to be achieved through national measures and one third in the form of efforts in other EU countries or through flexible mechanisms such as the Clean Development Mechanism (CDM). Sweden has also undertaken to increase the proportion of renewable energy to 49 per cent by 2020. The national target is set at a minimum of 50 per cent of total energy use by 2020. The Riksdag has also adopted an energy efficiency target, expressed as a reduction in energy intensity by 20 per cent 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 supports the EU's target to reduce climate emissions by 80–95 per cent by 2050 and also acts to enhance the conditions for EU to be able to increase the stringency of its target for emissions reductions for 2020 from 20 to 30 per cent. The national target is for Sweden's emissions to decrease by 40 per cent by 2020 compared with 1990. The assessment of the National Institute of Economic Research is that the national targets can be achieved with the policy instruments already approved.

The Riksdag has decided that the share of renewable energy should be at least 50 per cent of total energy use in 2020. According to Sweden's second progress report under Directive 2009/28/EC, the Renewable Energy Directive, the percentage of renewable energy in relation to the total final energy consumption is expected to be 50.6 per cent in 2020.

The proportion of renewable energy in the transport sector shall be at least 10 per cent in 2020. The target for 2020 should also be viewed in light of the Government's long-term priority for Sweden to have a vehicle stock that is independent of fossil fuels by 2030. According to Sweden's second progress report in accordance with the Renewable Energy Directive, 12.6 per cent of energy used in the transport sector in 2012 was renewable.

The target for energy efficiency is that energy use shall be 20 per cent more efficient by 2020 compared with 2008. The target is expressed as an economy-wide target of a 20 per cent reduction in energy intensity between 2008 and 2020. Energy intensity is calculated as the quotient between primary energy consumption and GDP at fixed prices (kWh/SEK).

With regard to energy efficiency, the 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. Both the Swedish Energy Agency and the National Institute of Economic Research make the assessment that energy intensity will further decrease by 2020.

In March 2014 the Government presented a Bill to the Riksdag proposing how the EU Directive (2012/27/EC) for energy efficiency should be implemented in Sweden.

Initiatives and measures

Renewable energy measures

In July 2012, the 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. 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. It is suggested that the proposed legislation come into effect on 1 July 2014.

The Swedish Energy Agency was instructed in its appropriation directions for 2013 to prepare analyses for the coming progress 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 and has been circulated for a public consultation.

The reduction in the taxable benefit rate for electric cars, plug-in hybrids and gas-powered cars is extended up to and including 2016. A quota system will be introduced from May 2014 to ensure continued low-level blends of biofuels on the market. High level blends and pure biofuels, such as E85 and biogas continue to be exempt from tax. The national demonstration programme for developing electric cars and plug-in hybrids is being further developed. The programme is for the period 2011-2015 and has a financial framework of SEK 200 million. As part of the programme the charging infrastructure will be enforced throughout Sweden.

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. The build-out of wind power on a larger scale is a relatively new phenomenon in Sweden and a number of issues need following up with regard to the effects of wind power on the natural, physical and human environment. SEK 10 million per year is allocated for this for the period 2013-2016.

Energy efficiency enhancement measures

A total of SEK 120 million was allocated for the period 2014–2016 for an initiative regarding nearly zero-energy buildings. The calculated funds are for the demonstration and evaluation of new building, conversion and renovation of low-energy buildings. SEK 140 million is allocated annually up to and including 2017 to prolong central government support to municipal energy and climate advisors. With the support of the EU regional fund a national programme for energy efficiency will be implemented during the programming 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

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. Sweden is participating in the international New Climate Economy project. The work is expected to have a positive impact on climate negotiations and on national commitments and measures required for keeping the two-degree target within reach. The Government has tasked the county administrative boards with developing regional plans of action for climate change adaptation and the National Knowledge Centre for Climate Change Adaptation at the Swedish Meteorological and Hydrological Institute will support this work. The financial allocation for climate change adaptation has been raised to increase the opportunities for knowledge acquisition and 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 change adaptation in Sweden. The pilot counties for green development have presented a final report. One of the conclusions drawn by the County Administrative Boards is that energy and climate aspects need to be integrated in the broad activities of the County Administrative Boards, such as rural and business sector development, environmental protection, spatial planning and the internal environmental management system. Compensation for double environmental benefit is a regional pilot project that means that anaerobic digestion of farmyard manure in southern Sweden is to be stimulated by means of compensation of 20 öre/kWh for raw methane gas produced. Increased anaerobic digestion of farmyard manure doubles environmental benefit through both reduced emissions of greenhouse gases and reduced eutrophication of watercourses and seas. The biogases can be used for production of electricity and heat or as vehicle fuel. In total the proposal is expected to cost SEK 240 million over 10 years. The final year is set as 2023. 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 generating new jobs in both urban and rural regions.

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. In relation to previously estimated levels, the allocation was increased by SEK 250 million in 2013, by SEK 250 million in 2014, SEK 270 million in 2015 and SEK 470 million in 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. This reinforcement enables increased ambitions in several priority areas, including a vehicle stock that is independent of fossil fuels, power systems able to cope with renewable electricity generation, energy efficiency enhancement in buildings, increased use of bioenergy and energy efficiency enhancement in industry.

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 April the Government appointed an Inquiry Chair to propose a strategy for how the Government’s long-term vision that in 2050 Sweden will have no net emissions of greenhouse gases in the atmosphere is to be achieved.

At the same time, needs for national efforts on resource efficiency are being identified. As part of this process, potentially environmentally harmful subsidies are being mapped. The Swedish Environmental Protection Agency has reported on how to contribute to implementing Europe 2020 nationally.

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 focused particularly on implementation of the Services Directive and its application in all member states and the major economic potential of the addition of approximately EUR 330 billion⁹ contained in the full implementation of the Services Directive. To create a better impact for the Services Directive's regulations at municipal level, a provision has been added to the Swedish Act on Services in the Internal Market (2009:1079) that clarifies that municipalities are obliged to notify provisions falling under the Services Directive. The expected effect is that regulations that could imply a barrier to trade will be avoided and that transparency and predictability will be engendered regarding rules at the municipal level that affect service providers. High priority has also been given to preparations for the industrial products review. The national work continues to follow the review and in the long term also reviewing whether the Swedish regulatory framework for industrial products and its application can be improved.

On 14 November 2013 the Government submitted Bill 2013/14:49 on market surveillance of goods and other related supervision. The Bill contains a legislative proposal with authorisation to the Government to issue regulations obliging municipalities to provide information on market surveillance etc. to government agencies. 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 case of non-harmonised product rules. Even if the EU Regulations are directly applicable, some supplementary national rules are necessary to ensure that they function as intended under national conditions. In spring 2014 the Government intends to make a decision on an ordinance that in certain respects will supplement the EU regulations on market surveillance and mutual recognition. The Swedish ordinance is intended to regulate various types of information that agencies must provide to the European 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

⁹ Council Conclusions, Council of the European Union, 28-29 June 2012, EUCO 76/12

in some cases municipalities also participate in market surveillance. On the strength of the proposed authorisation the Government can ensure that central government market surveillance agencies receive the information on municipal participation in market surveillance necessary to meet the requirements of the EU regulations. The intention is that the Act and the Ordinance will come into force in July 2014.

Digital internal market

By 2015, Sweden aims to create Europe's most attractive conditions for growth in digital services and eCommerce. Efforts to establish a digital internal market have therefore been prioritised, particularly by identifying and removing barriers to electronic trade in the internal market, in terms of more secure payments and package delivery for example. 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 services. A well-developed broadband infrastructure is also a precondition for achieving the digital internal market objectives. 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") could be done by allocating more frequencies (spectrum). On 27 February the Government made a decision on broadcasting capacity for terrestrial television. The decision entails for example that the 700 MHz band (694–790 MHz) may be used for terrestrial television up to and including 31 March 2017. After that date the 700 MHz band can be made available for other 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.

It is also important to draw attention to identifying and removing obstacles to growth of digital services and commerce in this context. Access to and creation of digital content is important for creativity and innovation, continued economic growth and employment, not least for young people. The Government's measures to stimulate continued broadband expansion and make available communications robust and reliable continue. The Government will continue to invest in broadband expansion as part of the rural development programme, on condition that it is included in the Swedish partnership agreement with the Commission. 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. The Government is investing in a number of strategic eGovernment projects with the aim of creating more open, straightforward and efficient administration characterised by security and protection of personal integrity, in accordance with the Government's strategy "Citizens in Focus".

Free movement of persons

Sweden safeguards the right to free movement of persons, which is one of the four cornerstones of the Internal Market. Free movement of persons is important for the stimulation of competition, growth and employment in the EU. The National Board of Trade, Sweden's agency for foreign trade, the EU internal market and foreign policy, prepared a report in 2013 "Moving to Sweden – obstacles for EU citizens" to illustrate the conditions that apply for EU citizens who want to settle and live in Sweden. The survey, which is based on statistics from the SOLVIT network and interviews with agencies, companies and EU citizens who come in contact with questions of personal mobility, shows that it is relatively easy to move to Sweden and that only a few areas remain for improvement.

The Professional Qualifications Directive

In summer 2013 the modernised Professional Qualifications Directive (2013/55/EU), aimed at ensuring the right of individuals to become established, offer their services on a temporary basis and seek employment 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 will present its proposals in April 2014. In parallel with the work of the Inquiry a survey of regulated professions in Sweden will be carried out, aimed at establishing whether they meet the requirements of the Directive concerning proportionality.

Transport

An efficient 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.

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 was started in which the Swedish Transport Administration and planning bodies at county level were instructed to prepare a proposal for how the financial frameworks should be allocated during the period. In spring 2014 the Government will take a position on the combined reference material and decided on the national plan and determine the final financial frameworks for the counties for the period 2014–2025. The Government will then return to the Riksdag with an account of the approved plans.

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 The Swedish Environmental Management Council. In view of the fact that two inquiries reported problems with fragmentation, the Government has decided to gather the support at the Swedish Competition Authority. The purpose is to coordinate and improve support to people carrying out procurements and companies that participate or are seeking more information on public procurement. This applies regardless of whether the companies are Swedish or from other EU countries.

Simplifying for businesses

The Government reports in the Budget Bill for 2014 above all two measures to strengthen the work of simplifying for business and achieving the Government's overall objective of a noticeable positive change in everyday business reality. The activities of the Better Regulation Council will be made permanent as of 2015. 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.

5.2 Implementation of cohesion policy

For the programming period 2007–2013, Sweden has been allocated about EUR 1.9 billion from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). At least the same amount of national co-financing is to be added.

The Regional Structural Fund Programmes for regional competitiveness and employment 2007–2013 (European Regional Development Fund)

The eight regional structural fund programmes have been allocated funds for the Regional Competitiveness and Employment target. This is to enable initiatives in the areas of innovation and knowledge society, accessibility, environment and risk prevention and more and better jobs. Until the turn of the year 2013/2014, the decision on EU funds from the ERDF in the eight regional structural funds programmes amounted to approximately SEK 8.4 billion, which corresponds to 100 percent implementation. Approximately SEK 10.4 billion in national public co-financing will be added. The approved private co-financing amounts to about SEK 3.6 billion. The speed of implementation is very good in the programmes.

The national structural funds programme for regional competitiveness and employment, 2007–2013 (European Social Fund)

The overall goal of the national structural funds programme for regional competitiveness and employment 2007–2013, which is covered by the European Social Fund, is higher growth through an increased labour supply and good skills supply. There are projects in the programme aimed at combating labour market exclusion and promoting skills development for the employed. The grant from the European Social Fund amounts to about SEK 6.2 billion for the period and all the funds have been committed. In addition, national public co-financing will at least match that amount. Programme activities will be concluded in 2015.

Programme for European Territorial Cooperation (European Regional Development Fund)

As part of European territorial cooperation Sweden participates in thirteen programmes altogether. Six cross-border programmes cover one or more counties: North, Botnia-Atlantica, Sweden-Norway, Öresund-Kattegat-Skagerrak, the Central Baltic and the South Baltic. The European Regional Development Fund is contributing SEK 3.3 billion to these six programmes in 2007–2013. Moreover Sweden is participating in three transnational programmes: the Northern Periphery Programme, the Baltic Sea Region Programme and the North Sea Programme. The European Regional Development Fund is contributing SEK 3.4 billion to these programmes in 2007–2013. Up to and including 31 December 2013, funding of approximately SEK 6.8 billion from ERDF in all nine of these cross-border and transnational programmes had been approved.

In addition to the cross-border and transnational programmes, Sweden also participates in four programmes aiming at interregional cooperation and the exchange of experiences through networks and analysis. These are Interreg IVC, Urbact II, Espon and Interact II. The programmes refer to all member states. Apart from this Sweden also participates in a cross-border partnership programme (ENPI Kolarctic) with non-EU countries through the European Neighbourhood and Partnership Instrument.

5.3 Preparations for the 2014–2020 programming period

During the past year work has continued to prepare a new national strategy for sustainable regional growth and attractiveness 2014–2020 that is to replace the previous strategy. The strategy is to form a platform for a holistic approach, multi-level cooperation and sectoral coordination for sustainable regional growth and attractiveness until 2020. The strategy describes the Government's priority issues, current and long-term challenges and the tools available to implement the policy.

Partnership agreement

Ahead of the 2014–2020 programming period a decision has been made on a joint EU regulatory framework for the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. The regulation requires each member state to prepare a partnership agreement with the European Commission. The Partnership agreement is to function as an overall strategy for the ESI funds. It contains the overall Swedish priorities for 2014–2020 in achieving the objectives of the Europe 2020 strategy. These will then be translated into the operative programmes for each respective fund. The partnership agreement is to contribute to improved coordination between the ESI funds and avoid their overlapping, so as to make more effective use of deposited funds.

The “Investments for growth and jobs” objective

European Regional Development Fund

The regional funds' initiatives in the coming programming period aim at strengthened regional competitiveness and sustainable growth. The starting point is that national and regional initiatives should complement each other, create added value in regional growth policy and promote structural change efforts in the priority areas of innovation, entrepreneurship and green economy.

In May 2013 the Government instructed actors with regional growth responsibility to draw up proposals for regional programmes in each respective programme area.

Table 4 below shows in total the percentage share of the programme funds, the eight regional and the national programme, that will be allocated to each thematic objective. In Sweden initiatives for sustainable urban development will be implemented in three of the eight regional programmes (Stockholm, Skåne-Blekinge and Western Sweden).

Table 4. Thematic objective objective	Share ERDF
Strengthening research, technological development and innovation	29 %
Enhancing access to, and use and quality of, information and communication technologies	11 %
Enhancing the competitiveness of small and medium-sized enterprises	31 %
Supporting the shift towards a low-carbon economy in all sectors	18 %
Promoting sustainable transport removing bottlenecks in key network infrastructures	11 %

European Social Fund

A proposed national programme for the European Social Fund in the “Investments for growth and employment” objective has been prepared in the

Government Offices. A broad dialogue has taken place with external actors in the course of the work. Within the framework of the programme eight regional action plans are to be produced for better adaptation to the conditions in the respective region. The initiatives within the programme aim to:

- stimulate skills development,
- increase transition to work among people far from the labour market and
- facilitate young people’s establishment in working life.

An important point of departure is that the initiatives are to strengthen and develop the national labour market policy and focus on priority groups such as young people, long-term unemployed and foreign-born people.

The EU’s Youth Employment initiative, which in Sweden covers the regions of Mid Norrland, North Central Sweden and Southern Sweden, will be implemented as part of the national Social Fund programme.

The table below shows the proposed share of the ESF-funds within the national Social Fund programme to be allocated for each thematic objective. In addition to this there are funds for technical support equivalent to 4 per cent of the ESF-funds. It should also be mentioned that allocations from the Social Fund will also be made to thematic objective 9 as part of an operative programme for locally led development.

Table 5: Thematic objective	Share of ESF funds
8. Promoting sustainable and quality employment and supporting labour mobility	50 %
9. Promoting social inclusion, combating poverty and any discrimination	19 %
10. Investing in education, training and vocational training for skills and lifelong learning	27 %

The objective for European Territorial Cooperation

In 2013 preparations for coming programmes in European Territorial Cooperation continued. The objective is for the implementation of the programmes to continue developing and contributing to the achievement of the Europe 2020 strategy. The programmes are to be firmly established and should build on existing cross-border cooperation. In addition, the programmes are to reflect, and be coordinated with, other regional, national and European growth efforts such as the EU strategy for the Baltic Sea Region. As regards the focus of the programmes, the Government has decided that particular attention should be given to cross-border challenges in the following areas: strengthening innovative environments and cross-border clusters; development of shared social functions for the population and business in order to create conditions for cross-border regional enlargement; innovative solutions to the demographic challenge; promotion of natural resources and management of natural risks, as well as investment in energy efficiency, renewable energy and environmentally friendly transport.

5.4 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.

For Sweden, it is important that the Baltic Sea Region develops and is able to serve as a pioneering region for the in-depth and concordant implementation of internal market legislation. The economic development in the Baltic Sea Region has a clear impact on Sweden's competitiveness, and consequently increasing cooperation and integration there is a high priority for the Government.

A digital internal market within the EU is strategically important for Sweden to confirm its global competitiveness. Here, the Baltic Sea Region is a pioneering region in many regards. Supported by the EU strategy for the Baltic Sea Region, it can break new ground by identifying and removing barriers to growth in digital services and trade.

Increased ventures in research and innovation are enabled through improved coordination between countries, thus allowing them to benefit from various comparative advantages. Innovation cooperation in the Baltic Sea Region may become an important complement in several areas where the Baltic Sea countries are at the fore.

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. Of particular interest are also 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.

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 equip our communities to deal with 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 EU's strategy for the Baltic Sea Region 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.

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 objectives of the EU strategy for the Baltic Sea Region reflect this perspective and the Government therefore takes the view that it should be beneficial for the utilisation of the EU's funds to work to achieve the objectives of the strategy.

6. Institutional issues and participation of relevant parties

6.1 Institutional issues

Sweden's national reform programme 2014 is based on the measures proposed by the Government in the 2014 Budget Bill and the 2014 Spring Fiscal Policy Bill. In the elaboration of these bills, the country-specific recommendations from 2013 have been taken into account and the programme reflects the overarching priorities adopted by the Council of the European Union in December 2013.

The Riksdag Committee on Finance has been informed about the national reform programme. The Riksdag was informed on several occasions as the Council addressed the country-specific recommendations during the summer of 2013.

6.2 Consultations with the social partners

The social partners play a key role in creating the conditions for sustainable growth and full employment. The Swedish labour market has a high organisation rate, broad collective bargaining agreement coverage and a well-developed social dialogue. The social partners in Sweden traditionally resolve many issues by means of collective bargaining agreements, without central government intervention in the form of legislation or the involvement of public authorities. The social partners also have a central role in the implementation of EU directives and guidelines through arrangements in collective bargaining agreements.

Regular consultations take place between the Government and the social partners on matters associated with the Europe 2020 strategy, as well as other EU matters that concern the social partners. These consultations, which take place both at the political level and at senior official level, provide opportunities to discuss important EU issues in relation to the Government's actions and national policies.

To bring the dialogue with the social partners more in line with 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 January 2014 a consultation meeting was held at political level headed by the Minister for EU Affairs, and in March the Prime Minister held consultations on the broader growth issues ahead of the meeting of the European Council on 20-21 March. Consultation meetings have also taken place at senior official level on three occasions since the presentation of the NRP 2013.

The social partners were invited 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 ownership

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. As the national strategy for the period 2007-2013 has expired, the Government is now preparing a new national strategy for regional growth policy for the period 2014-2020. Adoption of the new strategy is planned for spring/summer 2014 and its priorities will continue to guide implementation of regional development strategies, structural fund programmes 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.

In 2007, the Government established a national forum for regional competitiveness, entrepreneurship and employment to further develop the dialogue between the national, regional and local levels on regional growth issues. It is based on a shared responsibility between the regional and national levels 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 for the Government. In 2013, four national forums were held, where current topics were discussed. Examples that can be mentioned are: issues of skills provision, infrastructure, green economy, preparatory work for the coming structural funds period, including the partnership agreement and work on the new national strategy for regional growth policy in 2014–2020. The national forum meeting in February 2013 also specifically considered the implementation of the Europe 2020 strategy at regional and local levels, and the link to the regional growth process and cohesion policy.

In February 2014 the Office of the Commission in Stockholm, the Swedish Association of Local Authorities and Regions, the Government Offices, Europaforum Norra Sverige and the County Council in the county of Västernorrland arranged a conference in Sundsvall on the implementation of the Europe 2020 strategy at local and regional level. The conference gathered more than 160 people and another 989 people watched via a webcast. It was the third Europe 2020 conference organised in collaboration between the Swedish Association of Local Authorities and Regions (SALAR), the Office of the Commission in Stockholm and the Government Offices with the aim of conducting a dialogue between the EU, national, regional and local levels on the implementation of the strategy in Sweden, challenges and opportunities. Among the speakers were European Commissioner Cecilia Malmström, the State Secretary to the Minister for EU affairs Oscar Wåglund Söderström, the head of the Office of the Commission in Stockholm Pierre Schellekens and Third Vice President of SALAR Carola Gunnarsson. At the conference contributions to the national reform programme about Europe 2020 work at regional and local level were invited. In response to this invitation, Örebro region made a contribution that can be found in the appendix with external contributions.

This 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, describing examples of the work being conducted there in accordance with guidelines and goals of the strategy.

6.2 Consultation with interest organisations and Swedish civil society

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 within various consultation bodies (such as the Pensioner's Committee, the Disability Delegation and the User Committee). 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 Office invited the relevant organisations to a new information and consultation meeting on the Europe 2020 Strategy on 11 December 2013, led by the State Secretary to the Minister for EU affairs. The purpose of the meeting was to provide information on the work of the Government and at as early a stage as possible, a few weeks after presentation of the European Commission's annual growth survey, to discuss the Commission's proposed priorities for the Europe 2020 strategy in 2014, future forms of consultation and the involvement of relevant organisations in the national reform programme. The organisations concerned were invited to contribute texts to the national reform programme that highlighted good examples of how Swedish civil society actively contributes to the implementation of the Europe 2020 strategy in Sweden.

After the consultations in December, the Government Offices received contributions from Coompanion, Famna, Skoopi, the Swedish Women's Lobby and VA (Public and Science). The contributions can be found in an appendix to the reform programme.



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