

Sweden's National Reform Programme 2021

Report on the national implementation of the
European Semester



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1. Introduction

In April each year, Member States shall deliver a national reform programme to the European Commission, describing their implementation of the overarching priorities of the European Semester, which is the framework for economic policy coordination in the EU. These programmes report on results achieved over the past year, as well as actions planned.

Furthermore, the National Reform Programme provides an overview of the Swedish Government's policies addressing the Country Specific Recommendations addressed to Sweden within the European Semester 2019 and 2020.

Sweden's National Reform Programme for 2021 is mainly based on the measures and reform ambitions in the Budget Bill for 2021, the Spring Fiscal Policy Bill for 2021 and the Spring Amending Budget for 2021. Like last year, the Spring Fiscal Policy Bill and the Spring Amending Budget are characterised by the management of the consequences of the coronavirus. The initiatives and measures referred to in section 3 are those that the Government has taken and intends to take in areas assessed by the Commission and the Council within the European Semester in 2019 and 2020, in particular, as being the main economic challenges for the Swedish economy.

The Reform Programme also reflects the political priorities in the Commission's Annual Sustainable Growth Strategy.

- Delivering high-quality investment focusing particularly on investment gaps in research and innovation, education and infrastructure.
- Focusing on reforms that increase productivity growth, inclusiveness and institutional quality.
- Ensuring macro-financial stability and sound public finances.

It is now around one year since COVID-19 spread in society. The virus has had a severe impact on people's lives and health, but the economy has also been hit. Work on reforms in 2021 has also been characterised by the management of the pandemic. The focus has shifted from acute measures to looking towards recovery, mainly through job creation and investments in health care, care for older people and the climate transition. These investments are described in section 3.

Another appendix to this year's programme presents material received from the social partners, regional and local actors and civil society organisations. The Government has not taken a position on this material.

1.1 Reform policy

The spread of the disease COVID-19 has confronted Sweden and the whole world with a situation unparalleled in modern times. In addition to the serious consequences for life and health, the spread of infection has hit jobs and businesses hard. After an unexpectedly strong economic recovery in the third quarter of 2020, the spread of infection accelerated again at the end of the year and activity in the economy decreased, but not as distinctly as it did in spring 2020.

Sweden will be affected by the pandemic for a long time ahead, however the record pace of vaccine development brings hope. First and foremost, the vaccines save lives and health, but they also save jobs and companies. The faster restrictions can be phased out, the sooner society and the economy can recover and unemployment can be pushed back.

The pandemic puts society under great strain. The deficiencies in Sweden's welfare provision have been made visible, in the care of older people and elsewhere. School closures and distance teaching risk having an adverse effect on pupils' learning and health. Moreover, the situation in the labour market is serious. Persons who already had a weak attachment to the labour market before the pandemic risk getting stuck in long-term unemployment. A split has emerged in the business sector. Industry is back at the same levels of activity as before the crisis, while many sectors in services are still hard hit by restrictions and recommendations about physical distancing.

Further reforms are required to address the societal challenges that Sweden faced before the pandemic. Global warming is continuing; one result is that extreme weather conditions are becoming ever more common. Climate emissions are decreasing too slowly, and the threats to biodiversity remain. More needs to be done for better learning outcomes and greater equity in Swedish schools. Work to reduce and counter segregation must continue. Poverty and overcrowding risk worsening children's living conditions. Vulnerable areas must be lifted. Serious organised crime creates insecurity and division. The gap between urban and rural areas must be closed, especially concerning jobs and business.

Since the virus started to spread, the Government and the Swedish Parliament have taken a large number of measures to safeguard people's lives, health and livelihoods (see section 3.1). A lack of financial resources must not prevent work to limit the spread of infection and to care for the sick. Municipalities, regions and government agencies have therefore received major additional funding. Extensive financial support and front-loaded temporary tax reductions have been put in place to alleviate the negative financial consequences of the pandemic for jobs and business but also for other actors and for individuals. Unemployed persons have been given stronger financial security and more opportunities for job-to-job transition. Special action has been taken for schools and civil society. A powerful green economic restart is being implemented. The aggregate expenditure for the measures taken since the spread of the infection began is now estimated at more than SEK 400 billion.

The Spring Amending Budget for 2021 (Govt Bill 2020/21:99) was presented in conjunction with the Spring Budget Bill. The Government also presented the Extra Amending Budget for 2021 – Extended compensation in the area of health insurance, support for companies, culture and sport and other measures on account of the COVID-19 virus (Government Bill 2020/21:166) to the Riksdag on 6 April 2021. These two government bills amending the central government budget contain further measures to work Sweden out of the crisis and build a better and more sustainable Sweden than before the pandemic.

Both the Spring Fiscal Policy Bill for 2021 and the proposed amendments to the budget are based on a political agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

Limit the spread of infection and carry out vaccination

Rapid and safe vaccination is of fundamental importance for bringing Sweden out of the pandemic. At the same time, work to limit the spread of infection and to care for the ill must continue. The whole of society – the State, government agencies, regions, municipalities and private parties – has a common responsibility to combat the spread of infection and make rapid and large-scale vaccination possible.

The vaccinations that have now been initiated is the most extensive ever in Sweden. The State undertakes to pay for vaccines and vaccinations, and the regions carry out the vaccinations in accordance with the recommendations of the Public Health Agency of Sweden. The Government proposes

allocating a further SEK 1.7 billion to ensure the resources necessary for vaccine costs and for compensation to the regions. Under the agreement made by the Government and the Swedish Association of Local Authorities and Regions (SALAR), everyone in Sweden who is 18 years or older and individuals under 18 years who belong to a risk group will be rapidly offered vaccination against COVID-19. Sweden is cooperating in the European Union to produce an internationally accepted certificate of vaccination against COVID-19.

The pressure on health care remains high. The Government is therefore proposing additional funding of SEK 2 billion for the regions, over and above the SEK 4 billion so far allocated in 2021, to cover costs of deferred care and care for patients with COVID-19. The Government is carefully following developments in health care due to the spread of infection and is prepared to revert to the Riksdag when needed.

Continuing to limit the spread of infection reduces the risk of health care being overburdened. It is also of the utmost importance to continue to protect risk groups. To meet the need for continued large-scale testing and tracing, the Government is proposing additional funding of SEK 1.65 billion. The Government has also proposed extending a number of temporary measures until and including 30 June 2021; they include compensation for the sick pay standard deduction and the exemption from the requirement of a doctor's certificate as well as forms of compensation to risk groups. The Government intends to extend them until the vaccination target has been reached. An extension has also been proposed of the special provisions regarding sickness benefit when health care and rehabilitation are deferred, as well as of the government grant for protective equipment for personal assistants. For infection protection reasons, there is a continued need to be able to get to work without using public transport. An extension has therefore been proposed of the temporary tax and charge exemption for free parking benefit in connection with workplaces that was introduced in 2020.

Measures to alleviate the consequences of the pandemic

In addition to its impacts on life and health, the pandemic has also caused serious consequences for the whole of society. The extensive support measures have alleviated the consequences for many, but more must be done.

The pandemic has led to a clear decrease in demand in the economy, with serious consequences for jobs and business throughout the country. In order to continue supporting viable companies and reducing job losses, the Government has proposed extending several of the temporary measures. They include the transition support, the reinforced transition support for companies affected by specific bans and recommendations, the transition support for sole traders, the support for trading partnerships and the rental support, as well as the support to employers for sick pay costs above the normal level. The Government has also proposed a number of temporary tax reductions. It will be possible to grant deferrals of payments of tax to tax accounts for more reporting periods, and the level of the deferral charge will be reduced. To support various industries in local business, the possibility for an employer to make tax-free-gifts is being expanded and extended. Several of the industries hit hardest have many young employees. The Government has announced that employers' social security contributions for young people will be reduced in June–August 2021 to make it easier for young people to find work. The Government makes the assessment that there is a need for further measures for rural areas and is therefore proposing a reinforcement of the Rural Development Programme. Funding is proposed for Visit Sweden to promote the visitor industry and for Business Sweden to reinforce regional export advice services. The culture sector and sports movement have also suffered negative impacts. The Government has therefore proposed an extension of crisis support for culture and sports, and the provision of funding for several charge-financed museums and certain performing arts institutions. Additional funding is also proposed for media subsidies so as to enable continued distribution of printed newspapers throughout the country and to provide compensation for increased expenditure for operational subsidies. Event support consisting of a guarantee and expanded grants is also being introduced.

Children and young persons risk being adversely affected in several ways by the restrictions introduced; examples include long periods of distance teaching and cancellations of leisure activities. The consequences have been particularly keenly felt by those who were in need of various forms of support even before the pandemic. There is a need to catch up on knowledge lost in all school years, and the Government therefore proposes additional funding for schools for extra teaching and other measures. For instance, the possibility for pupils in Year 3 of upper secondary school to take part in holiday school is expanded so as to avoid pupils leaving upper secondary school without sufficient knowledge. To contribute to good living conditions for all children and young persons, the Government's proposal

contains funding for municipalities to arrange free, infection-proof activities in school holidays and funding to support the work of the municipalities for creating more summer jobs for young persons. Many households have incurred or risk incurring severe reductions of their disposable income on account of the economic downturn. The Government therefore proposes temporary supplementary allowance to reinforce the housing allowance for families with children.

Continued green economic restart

A temporarily expansionary fiscal policy is needed so as to bring Sweden out of the recession as soon as possible. The Government is implementing extensive green investments, increased resources for welfare services and reductions of taxes on jobs and business. At the same time, the transitioning opportunities in the labour market are being improved. The Government proposes allocating additional funding to the climate transition and to getting more people in work throughout the country.

The climate transition and work for biodiversity have priority in the recovery. Sweden aims to be a fossil-free pioneer. The transition to a fossil-free and circular economy is necessary to enable Sweden to achieve both its environmental and climate objectives and the Sustainable Development Goals in the 2030 Agenda. Making investments in reductions of carbon dioxide emissions, reduced environmental impacts and additional circular solutions strengthens competitiveness and lays the foundation for new and future jobs. The Government is proposing a range of measures to continue the climate transition, Reinforcing environmental compensation for goods transport by rail is one measure proposed. Another is providing the regions with funding to maintain public transport capacity during the pandemic, and the Government proposes going ahead with the next step in the introduction of a national ticketing system for all public transport throughout Sweden. To limit society's vulnerability as a result of climate change, funding is proposed for climate adaptation through knowledge-enhancing and preventive measures concerning climate change and its effects. The Government proposes a reinforcement of the county administrative boards' climate work at regional level. Additional funding is proposed for support for solar cells. Action against littering and an initiative for nature-centred jobs for young people are proposed to safeguard our nature and provide more paths to jobs.

More people are to find work and share in the freedom that comes from having a job and their own income. At the same time as many people have

lost their jobs, new jobs have been created and more will be created when the economy turns around. In a recession, however, the risk of getting stuck in long-term unemployment or leaving the labour force altogether can be particularly great for people who already had a weak foothold in the labour market, such as young people without upper secondary education and women born abroad. A broad expansion of places in education and training is now under way to enable people who are unemployed to seek new jobs that emerge. The Government is also proposing targeted education and training initiatives, including more vocational training in combination with Swedish for Immigrants and Swedish as a second language. The possibilities of studying part time alongside participation in the job and development guarantee have been expanded. In addition, funding is proposed to increase the number of summer courses at universities and other higher education institutions. To enable students to also feel financially secure during the corona pandemic, the Government has initiated and implemented several changes to financial support for students. The Government also proposes that additional funding be provided to enable more people who are remote from the labour market to participate in action that leads to work, such as introduction jobs, extra jobs and matching services. Increased resources for matching services reinforce work on reforming the Swedish Public Employment Service. Increased resources for employment preparation activities are proposed by the Government so that unemployed people with disabilities will get work or start studies. The Government also proposes that funding be allocated to the start-up of the state transition organisation that follows from the agreement between the social partners on employment protection and transition.

Sweden to be a safe country for all

Crime and the causes of crime must be combated. Serious crime hits the whole of society and has a particularly hard impact on people living in socially vulnerable areas. The Government proposes several measures to intensify action against criminal gangs and networks and to break the recruitment of young people to criminal activities. An expansion is proposed of previous reinforcements of the law enforcement chain with new additional funding for the Swedish Prosecution Authority, the Swedish Economic Crime Authority, the Swedish Courts Administration, the National Board of Forensic Medicine, the Swedish Prison and Probation Service and the Swedish Customs. The Government proposes that additional funding be provided to spread the *Stop shooting* project to more places since cooperation between different actors has proved to be

successful. The Government also proposes allocating funds to the Swedish Prison and Probation Service to strengthen work to prevent reoffending, in which there will be a special focus targeted on young sentenced persons. Some of this work will be done in socially vulnerable areas.

The ongoing pandemic has worsened the situation of women, children and LGBTQI people subjected to domestic violence and honour-related violence and oppression. To increase the support for victims, a reinforcement is proposed of the government grant to civil society. Additional funding is proposed for preventive work against domestic violence, especially men's violence against women, and to support young persons who are subjected to this in their relationships. The pandemic has also had a negative impact on children and adults in socially particularly vulnerable situations. To alleviate the consequences of increased mental ill health among children and young persons and of homelessness, a reinforcement is proposed of the government grants to civil society organisations conducting activities targeted at these groups.

2. Macroeconomic situation and scenario

The corona pandemic is continuing to impact the global economy. The strong recovery seen in the third quarter in several major economies paused in the fourth quarter. So far this year, economic activity has been subdued on account of tight restrictions.

Activity in the Swedish economy decreased slightly in the fourth quarter, but has proved to be more resilient than at the beginning of the pandemic. Overall, GDP decreased by 2.8% in 2020. The recovery has mainly taken place in industry, and indicators also point to relatively good growth in industry in the future. Investments, which have recovered to the same level as before the crisis, are expected to continue to increase. Exports have recovered faster than imports and net exports therefore make a positive contribution to GDP. Despite some recovery, household consumption remains considerably lower than before the crisis and restrictions to limit the spread of infection in the first half of 2021 are also judged to have a negative effect on consumption, especially of services, in the future. High frequency data, such as movement indices and card transactions, also confirm low activity at the start of the year. Resource utilisation remains much lower than normal, and the Swedish economy is judged to be in a deep recession in 2021.

Table 1. Macroeconomic key figures

Percentage change unless otherwise stated Outcome 2020, forecast 2021-2024.

	2020	2021	2022	2023	2024
GDP ¹	-2.8	3.2	3.8	1.9	1.6
GDP, calendar-adjusted ¹	-3.1	3.1	3.8	2.1	1.6
	-3.9	-2.6	-0.5	0.0	0.0
Employment, 15–74 years	-1.3	0.3	1.9	1.7	0.6
Employment rates, 15–74 years	67.2	67.2	68.2	69.0	69.1
Employment rates, 20–64 years	80.8	80.8	81.8	82.9	83.1
Hours worked ⁴	-3.8	3.0	2.4	1.1	0.5
Productivity ^{4, 5}	0.5	0.3	1.4	0.9	1.1
Unemployment ⁶ , 15–74 years	8.3	8.7	7.9	7.0	7.0
Hourly wage ⁷	2.0	2.5	2.3	2.5	2.7
CPI	0.5	1.4	1.0	1.3	2.1
CPIF	0.5	1.5	1.3	1.7	2.0
GDP world economy, KIX-weighted average ^{1, 8}	-4.4	4.5	3.7	2.5	2.1

1 Constant prices.

² Difference between actual and potential GDP in per cent of potential GDP. Potential GDP is an estimate.³ Per cent of the population in each age group.⁴ According to the national accounts, calendar-adjusted.⁵ Value added to base price per hour worked in the whole economy.⁶ Per cent of the labour force.⁷ Hourly wage according to the short-term wage statistics is also a forecast for 2018.⁸ Forecasts of GDP for world economy weighted with KIX weights, a measure of the significance of each country for Sweden's foreign trade.

Note: The forecast is based on the regulations for taxes and transfers and the appropriation levels that have been adopted by the Riksdag and that have been proposed or announced by the Government.

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

2.1 Labour market

The labour market has also shown some recovery in the autumn. In the fourth quarter employment increased and unemployment decreased. Companies' hiring plans are positive again, but the lower activity in the economy is judged to subdue employment in early 2021. The extension of support for short-time work in the first half of 2021 is, however, expected to restrain unemployment in the future. The number of hours worked is expected to increase gradually in 2021 as short-time work is phased out. Employment will therefore increase more clearly in the latter part of the year. Unemployment is judged to be higher in 2021 than it was in 2020. The recovery of both the employment rate and unemployment is judged to take time, and even though unemployment is expected to decrease, it will still be at a much higher level in 2022 than before the pandemic.

Inflation

Inflation, measured as the consumer price index with a fixed mortgage interest rate (CPIF), slackened considerably in 2020, and increased clearly at the beginning of 2021 after a weak development in 2020. Energy prices, which made the main contribution to the weak inflation in 2020, are instead expected to contribute to higher inflation in 2021. At the same time, low resource utilisation in Sweden and internationally means that inflation will continue to be subdued.

2.2 General government finances

Public sector finances were reinforced strongly between 2014 and 2017. Net lending turned round from showing a deficit of 1.5 per cent of GDP to a surplus of 1.4 per cent of GDP. Then, as lending was adapted to the new level of the surplus target, net lending fell and was 0.6% of GDP in 2019. On account of the outbreak of the coronavirus, an expansionary fiscal policy is now being conducted to slow the economic downturn. Net lending was -3.1% of GDP in 2020 and is estimated at -4.5% of GDP in 2021. As of 2020, it is estimated that general government finances will strengthen quickly on account of the recovery of the economy, which also means that the temporary measures gradually expire. However, this assessment is associated with great uncertainty.

The structural balance, i.e. net lending adjusted for cyclical effects etc., is estimated at -2.7 per cent of potential GDP in 2021. The Government's assessment is that there is a clear deviation from the surplus target, but that this deviation is justified on grounds of stabilisation policy due to the economic effects of the outbreak of the coronavirus. The Government's assessment in the current situation is that a return to the target can begin when economic conditions so permit. In this forecast net lending is level with its target level in 2023, but this assessment is uncertain. A further weakening of the economy can also lead to further fiscal policy measures.

2.3 Income dispersion

In the last ten-year period, economic standard has developed evenly in the greater part of the income distribution. However, the top ten per cent have pulled away even more, and this is because capital income has increased strongly (chiefly capital gains and dividends in closely held companies). Overall income dispersion has therefore continued to increase even though reforms in the tax and transfer systems have had a distinct low-income profile in almost every year since 2010. In 2018–2019, however, income dispersion fell slightly compared with its peak in 2017.

The economic downturn can be expected to affect income distribution in the next few years. In itself, higher unemployment contributes to greater income dispersion. However, the Government's measures to mitigate the effects on the labour market and to reinforce the financial security of workers in Sweden are expected to slow the tendencies towards greater income dispersion.

3. Initiatives and measures in response to economic challenges identified in the European Semester in 2019 and 2020.

This chapter gives a general presentation of the initiatives and measures that the Government has taken and intends to take in the areas assessed by the Commission and the Council, within the European Semester in 2019 and 2020, in particular, as being the main economic challenges for the Swedish economy.

On 20 March 2020 the Commission adopted a communication on the activation of the general escape clause of the Stability and Growth Pact. This clause facilitates the coordination of budgetary policies in times of severe economic downturn and permits a temporary departure from the adjustment path towards the medium-term budgetary objective provided that this does not endanger fiscal sustainability in the medium term. The general escape clause does not mean that the procedures of the Stability and Growth Pact are suspended. It allows Member States to make a departure from the budgetary requirements that would normally apply at the same time as the Commission and the Council are able to undertake the necessary policy coordination measures within the framework of the Pact.

According to the proposed Country-Specific Recommendation for 2020 presented by the Commission on 20 May 2020, the Commission stresses that Sweden should take all necessary measures to address the pandemic, both regarding the functioning of health care and the economic consequences resulting from the pandemic.

The Council Decision of 20 July 2020, adopted by written procedure, recommends that Sweden take the following action in 2020 and 2021:

1. In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Ensure the resilience of the

health system, including through adequate supplies of critical medical products, infrastructure and workforce.

2. Foster innovation and support education and skills development. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, high-tech and innovative sectors, 5G networks and sustainable transport.
3. Improve the effectiveness of anti-money laundering supervision and effectively enforce the anti-money laundering framework.

In its 2020 recommendation the Commission notes that continued follow-up of the recommendation from 2019 will be relevant to the recovery from the pandemic.

The Commission's proposed country-specific recommendation published on 5 June 2019 states, in summary, that Sweden is expected to comply with Stability and Growth Pact rules. The Commission points to a number of challenges that Sweden needs to address. One of these challenges is high and increasing household debt, which is judged to be a risk to macroeconomic stability. A related challenge is the Swedish housing market, which, according to the Commission, demonstrates structural inefficiencies and remains a potential source of macroeconomic imbalance. Labour shortages have also emerged in some sectors where investing in education and skills, including digital skills, will help Sweden to address those challenges. Maintaining investments in transport infrastructure can contribute to improved labour mobility, regional cohesion and the housing market and foster Sweden's long-term productivity growth. The Commission also notes that there are challenges regarding combating money laundering in Sweden.

The Council Decision of 9 July 2019 recommends that Sweden take the following measures in 2019 and 2020:

1. Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate investment in residential construction where shortages are most pressing, in particular by removing structural obstacles to construction. Improve the efficiency of the housing market, including by introducing more flexibility in rental prices and revising the design of the capital gains tax.
2. Focus investment-related economic policy on education and skills, maintaining investment in sustainable transport to upgrade the different transport modes, in particular railways, and research and innovation, taking into account regional disparities.

3. Ensure effective supervision and the enforcement of the anti-money-laundering framework.

The Government welcomes the reviews conducted within the European Semester. In the Government's view, the work performed in the European Semester is a way of encouraging responsible economic policy and attaining the targets the Member States have jointly agreed. Reviews that are well-founded, treat the Member States equally and take country-specific conditions into account are an important aspect of the European Semester and therefore of economic policy coordination at EU level.

Out of the challenges for the Swedish economy highlighted in the country-specific recommendations for 2019 for 2020 for Sweden, this chapter deals with fiscal policy during and after the pandemic, measures to address the pandemic and increase resilience in health care, household debt, the housing market, investments and money laundering.

3.1 Fiscal policy during and after the pandemic

The Government's view of the recommendation

The Government shares the assessment that necessary measures should be taken to address the pandemic, sustain the economy and support the ensuing recovery. The Government also considers that it is important, when the economy so permits, to return the structural balance to the surplus target and ensure a sustainable level of debt.

Since the outbreak of the virus, the Government and the Riksdag have taken a large number of measures to safeguard people's lives, health and livelihoods. In all, the measures for 2020 and 2021 on account of the pandemic and the green restart amount to more than SEK 400 billion. To get Sweden out of the recession as quickly as possible, an expansionary fiscal policy is being conducted in 2021 and 2022. The measures taken are judged not to affect the long-term sustainability of fiscal policy and the Government intends to return the structural balance to the surplus target when economic conditions so permit.

Initiatives and measures

To ensure effective health care, increase the number of tests and carry out rapid vaccination as well as to address the additional costs resulting from the spread of COVID-19, considerable financial resources have been provided for the municipalities and regions. Funding has also been allocated to

reinforce skills in care of older people. A number of temporary measures have been introduced to limit the spread of infection and protect risk groups. Section 3.2 below gives a more detailed account of measures to increase the resilience of health care.

Viable companies have received financial support to reduce the number of jobs lost. The costs of hiring have decreased as a result of temporary reductions of employers' social security contribution for 19-23 year olds and other groups. Several measures have been taken to reduce costs, strengthen liquidity and improve access to financing. The measures have mainly been allocated on the basis of how hard the companies have been hit financially, but some support has been allocated to specific sectors such as media, culture, sport, public transport and rail, air and sea transport. Moreover, front-loaded temporary tax reductions for jobs and businesses have been implemented in 2021. Regions and municipalities have been given additional general resources to cope with their strained economic situation and maintain their level of employment. To support people who end up in a more vulnerable situation, civil society has been given increased resources, and the housing allowance has been raised temporarily.

Despite the crisis measures introduced, many people have become unemployed or have been hit in other ways. Temporary changes have been made in unemployment insurance, health insurance has been changed and transitioning opportunities have been reinforced. The Knowledge Boost has been reinforced by providing more places in education and training that better meet society's needs.

To get Sweden out of the recession as quickly as possible, an expansionary fiscal policy is being conducted in 2021 and 2022. A powerful green economic restart is being implemented. In the central government budget for 2021 the Government presented reforms for green investments, additional resources for welfare provision and tax reductions on jobs, business and investment as well as better transitioning opportunities in the labour market.

For more information, see section 1.4 of Sweden's Convergence Programme 2021.

Long-term consequences for general government finances

Public finances weakened substantially in 2020 and are expected to weaken further in 2021. This development is a consequence of the economic

downturn and the fiscal policy measures proposed by the Government to address the effects of the pandemic. As of 2022 general government finances strengthen as the economy recovers. Since the economic downturn is judged to be temporary, the structural balance is affected less than net lending. However, the structural balance is expected to show a deficit until and including 2022.

The surplus target is a target for general government net lending and it has, on average, to be 0.33% of GDP over an economic cycle. The Government's assessment is that the structural balance deviates clearly from the level of the surplus target, but that this deviation is justified on grounds of stabilisation policy. The Government also makes the assessment that Sweden will be in a recession until and including 2022. The structural balance is expected to be -2.7% of potential GDP in 2021 and -0.3% in 2022. The Government intends to return the structural balance to the surplus target when economic conditions so permit.

The debt anchor is a benchmark for general government consolidated gross debt and is set at 35% of GDP. If this debt deviates from the debt anchor by more than 5% of GDP, in the Spring Fiscal Policy Bill, the Government has to present a communication to the Riksdag at the same time as the Spring Fiscal Policy Bill is presented. The anchor does not steer fiscal policy in the short term, but is mainly intended to be used to evaluate whether the surplus target needs to be adapted to ensure the sustainability of and margins in general government finances. The gross debt is judged to be consistent with the benchmark for the debt anchor of 35% of GDP. This debt ratio was 39.9% of GDP for 2020 and is judged to also be 39.9% for 2021. One important reason why the debt ratio does not increase more in 2021, despite the increase in the deficit in general government finances is that, as of 2021, the Riksbank is starting a transition to wholly self-financed foreign exchange reserves after previously having financed part of its foreign exchange reserves through the Swedish National Debt Office. The transition will take place gradually until and including 2023 and also contributes to the debt ratio decreasing during the forecast period.

For more information, see chapter 3 of Sweden's Convergence Programme 2021 concerning the development of general government finances, the follow-up of the budget policy targets and other matters.

3.2 Measures to address the pandemic and increase resilience in health care

The Government's view of the recommendation

The Government shares the assessment that necessary measures should be taken to address the pandemic and increase resilience in health care.

Initiatives and measures

In Sweden the regions and, to some extent, the municipalities are responsible for health care. The Government and the State have overall responsibility but most decisions and budget functions are based in the regions. The following list only includes the measures taken by the Government and does not include measures taken at local or regional level.

General initiatives for health care

In general the Government endeavours to ensure that municipalities and regions have all the necessary resources to provide equal care of good quality. For that reason the State has covered all the extraordinary costs that have arisen on account of the pandemic. In 2020 the Government allocated SEK 21 billion for this purpose. This included higher costs for staff and protective equipment. The Government has also ensured that the authorities that are responsible for measures to limit the outbreak or that are working to address the pandemic in some other way have access to the resources needed. The Public Health Agency of Sweden, the National Board of Health and Welfare and the Swedish Medical Products Agency have therefore had their administrative appropriations increased. On 2 July 2020 and 1 December 2020 the National Board of Health and Welfare was commissioned by the Government to draft a plan for action ahead of new outbreaks of COVID-19. The National Board of Health and Welfare is going to assess what measures, at both national and regional level, may be necessary to strengthen the capacity of health care and the social services to deal effectively with new outbreaks. The National Board of Health and Welfare is cooperating with the Public Health Agency of Sweden to produce forecasts of the burden on intensive care. The National Board of Health and Welfare is working with some of Sweden's 21 regions to determine the need for care after intensive care.

Knowledge about the long-term health effects of COVID-19 for the group of patients that has symptoms long after their first illness is still limited. On 16 July 2020 the Government therefore commissioned the Swedish Medical

Products Agency and the Swedish Agency for Health Technology Assessment and Assessment of Social Services (SBU) to conduct a systematic review of patients with long-term COVID-19 symptoms. This includes compiling the scientific data available about care, treatment and rehabilitation. In September 2020 the National Board of Health and Welfare was commissioned to produce a process model for rehabilitation interventions for patients with long-lasting complications after COVID-19. To create better conditions for health care to deal with persons with postcovid, the National Board of Health and Welfare was given a commission on 4 February this year to develop support for work by health care to deal with patients with postcovid. As part of its commission, the Board is to produce statistics and situation reports for following up this group.

On 30 June 2020 the Government appointed a committee charged with evaluating the measures taken by the Government, government agencies, regions and municipalities to limit the spread of the virus that causes COVID-19 and the effects of its spread.

The Government has allocated SEK 75 million to ensure access to air ambulances during the pandemic. On account of the COVID-19 outbreak the terms and conditions for transport by air ambulance in Sweden have been changed. New requirements have been set to adapt these transports to COVID-19 patients. Demand for certain other air ambulance transport has decreased since regular health care has been postponed during the pandemic. This has led to uncertainty for companies providing air ambulance transport and to difficulties for them in maintaining their services.

As a result of the pandemic, regular and planned health care has been postponed, which has affected the accessibility of health care and led to an accumulated need of health care. To support health care and restart planned care after COVID-19, the Government has allocated SEK 4 billion for 2021 and 2022 for accumulated needs of health care and COVID-related health care.

Health care staff, access to protective equipment, medical devices and medicinal products

The pandemic has put heavy pressure on health care services and care for older people, which has meant that health care staff have had an extreme workload, and there is an increased risk of mental ill health among health care staff. The Government has therefore allocated funding so as to support

staff in regional and municipal health care and social care. This funding makes it possible to provide crisis support, advice and trauma support.

To secure national access to protective equipment, medical devices and medicinal products and other material needed in health care of COVID-19, the National Board of Health and Welfare was commissioned in spring 2020 to set up a function to support municipalities and regions in cases where a regional or local shortage arises regarding protective equipment, medical devices and medicinal products and other material needed in health care of persons with COVID-19. In conjunction with approval of the first vaccine against COVID-19, the Government saw a potential national shortage of cold storage, so the National Board of Health and Welfare was commissioned to purchase 21 cryofreezers. Other measures have also been taken to secure access to medicinal products and other material. For example, the Swedish Medical Products Agency has amended regulations concerning the transfer of medicinal products between pharmacies and regions and exemptions from charges for COVID-19-related clinical trials.

Vaccines and testing

The purpose of work on vaccines and testing is to contribute to ensuring balanced health care over time across the country. At an early stage, the objective was to increase testing capacity for COVID-19 as soon as possible so as to ensure testing of health care staff and alleviate the impacts on society of losses of staff in other essential services. A further objective was to ensure broad, large-scale national testing for COVID-19 in cooperation with the regions. This includes large-scale symptomatic testing across the country so as to detect active infection and antibody testing after infection. The State and the regions concluded an agreement that the State would meet the costs while the regions undertook to carry out tests on the basis of the recommendations of the Public Health Agency of Sweden. Antibody tests are also being carried out as part of the strategy. In 2020 the Government allocated SEK 10 billion for this purpose.

There is also a new legislative proposal on the registration of COVID-19 vaccinations in a national register as of 1 January 2021. The purpose of the legislative proposal/s/ is to make it compulsory for all care providers that are going to contribute to the coming vaccination process to register information about every vaccination in a national register for vaccinations that is administered by the Public Health Agency of Sweden. The Public Health Agency of Sweden has also been commissioned to provide technical support to enable safe registration of these vaccinations. The Government's

ambition is to make it possible for data about COVID-19 vaccinations to be transferred automatically from local health information systems to the central register for as many care providers as possible to facilitate their work.

The Public Health Agency of Sweden has also been commissioned to make a report each month on the quantity of vaccinations performed in each region. The quantity of vaccinations reported will be used for payments to the regions.

The Swedish Medical Products Agency will ensure that COVID-19 vaccinations are followed up continuously up until the end of 2024 so as to detect any safety problems. This includes gathering and analysing reports about side-effects from health care staff and private individuals who have been vaccinated, monitoring unusual patterns in the Swedish register of health data and, when required, carrying out specific studies to follow up serious indications of side-effects of the vaccines.

3.3 Household debt

Summary – examples of initiatives and measures

- A mortgage loan-to-value cap was introduced in 2010. It means that new loans should not exceed 85 per cent of the market value of the property.
- The risk weight floor of 15 per cent for Swedish mortgages introduced by Finansinspektionen in 2013 was raised to 25 per cent in 2014. In 2018 the method of applying the risk weight floor for Swedish mortgages was changed.
- Finansinspektionen decided in 2015, 2016 and 2018 to increase the countercyclical capital buffer requirement. To safeguard credit provision and thereby support the Swedish economy in the situation that had arisen on account of the spread of the coronavirus, the requirement was reduced in March 2020.
- An amortisation requirement was introduced for new mortgage borrowers; the relevant regulations entered into force on 1 June 2016.
- The amortisation requirement for mortgages was tightened, as of 1 March 2018, for households taking out new mortgages that are large in relation to these households' income.
- The amortisation requirements were expanded in 2019 so as to also cover companies subject to the Mortgage Business Act. The amendment entered into force on 1 January 2019.

- On 14 April 2020 Finansinspektionen decided that banks were to be able to give all new and existing mortgagors a temporary exemption from amortisation requirements on account of the spread of the coronavirus and its effects on the Swedish economy. The exemption applies until 31 August 2021.
- The mandate of Finansinspektionen to undertake macroprudential measures was strengthened through legislative amendments that came into force on 1 February 2018.

The Government's view of the recommendation

The Government shares the assessment that households' high debt poses risks. In particular, it is a risk to macroeconomic stability as households with high loans may reinforce a downturn in the economy if many of them choose, at the same time, to draw down their consumption so as to be able to pay their loans or increase their savings.

House prices and household debt, which largely consists of mortgages, rose rapidly for a long time in Sweden. Structural changes in the mortgage market, in combination with low interest rates and a strong economy that resulted in household incomes rising at a good pace, contributed to this development. In recent years a number of macroprudential measures have been implemented; one purpose being to counter the risks of households' high debt. The measures introduced are judged to have led to the households affected by them buying cheaper housing, borrowing less and amortising more. Since 2017 house prices had increased at a moderate pace up until the start of the pandemic, when prices fell temporarily. However, since the end of June 2020 house prices have increased more rapidly than their historical average, despite the downturn in the economy. This applies to detached house prices in particular. The rate of increase of household debt has slowed since 2016 and increased by around 5% in 2020. However, household debt-to-income ratio, which stabilised in 2017–2019, increased in 2020. This is judged to be mainly due to weak growth of household disposable income in 2020.

In its annual report *The Swedish Mortgage Market* from 2021, Finansinspektionen made the assessment that, in general, households have sufficient financial margins to cope with interest rate increases and loss of income but that some mortgagors may have strained cash flows in such a situation.

The Government shares the assessment of the European Commission that the design of the tax system can influence household debt. However, it is important to maintain stable and predictable rules for decisions as important as buying a home. The need for action in the area must be viewed from a long-term perspective and be handled with care. This applies particularly to the question of tax deductions for interest payments.

Initiatives and measures

A number of measures have been taken to strengthen the resilience of the financial system.

Loan-to-value (LTV) ceiling for mortgages

In autumn 2010 Finansinspektionen adopted a general guideline on loans collateralised by residential property; the loan-to-value (LTV) ceiling for mortgages means that new loans should not exceed 85% of the market value of the property.

Risk-weight floor

To ensure that banks maintain own funds that cover the risks in their Swedish mortgage portfolio, Finansinspektionen introduced a risk-weight floor for Swedish mortgages in several stages. In May 2013 a risk-weight floor of 15 per cent was introduced for Swedish mortgages, and it was then raised to 25 per cent in September 2014. Higher risk weights mean, all else equal, that the banks need to retain more capital for their lending. In 2018 Finansinspektionen decided to change the method for the application of the risk-weight floor for Swedish mortgages, which was then being applied in Pillar 2. The new requirement was designed within the framework of Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation). The aggregate capital needs of credit institutions were not affected to any appreciable extent by the measure. The measure entered into force on 31 December 2018. In December 2020 Finansinspektionen decided to extend the risk-weight floor by one year, from 30 December 2020 until and including 30 December 2021.

Capital requirements

The initial phase of the Basel III accord was implemented in the EU in 2014 when the Prudential Requirements Regulation entered into force, and Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of

credit institutions and investment firms (the Capital Requirement Directive) was transposed into Swedish law. The regulatory framework means that a larger share of capital requirements has to be met with capital of higher quality, i.e. capital with better loss-absorbing capacity. Buffer capital requirements have also been introduced through the regulatory framework, and this has resulted in higher capital adequacy requirements for Swedish institutions, especially for systemically important institutions. In 2019 the EU adopted a new regulation and two new directives that involve amendments to the present legal acts concerning capital adequacy and the management of banks in crisis; the Banking Package is the collective name for these amendments. The Package includes the requirement regarding the leverage ratio, which is a parallel requirement to the risk weighted capital requirement. As regards the amendments to the capital requirement regulations, the Banking Package was implemented in Swedish law on 29 December 2020.

Between 2015 and 2020 Finansinspektionen has gradually increased the counter-cyclical capital buffer requirement to 2.5%. On account of the spread of the coronavirus and the economic and financial uncertainties resulting from its spread, Finansinspektionen decided on 16 March 2020 to reduce the counter-cyclical capital buffer requirement to 0%. This measure is intended to create scope for banks to maintain or increase their lending to businesses and households, thereby supporting the Swedish economy. In March 2021 Finansinspektionen made the assessment that a decision to raise the requirement will only be considered/made when both the economy and future prospects have stabilised and that an increase of the buffer requirement will be made in the third quarter of 2021 at the earliest.

Amortisation requirement

The Act that gives Finansinspektionen a mandate to issue regulations concerning amortisation requirements for new mortgage loans entered into force on 1 May 2016. Thereafter, and following Government consent, Finansinspektionen adopted regulations on the amortisation requirement, which entered into force 1 June 2016. On 1 March 2018 the amortisation requirement was tightened for households taking large mortgages in relation to their income. When introduced, this measure was judged to affect just under 15 per cent of new mortgage borrowers. In December 2018, following Government consent, Finansinspektionen decided to amend the amortisation regulations so that they also apply to companies subject to the

Mortgage Business Act.¹ This measure ensures that the purpose of the amortisation requirements is achieved since the same amortisation requirements apply to loans secured by homes irrespective of whether the loan is given by a company subject to the Mortgage Business Act or a credit institution.

The design of the amortisation requirement enables banks and borrowers to agree on exemptions from the requirement when there are special reasons. On account of the spread of the coronavirus, Finansinspektionen announced on 17 March 2020 that income loss linked to the virus is one such special reason for exemptions from amortisation. On 14 April 2020 Finansinspektionen decided that banks were to be able to give all new and existing mortgagors exemptions from the amortisation requirements on account of the spread of the coronavirus and its effects on the Swedish economy. It is then the creditors that determine, on the basis of individual assessments, whether exemptions can be granted. This exemption applies until 31 August 2021.

Finansinspektionen's mandate to take macroprudential measures

Legislative amendments that entered into force on 1 February 2018 give Finansinspektionen possibilities, following government consent, to take further macroprudential measures to counteract imbalances in the credit market. These measures consist of different types of limitations concerning lending to households and companies, such as limits on the size of loans and interest expenditure that borrowers can be considered to be able to cope with in relation to their financial situation.

Evaluation of macroprudential supervision

In 2018 the Government commissioned Finansinspektionen to present methods for evaluating macroprudential supervision. Finansinspektionen's final report on this commission was presented to the Government on 14 June 2019. Finansinspektionen's report: "Finansinspektionen's work on macroprudential supervision" [*Finansinspektionens arbete med makrotillsyn*] shows that the macroprudential measures have led to households buying cheaper homes, taking smaller mortgages and amortising more than they would have done without the measures. Finansinspektionen's analysis "FI-analys 20: Fewer home equity withdrawals after amortisation requirements" also shows that home equity withdrawals have decreased after the

¹These are companies that have licences to provide mortgages under the Mortgage Business Act (2016:2035).

amortisation requirements, which has contributed to a decrease in the share of mortgagors with high levels of debt. Extensive home equity withdrawal from existing homes, i.e. mortgage borrowing for purposes other than home purchases, can entail macroeconomic risks. In 2020 the Government commissioned Finansinspektionen to conduct a /full/ evaluation in 2021 of the macroprudential measures implemented. The evaluation includes seeing what effects the measures have had on household debt, and how this development has affected the risks linked to the debt. A final report on the evaluation is to be submitted by 30 June 2021.

Other measures

The policy agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party presented in January 2019 (the January Agreement) includes the implementation of an extensive tax reform. The aims of the tax reform include reducing household indebtedness and contributing to the better functioning of the housing market.

3.4 Housing market

Examples of initiatives and measures since Sweden's National Reform Programme 2020

- **The investment support for rental housing and housing for students has been developed in several ways** The investment support for rented housing and housing for students was already reformed in February 2020 to improve its effectiveness, to increase the mix of flat sizes to meet more needs and to make it easier for young people and people in a vulnerable social situation to enter the housing market. In June 2020 Boverket [*Swedish Board of Housing, Building and Planning*] reported on its commission to propose how the rent levels in the Investment Support Ordinance could be set so as to follow the development of building costs. A consultation has been held on Boverket's report, and it is now being processed in the Government Offices.
- **The rules on private rights of initiative in the Planning and Building Act have been made clearer** To simplify work on drafting detailed development plans the Comprehensive Plan Inquiry has proposed clearer rules about private rights of initiative in the Planning and Building Act (SOU 2019:9). Its proposals mean that planning stakeholders will be able to use the period from when the municipality

decides to give a positive planning notification until the point in time when actual work on the detailed development plan begins to produce the supporting material needed to make the plan. The Government adopted a bill in line with the Inquiry's proposal in March 2021. It is proposed that the amendments enter into force on 1 August 2021.

- **Several amendments have been made to the Planning and Building Act.** Several amendments have been made to the Planning and Building Act so as to ensure better continuity in comprehensive planning and to make sure that the regulations provide support for good application and that the comprehensive plan will facilitate subsequent planning and examination to a greater extent than it currently does, e.g. in detailed development planning and in the examination of building permits and advance notices. The legislative amendments entered into force on 1 April 2020.
- **Boverket has made proposals on how the housing shortage can be calculated and presented.** Boverket reported on its commission in September 2020. It should be possible for public actors to use these calculations in their work on housing provision issues. The Ministry of Finance has held a consultation on a memorandum proposing that Boverket should be commissioned to make regular calculations at national, regional and local level that the municipalities will be able to use as input for their analysis ahead of the drafting of municipal guidelines for housing provision.
- **The Inquiry on coordination for housing construction has presented its final report.** In December 2020 the Inquiry presented its final report on its remit of facilitating the coordination between parties concerned in municipalities with particularly complex planning conditions so as to bring about increased and sustainable housing construction (Fi N 2017:08). All in all, the work of the Inquiry has contributed to the planning and earlier scheduling of more and sustainable urban districts and housing across the country.
- **The Inquiry on better competition in housing construction has presented its report.** The Inquiry's report *Lower-cost building and homes — proposals for better competition in housing construction [Bygg och bo till lägre kostnad — förslag för bättre konkurrens i bostadsbyggandet]* (SOU 202:75) was presented in December 2020. A consultation has been held on the report.
- **The Inquiry to review shore protection has presented its report.** The Inquiry's report *Accessible shores – more differentiated shore protection [Tillgängliga stränder – ett mer differentierat strandskydd]* (SOU 2020:78) was

presented in December 2020. A consultation has been held on the report.

- **The Inquiry on proposals to assist first-time buyers in the housing market has been appointed.** In December 2020 the Government decided to appoint this Inquiry (Fi 2020:11; ToR [terms of reference] 2020:125). Its remit is to investigate and present proposals for measures to assist households that are going to buy a home for the first time. The Inquiry is to present its report by 1 November 2021.
- **The Inquiry on socially sustainable housing provision has been appointed.** The Government decided in May 2020 to appoint this inquiry (Fi 2020:06; ToR 2020:53). Its remit is to create conditions for socially sustainable housing provision that eases the situation of households that have difficulty finding a home on market terms, counter housing segregation and improve the conditions for equal childhood and living conditions. The Inquiry is to present its report by 8 November 2021.
- **The Inquiry appointed on location and quality in rent setting has been appointed.**
The Government decided in June 2020 to appoint this inquiry (ToR 2020:70). The Inquiry is to present its report by 30 June 2021.

The Government's view of the recommendation

The Government shares the assessment that there are substantial challenges in the Swedish housing market.

Further reforms are needed to increase the supply of housing, especially rented housing with rents at relatively low levels that can be demanded by more people. Increasing the supply of rented housing can improve mobility in the housing market and matching in the labour market, two important components for high employment and efficient resource utilisation in the economy. One of the most important measures taken by the Government in the past year has therefore been to reintroduce and increase the effectiveness of the investment support for new construction of rented housing and student accommodation. This support encourages a continued high rate of construction of rented housing at relatively low rents.

With the aim of improving competition in the construction industry the Government appointed an inquiry on better competition in housing construction in 2019 to review public procurement of housing construction at a predetermined rent and to analyse in what way action by municipalities affects the ability of companies to develop their operations throughout the country. The Inquiry presented its report Lower-cost building and homes — proposals for better competition in housing construction [*Bygg och bo till lägre kostnad — förslag för bättre konkurrens i bostadsbyggandet*] (SOU 202:75) in December. A consultation has been held on the report.

An inquiry has been appointed to propose more effective rent negotiations and therefore how better setting of rents can be achieved.

The Government also shares the Commission's assessment that the tax system can affect mobility in the housing market. The changes made in housing taxation in recent years have moved towards lower current taxation and higher taxation when transactions are made. The January Agreement provides for the implementation of an extensive tax reform, one aim of which is to improve the functioning of the housing market.

The Commission makes the assessment that Sweden has not made any progress in reviewing the taxation of capital gains. The Government shares the view that the design of the tax system is of central importance for the housing market. However, it is important to maintain stable and predictable rules for decisions as important as buying a home. The need for action in the area must be viewed from a long-term perspective and be handled with care. This also applies to the question of capital gains taxation.

Sweden has, however, implemented a number of changes with bearing on the housing market. To increase the efficiency of the housing market, reduce lock-in effects and improve mobility, the cap on deferred capital gains for sales of private homes has been raised and the standard income assessed on deferred capital gains abolished. The transaction costs for home purchases and sales have been reduced and more individuals are expected to realise their moving plans, which means better mobility in the housing market.

Initiatives and measures

During this electoral period the Government has continued the previous Government's work on making planning and building processes simpler and more efficient in order to make the regulatory framework more effective and appropriate. The main starting point for this has been the policy agreement

between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party presented in January 2019 (the January Agreement) that includes action in a number of different areas.

The Government is pursuing a policy for long-term sustainable housing construction over time. Construction has increased strongly and has been at high levels for several years. In 2019 more than 58 800 dwellings were completed through new construction and renovation, which was on level with the preceding year. As in the preceding year, most of the new dwellings were in rented housing. Of the new dwellings in multi-dwelling buildings, 53% were in rented housing and 47% in cooperative housing. In 2019 the number of housing completions in multi-dwelling buildings was more than 45 400, which is the highest number since 1973. In 2020, 51 600 new dwellings were started according to preliminary data from Statistics Sweden. According to the Government's most recent forecast in the Spring Fiscal Policy Bill, around 46 000 dwellings are expected to be started in 2021.

The investment support for new rented housing and student accommodation is an important measure to stimulate a continued high rate of construction. In December 2019 the Government adopted amendments to the Ordinance entering into force on 1 February 2020. The amendments include a new requirement that at least 10 per cent of flats have to be small, i.e. no larger than one room and a kitchen or the equivalent, so as to increase the mix of flat sizes. In order to facilitate market entry for individuals who often have great difficulty getting established or re-established in the regular housing market, the Ordinance now requires the recipient of support to offer every eighth housing unit to the municipality, which is then able to let these units for use under "social contracts" for a five-year period and/or allocate them to people under the age of 31. The municipality concerned is allowed to determine whether and, if so, how they choose to use the offer on the basis of current local needs. To achieve more effective use of the funds in the appropriation, construction must now start no later than one year after the award decision.

As part of action to make the support more effective, Boverket was commissioned to assess how the investment support for rented housing and student accommodation should be allocated between the three metropolitan regions, on the one hand, and the rest of the country, on the other. This allocation has to take account both of the assessed need for housing construction and, with respect to the rest of the country, of local shortages of certain types of housing. In January 2020 Boverket decided to allocate

75 per cent of the support to the metropolitan regions and 25 per cent to the rest of the country.

Boverket has also been commissioned to analyse and present a proposal on how the highest permitted standard rents under Section 8 of the Ordinance on investment support for rented housing and student accommodation (2016:881) should be re-calculated annually to compensate for cost growth in new production of rented housing. Its proposal is to take particular account of the different conditions that may apply to the regions stated in the Ordinance. Its commission includes presenting the necessary legislative amendments. The report in the commission was presented in June 2020 and a consultation was held. The matter is being processed by the Government Offices.

The investment support was reinforced in 2021 in order to counter an expected downturn in housing construction as a result of the spread of the disease COVID-19.

The possibilities of agreeing payment for raising the standard of a flat have been increased (extra options). Put simply, the new rules mean that the landlord and tenant are able to agree payment for certain equipment or maintenance. Then departures from this part of their agreement are only permitted in exceptional cases over a ten-year period. So freedom of contract has been expanded to give landlords incentives to offer tenants different levels of standard and to thereby give tenants greater freedom of choice.

In spring 2020 the Government adopted the Government Bill *Enhanced comprehensive planning [En utvecklad översiktsplanering]* proposing amendments to the Planning and Building Act. The proposals are intended to ensure better continuity in comprehensive planning and to make sure that the regulations provide support for good application and that the comprehensive plan will facilitate subsequent planning and examination to a greater extent than it currently does, e.g. in detailed development planning and in the examination of building permits and advance notices. The legislative amendments entered into force on 1 April 2020.

In the Government Bill *Larger accessory residential buildings [Större komplementbostadsbus]* the Government has proposed an amendment to the Planning and Building Act increasing the permitted building area of an accessory residential building that may be erected, without a building permit

being required, in the immediate vicinity of a one- or two-dwelling building from 25 to 30 square metres. The proposal is intended to increase the construction of accessory residential buildings and to make it possible to construct such buildings with higher residential quality. The amendment to the legislation entered into force on 1 March 2020. Since then the Riksdag has decided that the increase from 25 to 30 square metres should also apply to accessory buildings that do not contain a housing unit.

Inquiries and commissions

Government-appointed inquiries

Building Rules Modernisation Committee

The Building Rules Modernisation Committee was appointed in February 2017 and presented its final report *More modern building rules — predictable, flexible and simplified* [*Modernare byggregler — förutsägbart, flexibelt och förenklat*] (SOU 2019:68) in December 2019. The Committee's main remit was to conduct a systematic and thorough review of the regulatory framework for building in order to modernise the regulatory framework, thereby fostering greater competition and increased housing construction. A consultation was held on the report in spring 2020.

Partly in parallel with this, Boverket has been commissioned by the Government to review its building and design regulations (BBR and EKS) and to continue the work of the Committee. The purpose of this review was to create a simplified and consistent set of regulations, all of which has a similar structure and level of detail. Boverket calls its work *Building regulations rich in possibilities* [*Möjligheternas byggregler*]. Comments on the parts of the Committee's report that concerned Boverket's building regulations (BBR) were passed on to Boverket, which has taken account of these comments in its work. Boverket's regulatory model is based on Boverket further specifying in its regulations the requirements set in legislation at Riksdag and government level, while the urban development sector develops solutions that meet the regulations and develops verification methods.

The Building Rules Modernisation Committee noted that the term reconstruction [*ombyggnad*] in the Planning and Building Act is complicated and hard to interpret and proposed that the term be removed from the Act since the additional requirements prevent reconstruction. Many consultation respondents shared the picture that the regulations are complicated but considered that the additional requirements fulfil a purpose and that that a

further investigation should first be made of the question. Boverket has therefore been commissioned to investigate how the term reconstruction can be clarified in the Planning and Building Act. A report on the commission is to be presented by 30 November 2021 (Fi2021/00253). In addition, the Committee proposed establishing a Building Requirements Commission for advance rulings about requirements for construction works so as to favour mass construction and also the abolition of inspection officers and certified experts as part of the inspection system. Its report is being processed in the Government Offices.

Inquiry on coordination for housing construction

In 2017 the Government appointed an inquiry (Fi N 2017:08 *Coordination for housing construction [Samordning för bostadsbyggande]*) to facilitate the coordination between parties concerned in the urban development process in municipalities with particularly complex planning conditions. The purpose of its remit was to facilitate planning processes so as to bring about increased and sustainable housing construction. In addition to supporting municipalities in various ways in their planning work, the inquiry was to continue work started previously on investigating housing construction on state-owned properties and to form and run a network for municipalities building new urban districts and communities. A final report on its remit of facilitating the coordination between parties concerned in the urban development process was presented in December 2020 (Fi2020/05236). Agreements have been made on large integrated developments and housing construction in the Municipalities of Knivsta, Gävle and Uppsala. The state undertaking includes four rail tracks between Uppsala and the Uppsala/Stockholm county border and new station locations in Knivsta and Bergsbrunna. Similarly, the State is going to begin an expansion of the East Coast Line in the Municipality of Gävle to double track. The agreements mean that the municipalities have undertaken to deliver 66 000 new housing units. Under the agreements, the municipalities have undertaken to deliver sustainable urban districts based on public transport, cycling and walking. In a decision made on 1 October 2020 the Government Commissioned the County Administrative Board in Uppsala to coordinate the follow-up of the agreements made by the coordinator for large, integrated developments.

Building Rights Inquiry

The Building Rights Inquiry completed the reporting of its remit in August 2018 with the report *Faster housing construction [Ett snabbare bostadsbyggande]* (SOU 2018:67). Its remit was to map municipalities' possibilities of ensuring

that existing building rights are made use of without delay and to strengthen policy tools when required. The Inquiry has analysed the municipalities' tools and described how they work with these questions. It has also highlighted good examples and analysed how application could be improved. Finally, the inquiry has identified the areas where the municipalities' tools need to be sharpened through amendments to the legislation. The inquiry presents proposals for a shorter implementation period, changes in development agreements, expropriation, compulsory purchase and the Pre-emption Act and monitoring of detailed development plans. A consultation has been held on the inquiry's report, which is now being processed in the Government Offices.

Private rights of initiative in the Planning and Building Act

To simplify work on drafting detailed development plans the Comprehensive Plan Inquiry has proposed clearer rules about private rights of initiative in the Planning and Building Act (SOU 2019:9). Its proposals mean that planning stakeholders will be able to use the period from when the municipality decides to give a positive planning notification until the point in time when actual work on the detailed development plan begins to produce the supporting material needed to make the plan. In line with the Inquiry's proposal, on 18 March 2021 the Government adopted the bill Private rights of initiative – participation of planning stakeholders in detailed development planning (Govt Bill 2020/21:131) was presented in conjunction with this Bill. The entry into force date proposed for the legislative amendments is 1 August 2021.

Inquiry on simplified and effective regulations for building permits etc.

In January 2020 the Government appointed an inquiry on a Simplified and effective regulations for building permits etc. (ToR 2020:4). An inquiry is to conduct a systematic review of the regulatory framework for building permits etc.; this is to be done against the background that the effectiveness of the regulatory framework for permits is of great importance for municipalities and for developers and other private parties, as well as for the planning and building process as a whole. The purpose of the inquiry is to devise a simpler, more effective and more appropriate regulatory framework while securing important public and private interests and long-term sustainable construction of housing and other works. The remit of the Inquiry includes proposing when a permit obligation and a reporting obligation should arise for different types of measures. The Inquiry is to present its report by 31 May 2021.

Better competition in housing construction

In 2019 the Government appointed an inquiry on Better competition in housing construction (Fi 2019:04). The background to the inquiry is to be found in the recommendations presented by the Swedish Competition Authority in the report *Better competition in housing construction. A follow-up of developments in 2015–2018* [*Bättre konkurrens i bostadsbyggandet. En uppföljning av utvecklingen 2015–2018*] (report 2018:7). As part of their inquiry, the inquiry chair is both to produce supporting information for public procurement of residential buildings where the rent level in the completed housing units is pre-determined and to analyse in which way the action taken by municipalities influences the possibilities of developing, throughout the country, the operations of companies whose business concept is the construction of housing at low cost or the letting of housing at low rents. The purpose of the inquiry is to favour a development in which lower production costs are reflected in lower housing costs and in which companies with that kind of business model are given better conditions for their operations. The inquiry presented its report *Lower-cost building and homes — proposals for better competition in housing construction* [*Bygg och bo till lägre kostnad — förslag för bättre konkurrens i bostadsbyggandet*] (SOU 2020:75) in December 2020. The Inquiry has developed various tools that municipalities can use under present legislation. The Inquiry has also proposed an amendment to the Planning and Building Act to reduce the existing obstacles in, for example, the form of detailed provisions about the design of buildings in detailed development plans. The Inquiry's proposal increases the possibilities of approving deviations from a detailed development plan for mass-produced multi-dwelling buildings.

Its proposal makes it possible to give a building permit for the construction of a mass-produced multi-dwelling building even though the measure is contrary to the applicable detailed development plan or area regulations if the deviation relates to the scope, design or placing of the development and is necessary to enable a multi-dwelling building to be constructed as a mass-produced building. A consultation is being held on the inquiry's report until and including 23 April 2021 (for more information, see Sweden's Recovery and Resilience Plan). This legislative proposal has a strong link to the proposals expected from the Building Permit Inquiry since that Inquiry is making a broad review of the regulations for building permits, including the question of what deviations from applicable detailed development plans should be permissible in the examination of permit applications.

Parallel work is under way in the Government Offices, based on Boverket's report *A more predictable construction process [En mer förutsägbar byggprocess]* 2017:23, on preparing proposals to encourage mass-production of multi-dwelling buildings.

Inquiry to review shore protection

In 2019 the Government appointed an inquiry to review the shore protection legislation. The purpose of the inquiry was to propose legislative amendments and other measures that result in a fundamental reworking of shore protection through greater differentiation that takes account of the varying access to lakes and shores around the county and to population density and development pressures. It should be much easier to build close to shores in rural areas. The proposals should also be intended both to improve the conditions for housing and business activities mainly for small business owners, the visitor industry and green industries in areas of low development pressure and to retain or, where required, reinforce shore protection to safeguard unbroken shorelines, availability under the right of public access and the environment in heavily developed areas. Local influence should increase. The Inquiry presented its report *Accessible shores – more differentiated shore protection [Tillgängliga stränder – ett mer differentierat strandskydd]* (SOU 2020:78) on 14 December 2020. A consultation is being held on the report until 3 May 2021.

Inquiry on socially sustainable housing provision

The Government decided in May 2020 to appoint an inquiry on socially sustainable housing provision (Fi 2020:06; ToR 2020:53). The purpose of the Inquiry is to create conditions for socially sustainable housing provision that eases the situation of households that have difficulty finding a home on market terms, including structurally homeless people. At the same time, housing segregation should be countered and the conditions for equal childhood and living conditions should be improved. It is important in this context that there is a clear division of responsibilities in the government sector and that the tools of housing policy are effective and appropriate. The inquiry is expected to present its report by 8 November 2021.

The inquiry on proposals to assist first-time buyers in the housing market

The Government decided in December 2020 to appoint the Inquiry on proposals to assist first-time buyers in the housing market (Fi 2020:11; ToR 2020:125). The purpose of the Inquiry is to investigate and present proposals for measures to assist households that are going to buy a home for the first

time (first-time buyers). The background as to why the Government sees a need for measures to assist first-time buyers in particular is that such a large part of the housing stock now consists of owner-occupied homes and that house prices have increased sharply, more than household incomes. Those who want to finance their down payment with their own capital must therefore save more than before. First-time buyers, who are often young people, often have little capital of their own and lower incomes than other groups of households.

One example of measures that the Government wants the Inquiry to present proposals for is how a government starter loan for first-time buyers should be designed (e.g. regarding the size of their down payment, whether the starter loan should have a maximum amount, what actor(s) should provide and administer the loan and the financing of the loan). The inquiry is to present its results by 1 November 2021.

Inquiry on a public register of housing cooperative titles

In December 2020 the Government decided to appoint an inquiry on a public register of housing cooperative titles (Fi 2020:10; ToR 2020:123). The purpose of the Inquiry is to present proposals for the design of a public register of housing cooperative titles. The lack of a register of this kind means that there is, at present, no reliable information about how housing cooperative titles are mortgaged, leading, for example, to risks for both buyers and lenders. A buyer suffers if the housing cooperative title is security for a loan they were not aware of. For a lender, there is a risk that a loan may be granted based on an incorrect picture of the security for the loan or that a person who does not have the right to use a housing cooperative title mortgages it.

The Inquiry is to propose how the handling of mortgages in housing cooperative titles can be improved and how a public register of housing cooperative titles should be designed. This includes assessing whether the register should include all housing cooperative titles or only mortgaged housing cooperative titles; considering whether the handling of transfers should be improved; considering whether the register should be designed as a free-standing register or should be included in an existing register; proposing which body or bodies should be responsible for the register and be responsible for personal data; proposing how a register should be built up and how the information should be gathered; and how to maintain good quality and currency. The inquiry is to present its results by 1 July 2022.

Inquiries of particular importance for the functioning of the rental market

An inquiry on more effective rent negotiations has been appointed to investigate how collective rent negotiations can be made more effective. The purpose is to improve the functioning of these negotiations when it comes to setting rents for flats and establish long-term sustainable rent levels. The inquiry presented its report in December 2020. Its remit is based on a political agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party (the January Agreement). That part of the Agreement states: “The negotiating system for existing rental housing will be reformed to function more effectively with an independent arbitration procedure that determines, in the event of disputes, what is a reasonable annual increase as well as time limits for negotiations that are combined with financial penalties when they are not met.

An inquiry has been appointed to present proposals for a model for freedom to set rents in new housing production (ToR 2020:42). The Inquiry is to be present its report by 31 May 2021. Freedom to set rents in new housing production is part of the January Agreement, which is a political agreement between the Government, the Centre Party and the Liberal Party.

A Commission has also been appointed to chart how location and quality are taken into account in setting rents and propose suitable measures if this is not done to a sufficient extent (ToR 2020:70). The Commission is to present its report by 30 June 2021. It is in accordance with the policy agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party (the January Agreement) that the location and quality of rented flats is to be allowed to have a greater impact on rent setting.

Commissions to government agencies

Boverkets commission to calculate housing shortage

In June 2019 Boverket was commissioned to present proposals for how to calculate and present the housing shortage, Commission to present proposals for how to perform recurring assessments of the housing shortage (Fi2019/02440/BB). It should be possible for public actors to use these calculations in their work on housing provision issues. At present there are no accepted definitions and uniform concepts, and this makes it more difficult to assess needs. Boverket presented its report in September 2020. A consultation has been held on Boverket’s report along with a ministry memorandum — Better supporting information for assessing the housing

shortage (Ds 2021:2); among its proposals is that Boverket should develop measures corresponding to those proposed in its report at national, regional and local level and should supply the municipalities with this data at local level. The ministry memorandum proposes that the municipalities should be required to use Boverket's supporting information in the analysis they have to carry out as the basis for the drafting guidelines for housing provision in each electoral term. The implementation date, in practice, in the municipalities is proposed to be as of the next electoral term. The consultation period ends on 14 April.

Boverket's commission on the Planning and Building Act in digital environments

The Government has commissioned Boverket to work for effective and uniform application of the Planning and Building Act in a digital environment (Fi2021/00948). Boverket is, for instance, to present proposals for and implement the technical solutions needed to enable a digital planning, permit and building process. An assessment is also to be made of whether, and if so which, legal impediments there are to detailed development plan decisions being digital as well as of how older detailed development plans can be replaced by new digital decisions. Boverket is also to propose how comprehensive plans and regional plans should be designed in a digital environment. In addition, Boverket is to propose how digital detailed development, comprehensive and regional plans can be archived in a durable way and to present proposals for the necessary legislative amendments. Boverket is to report on its commission by 16 December 2021.

Lantmäteriet's commission on digital infrastructure

The Government has also commissioned Lantmäteriet to establish digital infrastructure for making available at least two standardised data sets in the urban and rural development process (Fi2020/00358/SPN). A digital urban and rural development process is based on the ability of different actors to exchange information digitally. The urban and rural development process requires extensive manual effort both to find current, relevant and correct information in digital form and to convert and re-use such information. For the digital tools in the urban and rural development process to be more effective, the information exchanged should be standardised, free of charge and searchable. An interim report on the commission is to be presented by 1 February 2021 and the final report by 31 January 2022.

Swedish Competition Authority's commission about competition in the building materials industry

The Government has commissioned the Swedish Competition Authority to investigate and chart competition in the sectors of the building materials industry that are of strategic importance for housing construction in terms of market concentration, price formation, vertical integration, international integration, purchasing and selling power and choices of building materials. The Inquiry is to present its report by 21 December 2021.

National interests commission

The Government has commissioned the Swedish Environmental Protection Agency, the Swedish National Heritage Board, the Swedish Energy Agency, the Swedish Agency for Economic and Regional Growth and the Swedish Transport Administration to conduct a review, with Boverket as the coordinating agency, of their claims on areas of national interest. The commission includes reviewing and specifying the criteria for what areas are to be considered of national interest and evaluating whether the present claims on areas of national interest correspond to the criteria developed and considering whether these claims need to be changed. In all, the review is intended to lead to a strong reduction of both the number of claims on areas of national interest and the overall geographical spread of these areas. The final report on this commission is to be presented to the Government Offices (Ministry of Finance) by 15 September 2021.

3.5 Investments

To restart the economy after the pandemic, the Government and the Riksdag have implemented extensive investments throughout Sweden. The aggregate expenditure for the measures taken since the spread of the infection began is estimated at more than SEK 400 billion. Both the green transition and digitalisation are priority areas for the Swedish Government, and several measures are also included in the Swedish Recovery and Resilience Plan. The Government considers that the areas of investment identified by the Commission are important areas if Sweden is to continue to be competitive in the future.

Initiatives and measures

Investments in green and digital transition

Funding of around SEK 10 billion has been provided for the green transition in the Budget Bill for 2021, and through proposals in the Spring

Amending Budget and Additional Amending Budget. To reduce climate emissions across the country and contribute to a green recovery, the Climate Leap initiative has been reinforced and extended in the central government budget for 2021 by SEK 80 million and the whole appropriation now totals SEK 1 935 million. Since 2015 this investment support has financed climate projects around Sweden that are expected to reduce annual emissions by 1.8 million tonnes and created 4 000 new jobs. A strategic and important initiative for the transition of industry is the Industry Leap, which provides support for developing solutions to reduce process-related emissions. The Industry Leap has been reinforced with SEK 150 million in 2021 to just under SEK 750 million and has been broadened to, for example, also include strategically important action for biofuels and battery production. To promote technologies that enable a fossil-free transition, funding has also been provided for Important Projects of Common European Interest (IPCEIs). SEK 200 million per year is being provided in 2021–2022, and SEK 70 million per year for 2023–2027. The transition to a digital society requires broadband that ensures good and robust connectivity for digital services. To make it possible to also deliver broadband expansion in areas where the market will not do so by itself, action is being taken to support and promote broadband expansion. Therefore SEK 2.2 billion has been provided for the period 2021–2025 to expand broadband throughout the country. The Government is also taking other measures intended to deliver and facilitate digitalisation. One such measure is the establishment of an administration-wide digital infrastructure. The Government's objective for digitalisation of public administration is a simpler everyday life for citizens and businesses, a more open administration that supports innovation and participation and higher quality and effectiveness in services. The green and digital transition go hand-in-hand, and for it to be attractive to choose rail access to mobile connectivity must be good. Therefore SEK 25 million has been provided for the period 2021–2022 to improve mobile connectivity on long-distance trains.

Investments in education, research and skills

The Commission's assessment is that by supporting skills provision Sweden can maintain higher productivity growth with the aid of research and innovation in high technology sectors. Research and innovation is crucial for Sweden's future competitiveness and the restart of the economy after the pandemic. In the Budget Bill for 2021 additional funding of SEK 3.4 and 3.2 billion for 2021 and 2022 has been provided for the research and innovation appropriations. Moreover, for a number of years the

Government has provided funding to make an extensive Knowledge Boost possible, corresponding in 2021 to more than 150 000 education and training places in municipal adult education, folk high schools, higher vocational education and higher education.

The Commission also makes the assessment that investments are required to reduce the difference in results between pupils with foreign and domestic backgrounds. Major initiatives have been taken for schools in recent years and learning outcomes have turned upwards. To increase equity and to continue to raise learning outcomes while enabling schools to address the tough challenges resulting from the pandemic, the Swedish school system has been given additional funding of SEK 1 billion in the Budget Bill for 2021, and a further SEK 385 million has been provided for schools in areas with socioeconomic challenges. Government support for better language development in preschools has also been reinforced by SEK 100 million for 2021.

Investments in infrastructure and sustainable transport

The Commission makes the assessment that planned investment in rail infrastructure is important to facilitate a modal split and to deliver on Sweden's ambitious climate objective. On 16 April the Government presented a new infrastructure bill containing financial frames of SEK 799 billion for the next plan period 2022–2033. Additional funds such as track charges and congestion charges are estimated at SEK 77 billion, resulting in a total frame of SEK 876 billion. The Infrastructure Bill combines funding for road and rail maintenance with new investments. This contributes to accessibility, climate work, expanded labour market regions, regional development, cohesion in the country and Sweden's competitiveness. In the Infrastructure Bill the Government proposes SEK 437 billion in funding for the development of transport infrastructure. The proposed financial frame for development mean that the current national plan can be completed and that funds are available for new main rail lines and other important measures.

An extra amending budget from 2020 provided more than SEK 1 billion for rail and road upgrading. After the Government's proposal in the Budget Bill for 2021, the appropriation for road and rail maintenance has been reinforced by a further SEK 3 billion in the period 2021–2023. In addition to improving the rail and road network, the funding is also intended to increase employment. The electrification of relatively short regional road transport has great potential to contribute to achieving environmental and

climate objectives. Support has therefore been introduced for regional electrification pilots using charging infrastructure for heavy vehicles so as to electrify heavy road transport in the areas with most traffic. Tank infrastructure for hydrogen is also included in the initiative. SEK 500 million in 2021 and SEK 550 million in 2022 have been provided for this purpose.

Investments for a well-functioning housing market

The Government shares the assessment that there is a need for further reform to create conditions for a better-functioning housing market. Construction has increased strongly in recent years and has been at high levels for several years. To reduce the risk of falling housing investment, fewer housing completions and lower employment in the construction sector, the appropriation for the investment support has been raised in the Budget Bill for 2021 by SEK 1.1 billion in 2022 and by SEK 1.9 billion in 2023. A detailed account of measures taken to improve the functioning of the housing market is given in section 3.4 on the housing market.

Priority investment projects

Project title	Main strategic objectives	Total investment (EUR)	Financing
New infrastructure bill containing financial frame for transport infrastructure measures in 2021–2023.	Road and rail maintenance with new investments	Around EUR 87 billion	National budget
Industry Leap	Reduce process-related emissions in industry contribute to technologies for negative emissions	Around EUR 148 million in 2021–2022 and then EUR 79 million per year	National budget
Broadband expansion	Digital transformation	Around EUR 217 million in 2021–2025	National budget
School initiative for areas with socioeconomic challenges	Increased equity and quality	Around EUR 79 million in 2021–2022 and then EUR 40 million per year	National budget
Investment support for rental housing and housing for students	Stimulate housing construction mitigate the economic downturn	Around EUR 297 million in 2021–2023	National budget

3.6 Money laundering

The Government's view of the recommendation

The Government shares the assessment that combating money laundering is a very important issue, and has also taken a number of measures to further strengthen legislation in the area and sharpen supervision.

Initiatives and measures

Legislation

Process

Between April 2019 and March 2020 the Government presented a total of five government bills² to the Riksdag containing material amendments to the Money Laundering Act, the Registration of Beneficial Owners Act and/or related acts. In addition, a number of amendments to acts and ordinances resulting from decisions in earlier years entered into force in 2019.

Moreover, in 2019 the Government appointed an inquiry so as to be able to present further proposals for legislative amendments to improve the effectiveness of the system for combating money laundering and financing of terrorism. The inquiry is to deliver its report in May 2021.

In 2020 a large number of legislative amendments entered into force in line with the Riksdag's decisions regarding various government bills. To the extent that these legislative amendments concern the implementation of EU directives, they have been notified to the Commission. However, the legislative amendments are not limited to the implementation of EU directives.

A number of new proposals are currently being processed in the Government Offices. A consultation has been held on a memorandum³, one purpose of which is to make the provisions of the Money Laundering Act applicable to providers of crowdfunding services. The Government has also presented a bill⁴ proposing a new Estate Agents Act that means that more estate agents and estate agencies will come under supervision, which also means that they will be covered by the regime for combating money laundering and the financing of terrorism. Finally, a consultation⁵ is being held on a memorandum on the implementation of the EU's Directive on financial information.

² 2018/19:125, 2018/19:150, 2019/20:14, 2019/20:55 and 2019/20:83

³ FI2020/05177

⁴ 2020/21:119
(Ds 2021:5).

Materia

Legislative amendments that have entered into force in recent years have affected many different parts of the system. They have, for instance, concerned better powers for Finansinspektionen's examinations of good character; new powers for the Swedish Tax Agency to itself gather intelligence information about money laundering; information from financial corporations to law enforcement authorities; supervision of lawyers and law firms; regulation of virtual currencies; stricter measures in relation to high-risk third countries; better protection for whistle-blowers; exchanging information with foreign supervisory authorities; reinforced powers for Finansinspektionen in relation to foreign branches; measures in relation to transparency in beneficial ownership; feedback in the reporting of suspected transactions; a new account and safe deposit box system; and the implementation of international standards.

During the period Swedish legislation in the area has also been the subject of reviews by various international organisations, e.g. FATF, OECD, EU, the Council of Europe and various parts of the UN.

As regards the near future, the Government has appointed an inquiry to propose additional reforms in the area. The inquiry is to present its report by 31 May 2021. The inquiry has a broad mandate to propose changes in various important areas, including the exchange of information within and between the public and private sectors and supervision.

The Government has also appointed another inquiry to review the provisions for confiscation of proceeds of crime. That inquiry is to propose legislative amendments that mean that the possibilities for confiscation will increase, including considering the expansion of the possibilities for confiscation without any link to a conviction in a criminal matter. The inquiry is to present its report by 17 December 2021.

Initiatives and measures: Work of government agencies

Budget reinforcements

In the central government budget for 2020 Finansinspektionen received SEK10 million for money laundering supervision, three county administrative boards received SEK 12 million for money laundering supervision and the Swedish Tax Agency received SEK 20 million for the development and operation of the account and safe deposit box system described above.

In the central government budget for 2021 Finansinspektionen was allocated a further SEK 10 million for money laundering supervision. The Swedish Estate Agents Inspectorate received an additional SEK 4 million for its supervisory activities on account of the Inspectorate's slightly expanded mandate (see above).

In recent years the Swedish Police Authority has received considerable budget reinforcements. Its appropriation increases by around SEK 1 900 billion in 2021, and a further SEK 1 650 billion has been proposed for 2022. These reinforcements will benefit all parts of the police, including the Financial Intelligence Unit and other parts of the police working on the combating money laundering and the financing of terrorism. The Government's target is for the number of police employees to increase by 10 000 by 2024. More than half of this target had been achieved in the third quarter of 2020. As regards the Financial Intelligence Unit, staffing has increased by 50% since 2017, and further increases in staffing are planned.

The authorities' operational activities

As regards cross-border cooperation, Finansinspektionen has established colleges of supervisors on the money laundering side for Sweden's three largest cross-border banks. Sweden is one of the first Member States to form colleges of this kind. Another initiative that was taken in 2019 is the establishment of a Nordic-Baltic working group in the area. The working group focuses on broader questions of cooperation and exchanges of information between the region's supervisory authorities.

In November 2019 Finansinspektionen communicated that it intended, up until the end of 2020, to triple its capacity in work to counter money laundering and financing of terrorism compared with 2018. Considerable resources were put into examining the major Swedish bank's governance and control of the activities of their subsidiaries in the Baltic region, some organisational changes were implemented and staffing was increased.

In March 2020 Finansinspektionen issued a decision warning Swedbank and requiring the bank to pay an administrative fine of SEK 4 billion on account of deficiencies in its compliance with anti-money laundering regulations, both in terms of its Swedish operations and in the parent bank's governance and control of its bank subsidiaries in the Baltics. This administrative fine is far greater than those previously issued by Finansinspektionen for deficiencies in the area. The investigation was conducted in close cooperation with international bodies corresponding to Finansinspektionen.

In June 2020 a similar criticism with an administrative fine of SEK 1 billion was issued against SEB. Neither of these decisions has been appealed. A number of other investigations are ongoing or have been completed.

As regards the supervisory authorities in general, an increasing number of decisions have been taken in 2020, regarding both financial and non-financial companies. However, the pandemic has meant that fewer site visits have been possible. The authorities have therefore focused to a greater extent on distance inspection.

Sweden's financial intelligence body, the Financial Intelligence Unit, has upgraded its system for the receipt of reports of suspected transactions. As of March 2020 it only uses the UN-developed goAML system, which is used in a large number of countries. The Financial Intelligence Unit is judged to be increasing its capability, both operationally and at the strategic level, to handle and analyse the reports received. The Financial Intelligence Unit sees the content of all reports of suspected transactions, and all information is dealt with, either by being processed and forwarded to law enforcement agencies or by being saved for future use. Several changes, over and above the introduction of goAML, are judged to further increase the effectiveness of the work of the Financial Intelligence Unit; these include the national bank account register (the account and safe deposit box system, see above) and extensive recruitment of new staff to the Financial Intelligence Unit.

When it comes to guidance about risks, a large number of products have been published to support business operators under the Money Laundering Act. Most of them are available on the website of the Government or the police.

In the Swedish Police Authority's appropriation directions for 2021, the Government has commissioned the Authority to report what effects the expanded possibilities of gathering and handling financial information have had in the Authority's activities, including regarding its capacity to chart and investigate more complex criminal schemes, including money laundering.

Finally, the Government is able to note that there has been a strong increase in the number of money laundering offences prosecuted. For 2019 the number of money laundering offences prosecuted⁶ is 1 518, which is an

⁶ Swedish National Council for Crime Prevention (Brå), table 405. The statistics for 2020 will be available in May 2021.

increase of almost 50% compared with the preceding year.⁷ Since 2016, when Sweden was evaluated by FATF, the number of offences prosecuted per year has almost quintupled.

Successful prosecutions have been noted in various types of matters, from minor offences to complex offences linked to financial markets. In one case a man was convicted of a gross money laundering offence after having received and forwarded funds used previously as bribes in a complex scheme involving covered bonds (Svea Court of Appeal, B 5474-20). In another case more than 100 defendants were convicted in a large fraud scheme; several were convicted of money laundering offences linked to the scheme (Svea Court of Appeal, B 1187-20).

Initiatives and measures: International

FATF

FATF published Sweden's first regular follow-up report in September 2020. This report contains new assessments of Sweden's compliance with recommendations 15 and 26. In particular, FATF judges that Sweden is largely compliant regarding compliance with international standards on powers of supervisors and regulation of virtual currencies. Sweden is the first Member State to have achieved the latter.

Sweden is now partially compliant with only 3 of 40 recommendations (and not non-compliant with any of them). Among Member States, only Italy, Spain and Latvia have fewer recommendations that are partially compliant.

As regards the effectiveness of the system for combating money laundering and the financing of terrorism, Sweden has reached FATF's regular follow-up process, which is the least intensive follow-up process. Only five other Member States have achieved this.

IMF

Sweden has taken the initiative of proposing that the IMF perform a regional risk analysis for the Nordic-Baltic Region, including the EEA Member States Norway and Iceland. As far as the Government is aware, this is the first time

that a project of this kind is being carried out in Europe. The project started in January 2021 and is to be completed in summer 2022.

4. European structural and investment funds 2014–2020

Partnership agreement

Sweden has entered into a partnership agreement intended to function as an overall strategy and improve coordination between the four European structural and investment funds: the European Regional Development Fund; the European Social Fund; the European Agricultural Fund for Rural Development; and the European Maritime and Fisheries Fund. The main purpose of the partnership agreement is to help achieve the Europe 2020 targets and strengthen European and Swedish competitiveness. The agreement is also intended to promote synergies and avoid overlaps between the funds and improve conditions for coordination using instruments at EU and national levels.

Ahead of the 2021–2027 programme period Sweden has to present a partnership agreement for the European Regional Development Fund, the European Social Fund and the European Maritime and Fisheries Fund.

Investment for growth and employment 2014–2020

Regional Development Fund

Implementation of Regional Development Fund initiatives began in 2015. Sweden has succeeded well in turning available resources into concrete actions. The total scope, including EU funds and public and private national cofinancing, of the nine Regional Development Fund programmes is around SEK 17.5 billion. The EU frame accounts for around SEK 8.6 billion of this sum.

The Regional Fund programmes are mainly aimed at action for structural change in the priority areas of research and innovation, increased competitiveness in small and medium-sized enterprises and the transition to a low-carbon economy. About 80 per cent of the total funds are therefore estimated to go to these areas. The remaining funds mainly go to the areas of information and communication technology and sustainable transport.

EU funds approved for the nine Regional Fund programmes in Investment for growth and employment until and including 2020 total around SEK 8.4 billion.

In 2020 the programmes were amended to make it easier to use the remaining funds in the Regional Fund programmes for action in SMEs hit hard by the effects of the coronavirus. These actions involved advisory support, digitalisation and special industry initiatives in the visitor industry, for instance.

A further SEK 658 million has been allocated to the Regional Fund in 2021–2023 through React-EU which is part of the Recovery and Resilience Facility. These actions are intended to counter the effects of the pandemic and will mainly be targeted on the hardest hit geographical areas and sectors and also contribute to the green and digital transition.

European Territorial Cooperation 2014–2020

The cooperation programmes form part of the EU cohesion policy aimed at strengthening competitiveness in EU countries and regions through cross-border cooperation. Sweden participates in a total of thirteen different cooperation programmes. All counties in Sweden are affected by at least one of these programmes. The total scope, including EU funds, third-country funds and public and private national cofinancing of the six cross-border regional programmes and the three transnational programmes in which Sweden is participating, amounts to around SEK 14.7 billion. The EU frame accounts for around SEK 9 billion of this sum.

98% of the EU funds in the programmes were granted at the end of 2020, corresponding to around SEK 8.8 billion.

European Social Fund

The National Social Fund Programme 2014–2020 for growth and employment has, so far, been for around SEK 14.5 billion, almost half of which consists of national cofinancing; it is intended to contribute to a well-functioning labour market and a sustainable long-term increase in employment. One important starting point for the programme is to strengthen and develop national labour market policy and contribute to achieving the Europe 2020 strategy targets. Its actions are, for instance, intended to stimulate skills development that strengthens the individual's position in the labour market, increase transitions to work among people who are far from the labour market and facilitate the establishment of young people in working life and their participation in education and training. The EU Youth Employment Initiative has been implemented as part of the Social Fund Programme. The initiative is intended to supplement and expand existing labour market policy measures for young people mainly in

the regions of South Sweden, Northern Central Sweden and Central Norrland.

From the start of the Social Fund Programme in 2014 and until the end of 2020, a total of 753 project applications have been granted and 95% of programme funds committed. A total of 290 000 people have started participating in the projects; 60% of whom are women and 40% men. Implementation of the Social Fund Programme initially had a strong focus first on measures aimed at young people and then on measures for new arrivals. Later, one priority has been reinforcing and developing Arbetsförmedlingen's measures mainly regarding enhanced matching services. In 2020 there was a special initiative in the Social Fund Programme, against the background of the effects of the pandemic, for skills development for people in the business sector subject to redundancies or short-term layoffs. In 2021 priority will be given, in the light of the impact of the pandemic, to the implementation of React-EU and other measures that contribute to strengthening the position of the individual in the labour market. The Social Fund Programme will receive estimated additional funding totalling around SEK 2.6 billion for 2021–2023 through React-EU, which is part of the Recovery and Resilience Facility. This funding will be targeted on reinforcing national labour market policy. The target group will be unemployed people who need upskilling and matching measures to strengthen their position in the labour market so that they find work quickly and avoid long-term unemployment due to the pandemic.

An impact evaluation of the Social Fund Programme in 2014–2020 has been presented. The evaluation shows positive impacts at the individual level, including as a result of intensive and tailored measures. However, the impacts at the organisation level are more limited and uncertain.

Agricultural Fund for Rural Development

The Agricultural Fund for Rural Development is being operationalised in Sweden through the Rural Development Fund, whose total budget for the 2014–2020 programme period is around SEK 37 billion. These funds are allocated in the programme on the basis of a number of priorities, where knowledge and innovation is the programme's first priority; it is, however, horizontal and does not have its own budget. Instead, innovation and knowledge transfer have to be promoted in all parts of the programme. As in previous programme periods, the focus of the programme is on compensation for environmental initiatives at the same time. Over and above that, the Rural Development Programme for 2014–2020 has also, as

in previous programme periods, a broad profile of measures intended to promote rural enterprise, in various ways, both in and outside the farming sector, and initiatives to make it simpler to live and run a business in rural Sweden.

The investments are in the areas: skills development, advice, investments in agriculture, horticulture and reindeer husbandry, agriculture and business development, service, infrastructure and attractive rural areas, support for environmental measures in forests, environment and climate measures in agriculture, organic production, animal welfare payments, cooperation and community-led local development (CLLD)

Maritime and Fisheries Fund

The three overall objectives of the Maritime and Fisheries Programme that are directly connected to the Europe 2020 targets are:

- Increase the competitiveness of small and medium-sized enterprises
- Protect the environment and promote sustainable use of natural resources
- Promote employment

The priorities of the Maritime and Fisheries Programme enable support for the development of environmentally, economically and socially sustainable fishing and aquaculture. The Government expects this to provide the conditions for growth, stronger competitiveness and higher employment in the sectors concerned without compromising environmental protection and sustainable use of natural resources. The programme is for around SEK 1.5 billion and demand for support has been high since the programme was started. A total of around SEK 1.2 million has been granted up to and including December 2020.

Community-led local development (CLLD)

Community-led local development (CLLD) has been carried out in all four ESI funds through integrated multi-fund strategies. Local Action Groups (LAGs) implement actions on the basis of specially produced local development strategies. Community-led local development has been written into three programmes: the Rural Development Programme (of which CLLD forms part), the Maritime and Fisheries Programme (of which CLLD forms part) and the special programme for Community-Led Local Development, supported by both the Social Fund and the Regional

Development Fund. The budget for community led local development is around SEK 1.27 billion plus public co-financing of 33%.

5. Institutional issues and participation of relevant parties

5.1 Institutional issues

Sweden's National Reform Programme for 2021 is mainly based on the initiatives and reform ambitions proposed by the Government in the Budget Bill for 2021, the Spring Fiscal Policy Bill for 2021 and the Spring Amending Budget for 2021. This year the Spring Fiscal Policy Bill and the Spring Amending Budget have again been characterised by the coronavirus outbreak and its management, as is reflected in the section on reform policy. Depending on future developments, further work may need to be reviewed. The country-specific recommendations to Sweden within the framework of the European Semester 2019 and 2020 have been taken into consideration in its preparation. The programme also reflects the political priorities in the Commission's Annual Sustainable Growth Strategy. The Riksdag Committee on Finance has been informed of the National Reform Programme. During the Council's preparation of the country-specific recommendations in summer 2019, the Government informed and consulted with the Riksdag on several occasions.

5.2 Consultations with the social partners

To develop the dialogue with the social partners within the European Semester and the national decision-making process, the Government has established a reference group with representatives of the relevant ministries in the Government Offices and of the social partners at central level (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 for discussions and consultations on the implementation of the strategy in Sweden. As part of the Government's ambition to strengthen participation in EU-related affairs, consultations are held as thematic consultation forums on EU affairs. The purpose of this way of working is to systematically benefit from the expertise about various issues available in civil society and possessed by other societal actors, thus improving the quality of the supporting information for Government decisions. Since the completion of

the 2020 national reform programme, three thematic consultation forums on EU Affairs have been held on the national implementation of the European Semester for representatives of the social partners at senior official level.

The Prime Minister has also initiated meetings known as ‘EU consultation forums’ as an aspect of the Government’s work to strengthen participation in EU-related matters. Chair-level representatives of central labour market organisations participated in the Prime Minister’s EU consultation forum in March 2021.

As in previous years, the social partners were invited to contribute texts to this year’s National Reform Programme. The appendix with external contributions contains contributions from the partners that describe examples of the work the partners are carrying out in accordance with the strategy guidelines and objectives.

5.3 Local and regional support

Local and regional support for the European Semester’s targets and intentions in the regional and local growth process in Sweden is crucial to its successful implementation. The Government’s national strategy for sustainable regional growth and attractiveness 2015–2020 contains priorities for regional growth policy during 2015–2020 and guides regional development strategies, structural fund programmes and other relevant strategies and programmes in work on regional growth.

In March 201 the Government adopted the communication National strategy for sustainable regional development throughout Sweden 2021–2030. The strategy constitutes the long-term direction of regional development policy and is intended to contribute to the transition to sustainable development in all parts of the country.

To further develop the dialogue between the national, regional and local levels on issues of importance to regional growth, the Government has set up a National Forum for Sustainable Regional Growth and Attractiveness 2015–2020. The Forum consists of a political group and an officers group, each of which meets the Government for dialogue. The starting point is that shared responsibility between the regional and national levels for implementing regional growth policy requires close dialogue and cooperation concerning vital development issues.

5.4 Consultation with interest organisations and civil society organisations

At present, there are a number of established consultation procedures, and they also cover issues that concern the European Semester. Stakeholders are often included in reference groups in the system of government inquiries and are given the opportunity to present their views on inquiry proposals through the consultation process in their areas of interest. Occasionally, the Government also issues invitations to hearings for dialogue around specific topics. There are also continuing discussions in various consultation bodies.

Following requests to develop the dialogue with civil society organisations on the national implementation of the Europe 2020 strategy, an initial horizontal consultation with civil society took place in autumn 2011. This approach was welcomed by the participants and consultations have since taken place annually. On 12 March 2021 relevant organisations were invited to a thematic consultation forum on EU Affairs and to contribute material for the National Reform Programme highlighting good examples of how Swedish civil society is contributing to the national implementation of the European Semester in Sweden. After the thematic consultation forum on EU Affairs the Government Offices received input from the Swedish Trade Union Confederation (LO)/the Swedish Confederation of Professional Employees (TCO), the Confederation of Swedish Enterprise, the Swedish Association of Local Authorities and Regions (both as a social partner and representing the local and regional level), the Norden Association and Public & Science (VA). This material is presented in the appendix.

Appendix with external contributions to Sweden's National Reform Programme

1. Contributions from the social partners

1.1 Swedish Trade Union Confederation (LO) and the Swedish Confederation of Professional Employees (TCO)

Examples of activities, projects and initiatives supporting national reform work that are conducted by the organisations.

Vocational introduction agreements

Vocational introduction employments are based on collective agreements reached independently by the social partners. The target group for the agreements is certain young people, long-term unemployed people and newly arrived immigrants. At present, many of the agreements in place only cover certain young people. It is likely that more agreements will be extended in the future to also cover the long-term unemployed and newly arrived immigrants. The design of the agreements varies between industries, but they all combine work with education or training (the education/training component is limited to a maximum of 25 per cent of working hours). The education can be either at the workplace or supplied by an external provider through the employer. The education period does not carry any wage entitlement. Central agreements on vocational introduction agreements have been signed in most industries.

Health and Social Care College

The Health and Social Care College is a platform for collaboration between employers, trade unions and trainers in the health and social care sector. It is also a quality mark showing that a person who has trained at a health and social care college has completed a training in close collaboration with working life, and therefore has a good chance of getting a job. The members of the Health and Social Care College association are the employer organisations SALAR, the Association of Private Care Providers, Sobona and the Co-operative Employers' Association (KFO) along with Kommunal, an employee organisation. At the end of 2019 there were 22 regional health and social care colleges in Sweden, and 96 local colleges. They include 224 municipalities, 19 regions, 90 private businesses, 156 upper secondary schools, 213 adult education programmes at upper secondary level and 32 vocational higher education programmes.

Cooperation and quality assurance

It is crucial that upper secondary school maintains high quality and relevance to enable pupils to get their first job or make a smooth transition to further study. For companies, skills provision is one of the most pressing challenges. This is why many industries are highly involved in various efforts aimed at increasing the quality and relevance of upper secondary schooling. One example of this involvement is the work that leading representatives of Swedish employer and employee organisations in the industrial sector have been conducting with technical colleges (*'Teknikcollege'*) since 2004. At present there are 24 regions with around 140 technical college-certified education providers and more than 3 000 partner companies from north to south. In the construction industry, upper secondary schools offering the construction and civil engineering programme are able to apply for quality labelling. Schools that meet the criteria are judged to be capable of providing basic vocational education and training that fulfil the requirements of the construction industry, and become recommended by the industry. There are similar arrangements in heating, ventilation and sanitation services with the concept "first class school".

Sustainable working life

Partsrådet (the Council for joint partner support in the central government collective agreement area) is a voluntary organisation whose members are the Swedish Agency for Government Employers, the OFR/ S,P,O negotiating organisation for public employees, Saco-S (Swedish Confederation of Professional Associations in the central government sector) and Seko (Union for Service and Communication Employees). The Council supports local parties, representatives of unions and employers, in activities in the central government sector in issues determined in collective bargaining agreements. Its activities are divided into different areas of work. They are led by a board made up of member representatives. Its *Sustainable working life* programme contains broad work that contributes to the social Sustainable Development Goals. Its programme declaration is that it will contribute to positive change, counter rising sickness figures and promote a longer working life for a better everyday life, every day in the central government sector. The programme offers services that government agencies can use in partner collaboration. Several services have been put in place during the period and more are in development; one example being a service concerning Universal workplace design.

Council for Integration in Working Life

The Council for Integration in Working Life (Ria) is run jointly by the Confederation of Swedish Enterprise, SALAR, the Swedish Agency for Government Employers, the Swedish Trade Union Confederation (LO) the Confederation of Professional Employees (TCO) and Saco. The purpose of the Council is to support, follow up and further develop efforts towards integration in working life. The aim of Ria's work is a world of work that makes use of the qualities of every single person, regardless of ethnic background, and that is non-discriminatory. Ria's organisations are involved in several different initiatives with a bearing on integration and work, both separately and together, for increased integration in a number of ways. The Council is an important forum for dialogue and exchange of ideas and experience between our organisations. We also draw the attention of authorities and politicians to structures that must be changed. The parties agree that collaboration between all involved is the foundation for effective matching of the skills provision needs of the labour market with the skills of newly arrived immigrants.

The Social security organisations TSL social security fund and TRR – readjustment support for a changing labour market

TSL is a readjustment insurance scheme that helps private sector workers find new jobs, while at the same time making it easier for the social partners to manage change in the Swedish labour market. The TSL social security fund was formed by the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation (LO). TSL's task is to ensure that a person who has been made redundant rapidly finds new employment through, for example, coaching or short vocational training or validation measures. The idea is for work to start quickly, i.e. the participant should not need to wait for an unnecessarily long time to be given support in their readjustment.

There is also a readjustment scheme in operation in the private salaried employees sector. To ensure that employees have extra security if they are made redundant on account of shortage of work, PTK (the Negotiation Cartel for Salaried Employees in the Private Business Sector) has signed a career readjustment agreement. Under the agreement, employees are given advice, support and guidance to find a new job via TRR. TRR shows very good results, with almost everyone getting a new job. 9 out of 10 jobseekers get a new job, start their own business or begin longer studies. The basis for TRR's activities is a career readjustment agreement between PTK and the Confederation of Swedish Enterprise. The agreement tops up statutory

payments and unemployment insurance benefit to 70% of previous pay. TRR also provides support for elected union representatives during the career readjustment process.

Special terms and conditions agreement in the central government for certain fixed-term employment

The central government sector has had a special conditions agreement for certain fixed-term employment contracts since 2013. The agreement regulates terms of employment for contracts of a maximum of 24 (previously 12) months that the employer considers justified within the framework of a labour market policy objective, i.e. temporary employment of individuals covered by labour market policy measures. The terms of the agreement have been designed to give the employer more scope, when deciding on these employment contracts, to shape the job to suit the individual employee's needs for support, development and experience. Through the agreement, the parties accept joint responsibility for providing relevant terms of employment for the employees to whom the agreement may apply. An employment of this kind can give people work experience and therefore increase their employability.

Full time as standard – the full-time journey between SALAR and Kommunal

SALAR and Kommunal [*Swedish Local Government Workers' Union*] are addressing the question of full time in a joint development project in 2016–2021. The project is intended to facilitate the switch to full-time work for both employers and employees. To achieve this, the parties have to implement measures that support local work on increasing the proportion working full time. The overall objective is to secure access to the skills needed in welfare services while offering attractive terms of employment. As a step towards this, more employees have to work full time. This will then reduce the need for fixed-term employment and contribute to gender equality. The agreement with Kommunal affirms that employers in the municipal and regional sector have to give priority to the question of full time. The goal is for permanent full-time employment to be the norm when employing new staff and for existing staff to work full time to a greater extent.

Short-time working

The system of short-term layoffs is an important and accurate part of work to reduce the consequences of the economic crisis. Short-term layoffs increase the possibility for viable companies to survive and curb unemployment while benefiting the macro economy since employees return to work quickly when demand returns. In the near future the system of short-term layoffs will probably also be the most accurate measure for reducing the damage to the Swedish economy. It is also a measure that reduces the risk of considerable redundancies in the industries hit hard by the restrictions introduced to slow the spread of infection. The fact that many workers are on short-term lay-offs and are therefore in several cases in a grey zone between work and unemployment indicates that considerable skilling measures should be targeted on this group. The skilling measures should be intended to strengthen the workers in their existing occupational role so that the workers are able to return to their previous work.

Entry agreements

People born abroad and other groups with short education have been hit very hard by the crisis in the labour market and are continuing to grow in number; these individuals are now forced to compete with unemployed persons who have knowledge and skills that are a better match for the requirements in the Swedish labour market. The need for targeted measures has therefore increased. This is an argument putting "entry agreements" in place as soon as possible; these are LO's, Unionen's and the Confederation of Swedish Enterprise's collective agreement solution that gives unemployed persons the possibility of working and taking part in relevant training at the same time.

Great training needs

The fact that the crisis in the labour market has also hit people with both education and fresh experience of working life hard underscores the need for training measures. The increase in the number registered as long-term unemployed with Arbetsförmedlingen among these groups is particularly serious. Those who were already in a weak position in the labour market before the crisis have been pressed back even more and are therefore particularly adversely affected. It is therefore important that more individuals are able to study with retained benefits while registered with Arbetsförmedlingen.

The Confederation of Professional Employees (TCO) works for good development and transition possibilities throughout working life. We are therefore focusing our work on more people – both working people and jobseekers – having access to relevant further training, skills development, guidance and validation. To strengthen Sweden's competitiveness and be at the forefront of technological development, it is crucial that employees are continually able to update their knowledge and top up with new skills. We have described this in the report [*Further training, why and what for? \[Vidareutbildning, varför och för vad?\]*](#).

For TCO, it is also important to have good access to education throughout the country, as described in our report [*Learning centres – for higher education throughout Sweden \[Lärcentra – för högre utbildning i hela Sverige\]*](#).

1.2 Confederation of Swedish Enterprise

The Confederation of Swedish Enterprise and its mission in brief

The Confederation of Swedish Enterprise brings together 60 000 companies and 50 member organisations with the overall mission of promoting the common interests of these companies. The Confederation works for free enterprise and a well-functioning market economy. It does so by fulfilling its role as a social partner, through environmental scanning and by influencing developments at local, national and international level. The Confederation of Swedish Enterprise represents the business sector in cross-industry negotiations with trade union counterparties.

How does the organisation contribute, at a general level, through its activities to national work in relation to the European Semester and the country-specific recommendations?

Through its role as a representative of the business sector in negotiations with trade union organisations, the Confederation of Swedish Enterprise contributes to an effective labour market and high employment. Collective bargaining that results in wage formation that strengthens the competitiveness of the business sector and other agreements that improve the functioning of the labour market are examples of how the Confederation of Swedish Enterprise contributes to rising convergence in Europe.

Another example is the Confederation of Swedish Enterprise's advocacy work and information work regarding the need for labour with knowledge and skills that are in demand and that are relevant in the labour market. This

work is being done in order to strengthen companies' skills planning and provision and reduce unemployment and exclusion.

How can national work in the areas affected by the European Semester be strengthened?

The focus of the European Semester is on reforms and investments for the European recovery after the pandemic. This note therefore focuses on the areas in the country-specific recommendations that are more strongly linked to the criteria for funding from the EU's Recovery and Resilience Facility.

General measures to increase investments and the transition

The crisis has meant that companies' resources for investments and job creation have decreased sharply on account of lower sales and considerable losses. The Recovery and Resilience Plan therefore need to contain measures that increase companies' possibilities of investing. This is essential for a successful green transition and digitalisation. They include:

- Possibilities of setting off losses for the year against previous profits.
- Increased depreciation/amortisation possibilities for investments.
- Trebling the appropriation for the Industry Leap.

Facilitating capital provisions in transfer of ownership. In particular the 'monetary limits' in the deduction regulations need to be removed. A vigorous structural change or major investments in private companies mean a transfer of ownership in many cases. These regulations therefore risk delaying or impeding a transition.

Research and development

Research and development is wholly essential for investments and competitiveness. This is obviously also necessary for a green transition and increased digitalisation. The business sector's R&D investments have fallen sharply in the wake of the pandemic. Increasing them requires:

- Reinforced R&D deduction.
- An adjustment of the expert tax so that foreign expertise can be attracted to Sweden. The skill requirements should be reviewed, the limits lowered and the time periods extended.
- Increase government cofinancing in new R&D collaboration programmes.

Skilled labour force

One fundamental problem for many companies today is the shortage of skilled labour. This risks strongly restricting the potential to transition. At the same time, unemployment is high and the number of hours worked has fallen sharply. The following are important measures concerning skills planning and provision:

- Ensure the supply of and access to demand-steered vocational training for adults. Also ensure future STEM (science, technology, engineering, mathematics) skills through a national long-term strategy.
- Shorten the road to jobs by validation and accurate supplementary training.
- Increase the supply of and access to distance education and remote tuition via digital learning centres. Also ensure popular specialist training in digital skills, intellectual property law and cyber security.
- Strengthen lifelong learning through relevant financial incentives to companies.
- Ensure an effective system for recruitment of international professionals.
- Focus labour market training on areas sought after by companies, thereby facilitating the transition of the economy. Let higher vocational education be the model for labour market training with its close cooperation with working life and starting point in needs.

Public investments

The Confederation of Swedish Enterprise shares the view that extensive public investments should be implemented. These investments should focus on areas that increase the productivity of the economy and the competitiveness of the business sector and that facilitate the green and digital transition of the economy.

Green transition – infrastructure and electricity supply

Socially profitable infrastructure investments in road and rail should be front-loaded. In particular, the electrification of the road network should be accelerated.

If the transition is to be green, then the supply of fossil-free electricity must be guaranteed in the whole of Sweden. If the green transition is to be a reality, measures are therefore required to also ensure security of supply in the future. The electricity grid has a fundamental role in making the recovery successful, and vigorous action must therefore be devoted to funding the smart and sustainable development of our electricity grid.

Digitalisation – digital infrastructure and simpler procurement of digital systems

Sweden must prioritise increased digitalisation and further expand its digital infrastructure. Sweden needs to:

- Expand fast broadband throughout the country.
- Strengthen 5G capacity and development.
- Demand, procure and use more digital technology.
- Create open platforms for voluntary sharing of data.
- Stimulate and strengthen companies' digitalisation through innovation hubs and AI projects.
- Introduce experimentation clauses and regulatory "sandboxes" to foster innovation.

Sweden must accelerate and focus digital infrastructure initiatives by stimulating broadband expansion and enabling 5G technology. Funding for broadband expansion must at least quintuple in the next three years. Sweden needs to create a national IT infrastructure for the welfare services sector. This ensures that these sectors of society can benefit from the gains brought by digitalisation, and that efficiency can increase, reducing the pressure on public finances. A special government grant could be payable to the municipalities and regions that implement investments in digital solutions based on the State's national guidelines. Moreover, public procurement of digital systems and new digital solutions should be held earlier, and the bureaucracy around the procurement should be simplified so that more companies are able to take part.

The use of data and AI would be simplified if open platforms are created where data can be shared by different actors and then used by others.

The Government needs to ensure that basic data in the public sector are fully available in accordance with the Open Data Directive.

To enable Swedish companies and universities to be leaders in AI development, the regulatory framework must be changed. The use of personal data needs to be permitted, without requirements to follow the applicable rules, in closed R&D environments with sufficient safeguards by introducing experimentation clauses and regulatory sandboxes in all relevant national and EU regimes.

1.3 Swedish Association of Local Authorities and Regions

The Swedish Association of Local Authorities and Regions, SALAR, is Sweden's biggest employer and member organisation. We sign collective agreements for almost 1.2 million employees in municipalities and county councils. By putting in place attractive terms and conditions and offering interesting jobs, employers can attract employees with the right skills and ensure skills provision for the welfare services of the future. SALAR provides support for its members in this work

In the following SALAR wants to give some examples of activities as a central social partner that, in our view, contribute to fulfilment of the country-specific recommendations for 2020/2021. The examples do not give a comprehensive account but are only a selection.

Brief description of wage formation and the autonomy of the social partners in Sweden

The social partners are responsible for wage formation on the Swedish labour market, and they maintain their autonomy as social partners. The fundamental components of the model include trade unions with a high organisation rate, employer organisations with broad membership, the strong status of collective agreements, workplace representatives with a mandate to negotiate and the independence of the social partners from central government.

One way in which this independence is manifested is that the bulk of the labour market is regulated by a number of principal agreements reached at the central level between employers and trade unions that regulate aspects including negotiation procedures, dispute procedures and development issues. At present there are around 680 central collective agreements on wages and general terms and conditions of employment in Sweden.

During the year the European Commission has presented a proposal for a directive on minimum wages and pay transparency at EU level. This has generated strong reactions by social partners in Sweden. In addition to the

fact that EU treaties make it impossible to introduce binding rules about wages at EU level, a proposal of that kind risks having far-reaching negative impacts on labour market models with autonomous partners who regulate wages themselves through collective agreements, as in Sweden. We can show that, in practice, the Swedish model of pay agreed through collective bargaining sets lower limits for pay in the whole of the economy – even in the case of employers without collective agreements. We can also show that there are few employees whose pay is so low that it might be affected by any EU rules and that these employees are mainly young people in the process of becoming established in the labour market. Less than one per cent of employees in Sweden have a monthly wage that is lower than 60 per cent of median earnings in the whole of the labour market, which is regarded as the definition of low pay in the EU. The coverage of collective agreements is higher in Sweden than internationally and is changing very slowly. Almost 90 per cent of employees in Sweden are covered by collective agreements. The coverage of collective agreements is being maintained despite a long-term trend of some decline in the level of union membership among employees. This is because employers are obliged to apply these agreements to all employees irrespective of whether or not they are members of a union. The level of organisation membership among employers is stable at a high level. An overall assessment, based on our cost-benefit analyses, is that wage formation is functioning well with respect to the development of real wages, employment and competitiveness. Real wages have increased for many successive years and strengthened households' purchasing power. In the past two decades real wages have increased by more than 60 per cent (1997–2018). One important precondition for this development has been that productivity growth in the Swedish economy has been strong in periods.

When new rules that affect the labour market are set jointly in the EU, the rules must be compatible with the Swedish labour market model.

SALAR – as the social partner for the local and regional level

The Swedish Association of Local Authorities and Regions, SALAR, the member and employer organisation for all of Sweden's municipalities and regions, is carrying out a large number of projects in its activities that contribute to work on the Swedish country-specific recommendations in 2020, especially work on the following two recommendations.

In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and

ensuring debt sustainability, while enhancing investment. Ensure the resilience of the health system, including through adequate supplies of critical medical products, infrastructure and workforce.

Foster innovation and support education and skills development. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, high-tech and innovative sectors, 5G networks and sustainable transport.

The activities of municipalities and regions account for about 20 per cent of Sweden's GDP and 70 per cent of public consumption, and the sector employs 25 per cent of the working population, more than 1.2 million Swedes.

Sweden's municipalities and regions are facing greater costs for the financing of welfare services in the coming years. Municipal and regional services need to focus more on issues including the use of new technology, new ways of working and a focus on preventive care so as to handle the gap that may otherwise arise between costs and revenue to finance welfare services.

From an employer perspective, fewer people will have to support more people in the future on account of retirements and greater demand for welfare services. New ways of working, skills and digitalisation need to be examined more closely, and this may lead to needs to modernise regulatory frameworks. Action is also required to get more people into work, and to improve integration. Work for the completion of upper secondary schooling is important for the entry of the individual into the labour market and for the skills provision of all employers.

Municipalities and regions have taken a great deal of responsibility during the year of the pandemic and are continuing to do so while trying to transition their services to cope with the new conditions.

Staff and skills planning and provision

SALAR is working on following up the recruitment need at national level, influencing organisers of education and training and providing support for municipalities and regions in their work to be viewed as attractive employers.

High levels of retirements and increased demand for welfare services mean that municipalities and regions need to recruit many new employees in the

coming years. It is encouraging that among young people there is great interest in these occupations. The challenge for employers is to respond to this interest and offer a good work environment and possibilities of long-term professional development.

The number of employees in municipalities and regions has increased for several years, reaching almost 1.2 million in November 2018. Around 900 000 of them work in municipalities and 280 000 in regions. Both the share with full-time contracts and the share working full-time have increased.

The employer's responsibilities during outbreaks of epidemics or pandemics

The employer is responsible for maintaining their services in as functional and acceptable a way as possible even during the outbreak of an epidemic or pandemic. Staff planning and provision can quickly become a priority issue, and risk assessment, preparations and planning are of the utmost importance in keeping services running.

To minimise the risk of the spread of infection and ensure the supply of staff, this can mean that the employer needs to take quick decisions about, for example, working from home, revoking leave started or ordering overtime.

The staff who perform the work duties need to be able to work in conditions that are as safe as possible, including in the conditions prevailing during COVID-19. It is therefore important that the employer makes continuous risk assessments on the basis of the service and the circumstances. SALAR has held online seminars for municipalities and regions in its *From theory to practice in corona times* initiative. During the pandemic year many staff members in municipalities and regions have worked under strong mental pressure. The risk of mental ill health and sickness absence has increased. To support our members in their preventive work environment management, we have, at these seminars, highlighted important research and experiences from municipalities and regions. The seminar themes have included: Preventing fatigue and PTSD and The way back or "the new normal".

The employer has the direct work environment responsibility and responsibility to take measures that alleviate the situation in the event of a virus outbreak, and here SALAR has been very active in backing employers by providing advice and concrete support. Ultimately, it is the service that has to be maintained in as functional and acceptable a way as possible.

This means that each manager has to make decisions to, for example, order overtime, out-of-hours and on-call work, move staff, approve work from home, cancel leave started and bring in extra staff.

By providing support and advice and by concluding special collective agreements for the purpose, SALAR, as an employer representative, gives active advice and support to our member municipalities and regions in these issues.

For example in the case of:

- Work management and staff planning and provision
- Compensation in the event of infection and sickness absence
- The Crisis Situation Agreement, the special collective agreement that regulates conditions and compensation for employees working in crisis situations.
- Risk assessment and the work environment
- Serious incidents, documentation and work injuries
- Insurance cover & pension
- Hygiene procedures and protective equipment
- Larmyta (a preparedness interface) to ensure staffing and facilitate national coordination, SALAR and the regions have set up an online preparedness function called the Larmyta preparedness interface.
- Minors and holiday work/work practice
- Risk groups and pregnant women
- Annual leave
- Suspension of work due to immediate and serious danger to life or health and requests under Chapter 6, Section 6a of the Work Environment Act
- Vaccination of employees
- Special terms of employment issues for teachers.

Health care

COVID-19 has a major impact on health care. The work of caring for COVID patients has meant that resources have had to be reallocated. Intensive care capacity has increased and adaptations have been made to new conditions. SALAR is following and analysing developments continuously and has close contact with the Government and relevant

authorities, where SALAR has raised the needs that municipalities and regions have.

To secure the provision of medicines in Sweden related to COVID-19, all 21 regions and SALAR have established a national model for purchasing and distributing medicines.

SALAR is also working in various ways to support municipalities and regions surrounding the shortage of protective equipment; for example, by coordinating regional purchasing directors better conditions have been created for access to protective equipment and ICU material during the pandemic. SALAR has reached an agreement with the coordination office of the county administrative boards on collaboration concerning the shortage of protective equipment and other products in short supply in the municipalities.

Testing for COVID-19 is essential to reduce the spread of the infection and limit its effects. Ahead of 2021, SALAR and the Government signed an agreement on increased national COVID-19 testing and tracing and an additional agreement on rapid tests.

SALAR and the Government have signed an agreement describing responsibilities and roles for the delivery of vaccination against COVID-19 in 2021. The agreement states that their common objective is that everyone living in Sweden who is 18 years or older and persons under 18 years who belong to a risk group should be able to be quickly offered vaccination against COVID-19 in the first half of 2021. This is a target that assumes that vaccines are both approved and delivered at the rate that makes it possible for the regions to carry out the vaccination.

During the ongoing corona pandemic the regions have developed deeper operational cooperation in a very short space of time with support from SALAR. A report in autumn 2020 demonstrated that the cross-regional approach is an effective way of conducting collaboration in Swedish health care.

Results of regional collaboration demonstrate:

- Better access to critical medicines
- Enhanced coordination concerning purchases of protective equipment

- Better possibility of gathering information about ICU capacity in the country and better collaboration around the allocation of ICU places in Sweden.

The report shows how national coordination can be achieved through regional self-government. Se <https://webbutik.skr.se/sv/artiklar/sjalvstyrelse-och-samverkan.html>

Preschool and school

SALAR provides support and advice concerning the municipalities' responsibilities during the pandemic, and supplies updates with the latest information concerning preschool, compulsory school and upper secondary school.

In the event of a decision to close compulsory schools and preschools, SALAR, the Swedish Association of Independent Schools and the National Association of Independent Non-Profit Schools have drafted joint recommendations on cooperation between municipalities and private school organisers. SALAR has also drafted a proposal for how schools and social services can collaborate to ensure that children in need of special support are given child care if preschools and compulsory schools close.

Business sector issues

SALAR also gathers information to support the action taken by municipalities and regions in the business sector on account of the coronavirus. In addition, SALAR spreads information via webinars to our members. One example is a seminar in the Sweden's Most Important Jobs initiative about the Job Leap and the Technology Leap, which are two initiatives to strengthen the employer brand and ease skills planning and provision in technology and urban and rural development.

A new Act on temporary communicable disease control measures at eating and drinking establishments entered into force on 1 July 2020 and applies up until 31 May 2021. SALAR answers questions and supports members in work arising from the legislative proposal.

Municipalities and regions, as well as their companies, can apply for compensation from central government when they temporarily reduce rents set for tenants in vulnerable industries on account of the coronavirus. In this context SALAR has guidance material about the Government's ordinance on

the state support. SALAR has also gathered questions and answers about municipal and regional measures to alleviate the impact of the coronavirus on companies.

Social services, care of older people, disabilities

COVID-19 has a major impact on care of older people, the disabilities area and other social service activities. SALAR is monitoring the interests of the municipalities and is continuously producing support and replies to questions due to the pandemic.

This applies, for instance, to:

- Digital meetings in the social services.
- Risk for more violence against women and children.
- Support for vulnerable children if schools and preschool close.
- Physical meetings in the social services.
- Care of older people.
- Protective equipment.

Public transport

Public transport is being affected by advice about travel in Sweden.

SALAR gathers information for the regions about support for action in public transport. In consultation with SALAR, the Swedish Public Transport Association (the industry organisation) has produced industry guidance for local and regional public transport services.

The industry guidance looks at how the industry can address the challenges surrounding the pandemic. By the end of the year, the Corona crisis will also have resulted in decreases in ticket revenue amounting to many billion kronor. The forecast made by SALAR and the Swedish Public Transport Association shows that the revenue loss for the regional public transport authorities will be around SEK 7.5 billion at the end of the year.

2. Contribution from SALAR (Swedish Association of Local Authorities and Regions) – representative of regional and local levels in Sweden

Local and regional work on the country-specific recommendations

The Swedish Association of Local Authorities and Regions, SALAR, the member organisation for all of Sweden's municipalities and regions, is carrying out a large number of projects in its activities that contribute to work on the Swedish country-specific recommendations in 2020, especially work on the following two recommendations.

1. In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Ensure the resilience of the health system, including through adequate supplies of critical medical products, infrastructure and workforce.

2. Foster innovation and support education and skills development. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, high-tech and innovative sectors, 5G networks and sustainable transport.

The activities of municipalities and regions account for about 20 per cent of Sweden's GDP and 70 per cent of public consumption, and the sector employs 25 per cent of the working population, more than a million Swedes.

Sweden's municipalities and regions are facing greater costs for the financing of welfare services in the coming years. Municipal and regional services need to focus more on issues including the use of new technology, new ways of working and a focus on preventive care so as to handle the gap that may otherwise arise between costs and revenue to finance welfare services.

From an employer perspective, fewer will have to support more in the future on account of retirements and greater demand for welfare services. New ways of working, skills and digitalisation need to be examined more closely, and this may lead to needs to modernise regulatory frameworks. Action is also required to get more people into work, and to improve integration. Work for the completion of upper secondary schooling is important for the

entry of the individual into the labour market and for the skills provision of all employers.

Municipalities and regions have taken a great deal of responsibility during the year of the pandemic and are continuing to do so while trying to transition their services to cope with the new conditions.

Regional and local projects

In their ordinary work, Sweden's municipalities and regions are contributing to work on the country-specific recommendations, but there are also a large number of different projects at regional and local level that are intended to contribute to the attainment of the objectives. The examples presented below are a selection of the many good examples of successful efforts in various parts of the country. The projects are all of relevance for the above two country-specific recommendations received by Sweden in 2020.

Examples of how regions and municipalities have readjusted during the pandemic both to address the pandemic effectively and to support the recovery.

Project examples for the national reform programme, Region Östergötland

www.Matchajobben.nu

Matchajobben.nu was developed as a new online service by Region Östergötland to broker contact between companies with different needs on account of the coronavirus. The aim was that business operators should be able to find new paths to assignments or to swap labour force members in order get through the crisis. Here companies that need assignments or have workers available are able to post what they can offer. In the same way, companies in need of labour can advertise on the basis of their needs. The service is free of charge and its purpose is to enable companies to find one another and to collaborate at a time of very special circumstances.

<https://www.matchajobben.nu/>

International horizon scanning

Region Östergötland's EU Office in Brussels monitors support measures and changes in the State aid rules adopted at EU level that may affect the regional business sector. At the start of 2020 the EU Office initiated daily reporting containing environmental scanning regarding the development of the pandemic in the world, statistics about the number of people infected,

restrictions, the supply of protective equipment, initiatives at EU level, etc. This is sent as an email and the distribution list has grown over the year. The material distributed also includes other questions in the area of health care that are linked in some way to the pandemic, e.g, EU financing/budget but also to other questions such as the situation regarding Brexit. The emails have received an unbelievable response and reach directors and the leadership. The EU Office also monitors the question of financing from the EU budget and what effect this has on the EU's Structural Funds used for action for jobs and growth.

Project examples of adult education contributing to transitions later in life

Smart skills for industry in East-Central Sweden

The project is intended to enhance the skills of employees in industrial companies and to increase these companies' access to workers with the right skills. The project is being financed by the European Social Fund and is being run by Region Östergötland along with partners from all the counties in East-Central Sweden: Skill Östergötland, the Municipality of Eskilstuna , the Municipality of Karlskoga, Region Uppsala and Region Västmanland, which cooperates with Jobba i Västerås.

New technology, digitalisation, greater internationalisation, higher demands from customers for complex solutions, flexibility and speed mean that higher and new skills are needed, as is work on long-term skills planning and provision in industry. Companies have considerable recruitment needs, but it is hard to find people with the right skills, which means that companies are unable to hire sufficient staff. Nor does the existing supply of training match companies' needs and demand. Skills planning and provision is made even more difficult by geographical locations, the tendency to recruit on the basis of existing norms and traditions and the skewed gender distribution prevailing in industry. A distinctive feature of the Smart skills project is that it couples local delivery with regional collaboration.

<https://www.smartkompetens.com/>

Region Uppsala

Two examples in the labour market area that Region Uppsala can highlight in the context of "addressing the pandemic and supporting recovery" are:

Regional project coordination for external financing in the County of Uppsala (RegExPro)

This project had been planned for some time, but in view of the pandemic and its effects, the project was brought more into focus and successful support-building work was conducted, attracting particular interest in the County, where needs have increased since the outbreak of the pandemic.

The purpose of this initiative is to provide operational process support to municipalities in the County of Uppsala in applying for and accessing ESF funding announced and, when available other external financing. The actions relate to target groups, individuals further away from the labour market and also include actions in the area skills planning and provision/skills development. The purpose of the initiative is to make it easier for the Coordination Federation's target groups to find work or increase their work capacity. If, for instance, ESF funding is granted, the regional project coordinator for external financing will also support the municipalities in recruiting for the project and rigging its start.

Regional coordination of the mobilisation of externally financed projects creates conditions for best making use of the common resources in an effective way, attaining inter-municipal synergy effects and strengthening the long-term development of activities aimed at the target groups. The target group(s) referred to are individuals who are far from the labour market and need coordinated support to find work, increase their work capacity or become able to support themselves. This can, for example, involve persons with disabilities entailing decreased work capacity, young people, new arrivals and people born abroad.

ESF preliminary study, County of Uppsala

Another example of this work is an ESF preliminary study carried out by Wiks folkhögskola (Wik folk high school)/Region Uppsala in collaboration with the Municipalities of Heby, Tierp and Östhammar:

<https://www.esf.se/resultat/projektbanken/projekt/?dnr=2020/00710>

The ongoing preliminary study is intended to fill the gap in the area of inclusive labour market regarding:

1) increased needs in the light of a strained situation on the labour market (Arbetsförmedlingen's remodelling and new priorities, structural change, the effects of the pandemic, increased long-lasting exclusion and increasing youth unemployment). Within the framework of the preliminary study,

needs are charted and measures designed for target groups in need of support, where regular activities do not reach the whole way.

2) geographical spread and greater accessibility across the whole geography of the County.

Strategic forum for adult education

A strategic forum for adult education convened by Region Uppsala has been started. This is to get a clearer link between the labour market and education/training, better synergies between the actors for adult education and a strategic dialogue that is seldom given space at meetings of the county network ReSam (Uppland Municipalities in collaboration). The cooperation has resulted in four yearly meetings. The first meeting was held in November and, as a result, Region Uppsala and Arbetsförmedlingen are now sketching a day on skills provision in the transport sector along with the vocational and work environment committee of the Swedish Transport Workers Union. The second meeting concerned the hotel, restaurant and visitor industry and the meeting in May is about the construction sector.

A project on bridging courses is also going to be started along with the National Agency for Education; Region Uppsala has been selected to participate along with four other pilot regions.

City of Helsingborg

The City of Helsingborg wants to highlight its work during the pandemic and, by doing so, how they have worked with the country-specific recommendations.

Action Helsingborg

At the start of April 2020 the City of Helsingborg launched its Action Helsingborg initiative (<https://action.helsingborg.se/>).

Action Helsingborg is a digital meeting place, where everyone can find a way of making a contribution. It rests on six legs, some of which are new and creative direct on account of the corona pandemic. Others are established parts of the City's services. The six legs are the Näringslivsfonden corona [*Corona Business Fund*], Crowdfunding Helsingborg, Företag för företag [*Business for business*], Vårdhjälpen [*Health care help*], Engagera dig [*Get involved*] and Visionsfonden [*the Vision Fund*].

One of the new parts, Näringslivsfonden corona, is able to provide support in the form of money and coaching when someone has an idea that can help the local business sector. The City of Helsingborg has allocated financing to the fund. Some of the ideas are capable of growing and developing even more. Then it is possible to go further with the idea in the H22 Accelerator, which is a form of long-term cooperation between the City of Helsingborg and the HETCH technology hub. The H22 Accelerator is one of several testbeds linked to the City of Helsingborg's major H22 initiative (<https://h22.se/>).

One of the other parts of Action Helsingborg, Crowdfunding Helsingborg, is a new way for residents to quickly and simply support local businesses through donations, in cooperation with the H22partner called FundedByMe. Företag för företag [*Business for business*] is an arena for sharing resources, skills and ideas, where businesses can, for instance, donate their time to businesses in need. With Vårdhjälpen [*Health care help*] the City of Helsingborg has created, along with Region Skåne, a possibility of donating protective equipment or adapting production to manufacture medical supplies, and also to involve people with health care training or people in service occupations in activities where they are needed. Engagera dig [*Get involved*] includes some established initiatives for people who want to make a contribution to the community, such as the Nyby app and Volontärcenter, the Volunteer Centre. Another part of Action Helsingborg is Visionsfonden [*the Vision Fund*], which has also been established earlier. The Fund supports bold initiatives that can change and develop Helsingborg.

Talangjobb [*Talent Jobs*], City of Helsingborg

The target group of the ESF project called Talangjobb [*Talent Jobs*] is young jobseekers aged 18–24 years who risk slipping into a particularly vulnerable position in the labour market. At the same time, employers have difficulty finding the right skills. In this project the City of Helsingborg is cooperating with the Public Employment Service (Arbetsförmedlingen) in Helsingborg and with businesses, trade associations and municipalities in northwest Skåne. Together with employers, the City of Helsingborg and Arbetsförmedlingen tailor recruitment and training packages based on companies' needs and wishes. Talangjobb supports both employers and young people before, during and after the recruitment process.

The objective is for the participants to reach jobs at the same time as the project develops new methods in collaboration with Arbetsförmedlingen and employers. The project contributes to skills planning and provision in

shortage occupations. The young people participating are trained through stepwise learning called 'job tracks'. Each job track consists of labour market knowledge, vocational knowledge and workplace-based learning ending in an employment. To begin with, the project worked with an individual track and a job track, but, moving ahead, job tracks are the sole focus. Talangjobb has an ongoing job track with IKEA along with the job track group in Malmö, and is planning to start up job tracks in more industries in cooperation with other employers.

Reviving Baltic Resilience

Harmful levels of phosphorous, nitrogen and pollutants are threatening ecosystems and biodiversity in the Baltic Sea. At the same time, the region around the Baltic Sea is characterised by a high level of innovation in green technology. The Reviving Baltic Resilience project, which is part-financed by Interreg South Baltic, is intended to strengthen this expertise so as to prevent dangerous emissions in the Baltic Sea. The project parties are carrying out pilot projects to test new technologies while developing a cross-border network in environmental technology matters.

The participants in the project are universities, local authorities, local authority companies and environmental companies in Sweden, Lithuania and Poland. One of the parties is NSR AB (Nordvästra Skånes Renhållnings AB), a company owned by six municipalities in northwest Skåne: Bjuv, Båstad, Helsingborg, Höganäs, Åstorp and Ängelholm. As part of this cooperation, NSR AB is examining purification methods for perfluorinated alkylated substances (PFAS), in leachates. Other pilots in the project are testing technical solutions that pave the way for reduced emissions of particles from diesel motors in small boats and technology for reducing plastics in coastal areas.

The cooperation in the South Baltic region promotes green transition, technological development and common solutions. The project owner is Gdansk University of Technology. The other partners, in addition to NSR AB, are Klaipeda University, Linnaeus University, Industrial Development Center South, Pomeranian Special Economic Zone Ltd, Palanga City Municipality, Liepaja University, Port of Gdansk Authority SA, CleantechInn and IMCG.

3. Contributions from civil society organisations

3.1 The Norden Association

How does the organisation contribute, at a general level, through its activities to national work in relation to the European Semester and the country-specific recommendations?

The Norden Association has the role of policy coordinator for PA Education, Science and Social affairs (PA EDU) in the EU's Strategy for the Baltic Sea region (EUSBSR). It shares this role with Hamburg. The Action Plan adopted on 15 February has four action areas, three of which contribute to objectives formulated in the European Pillar of Social Rights (PO4): /HIT/

Combating early school leaving and improving transition from education to labour market

Reducing early school leaving and making it easier for young adults to enter the labour market are emphasised as important areas in the country-specific recommendations for countries in the Baltic Sea region. One particularly important group is excluded young adults (young NEETs).

COVID-19 has resulted in an increase in distance teaching. This has, in turn, put the focus on the need for skills development for teachers in adapting their teaching to digital platforms and using the many possibilities offered by interactive learning. There is also a need to support the development of new digital technology in the area of education and training.

A labour market for all taking account of longer and healthier lives

The labour market is changing, not least through digitalisation with more occupations requiring new skills and more employees needing to continually upgrade their proficiencies. There is also a shift to more distance working, with COVID-19 having contributed to more people working from home. This trend is assumed to also continue after COVID-19. Individuals also need to change their career during their working life. Perhaps as a result of physically demanding work tasks that they are no longer able to perform or because they want to try out something new.

At the same time as the labour market is changing and employees are expected to upgrade their proficiencies, longer and healthier lives mean that

the pensionable age is being raised, with more people needing to work longer, but with more people also wanting to work longer.

Seeing the potential of migrants at an early stage and facilitating integration

The increase in the number of refugees is a challenge for the Member States where the refugees choose to seek asylum. At the same time, many Member States are contending with demographic changes and an ageing population, which will lead, within a decade, to a deficit of qualified academic and non-academic staff in, for instance, health care, industry and skilled work occupations. This underscores the importance of effective integration of refugees and migrants in enabling them to contribute to building inclusive and prosperous societies.

Examples of activities, projects and initiatives conducted by the organisation that contribute to this?

Through its mission, the Association develops platforms for cooperation – cross-sectorally, transnationally and based on multilevel collaboration – in the Nordic and Baltic Sea region and in the rest of Europe. Today these thematic policy-action processes are called flagships (not to be confused with flagship projects) since these platforms work in a long-term and integrated way in countries' strategic development work, at local, regional and national level.

At present there are 5 flagships in PA EDU, two of which contribute to the European Pillar of Social Rights: School to Work (S2W) and the Baltic Sea Labour Forum (BSLF). The following are some examples of activities, projects and actions.

School to Work (S2W)

This flagship is led by the Swedish Association of Local Authorities and Regions (SALAR) and brings together around 200 members from all 8 member countries. The Norden Association currently coordinates one of the two of the thematic platforms in the flagship. This platform that works with the target group of young adults neither in employment nor in education and training (young NEETs).

One example of an ongoing action is the production of a training of leaders of what are called Navigator Centres, i.e. service units with multiskilled teams that support the young NEET target group in getting education or

training or employment. This initiative is being funded by Erasmus+ with the Association as the project manager.

The Association is also working on developing a corresponding technical platform in distance teaching. That platform will be common to all four macrostrategies. The focus will be on skills development of teachers and the development of digital tools in cooperation with EdTech clusters.

Baltic Sea Labour Forum (BSLF)

This flagship is led by the Secretariat of the Council of the Baltic Sea States (CBSS) and brings together some 30 representatives of the social partners in the Council's 11 member countries. The network also includes ministries of employment in three-party cooperation.

The Association participates in the thematic platform working on sustainable working life concerning questions regarding lifelong learning and attitudes to older people in the labour market and new demands on the work environment when more people are now working from home.

BSR Integrate NOW

A new flagship is under development in the area of integration of migrants. Here a pilot study is planned in the autumn and this work is being led by our colleagues in Hamburg.

How can national work in the areas affected by the European Semester be strengthened?

Use existing collaboration platforms in the EU's Strategy for the Baltic Sea region and invite more Swedish actors to contribute to a greater impact from the work being done in Sweden.

Use these collaboration platforms, flagships, as a model for developing further, similar platforms in other thematic areas.

Secure financing through the structural fund programmes, especially ESF+; as of the new programme ESF+ facilitates transnational cooperation with reference to macroregional strategies and their collaboration platforms by referring to Articles 17(3) and 57(4) of the Common Provisions Regulation (CPR).

Experience shows that these informal structures for cooperation are appreciated by most actors, e.g. civil society, the business sector and academia, but public authorities, ministries and politicians (at local, regional and national level) also appreciate the possibility to jointly develop solutions to our social challenges.

3.2 Public and Science, VA

Sweden and the EU have been marked by the COVID-19 pandemic since the start of 2020. For people to be able to make well-informed choices and to want to follow recommendations and advice, we need access to factual information and research-based communication, as well as the ability to critically examine what is written and said. This, in turn, requires understanding of and trust in research, as well as trust in the institutions of society.

To cope with the global challenge presented by the pandemic, research-based knowledge and international cooperation are needed in addition to taking responsibility as individuals. It is therefore essential for science to be accessible and transparent and for research to take place in dialogue with the wider community. This is exactly what VA is working to achieve. We provide examples below of activities we conduct that contribute to attaining this.

Open science

Open science is an umbrella concept aiming at more open and more transparent and inclusive processes in research and innovation. The concept includes open access, open data, citizen research, various ways of engaging and involving citizens (public engagement) and research communication. Open science specifically is a central concept in the EU's framework programme for research and innovation, Horizon Europe; the concept also includes the involvement of all the relevant stakeholders to make the results of research and innovation as usable, ethically acceptable and sustainable as possible.

Open science increases the community's insight into and access to research and innovation at the same time as the work of the researchers is made easier. The results are more practicable; decisions are improved at all levels

when they rest on a scientific foundation; the work of researchers is more effective; and people's understanding of and confidence and engagement in research can be strengthened and more people can be inspired to undertake studies and lifelong learning.

VA is a partner in several EU projects that are developing methods to open up research: ORION examines different ways of promoting RRI and open science in research work and in organisations funding research. RETHINK charts and develops research communication in Europe and is intended to result in strategies, recommendations and professional development opportunities to rethink science communication. Along with various higher education institutions in Sweden, VA is also holding a series of workshops on open science in 2019–2022.

Citizen research

VA is working in several ways to directly engage and involve the public in research projects, what is known as 'citizen research'. During the year, a national portal, medborgarforskning.se, is being launched for members of the public who want to participate in research and for researchers who want to involve the public in their research. VA is also a partner in a project called EU-citizen.science, which is developing a similar European portal, citizenscience.eu

In 2021 a citizen research project called *Bostadsförsöket [the Housing Experiment]* is looking into accessibility in homes for older people with disabilities in cooperation with the University of Lund and other organisations; this is part of Researchers' Friday (see below). In a newly started EU project called YouCount VA will use citizen research to look into and increase the social inclusion of vulnerable young people in a case study along with Södertörn University, Botkyrka Youth Assembly and the Municipality of Botkyrka.

Citizen research not only leads to scientific progress but also acts as a bridge between researchers and citizens. Participants get a better idea of what research involves and how it is conducted. Mass experiments can be a way of stimulating interest in research and of developing the participants' scientific understanding and ability.

Researchers' Friday [ForskarFredag] – part of European Researchers' Night

One important step in building relations between research and the wider community is for young people to come into early contact with higher education and research. The national science festival Researchers' Friday [ForskarFredag] has been held on the last weekend in September since 2006 and reaches almost 20 000 visitors each year. The events are arranged by science centres, museums, regions and higher education institutions and are held in cafés, shopping centres, arts centres and other places where people are in movement. The aim is to show how enjoyable, exciting and in touch with everyday life research can be, and also to show what science is, how research is done and what it is like to work as a researcher. By doing so, Researchers' Friday wants to stimulate interest in higher education, research and innovation.

A majority of the young people who visit Researchers' Friday have not had any previous contact with a researcher. These events therefore play a great role in introducing higher education and research as a possible future to young people. Since Sweden is sparsely populated, it is important that the festival takes place throughout the country. This year's Researchers' Friday has the overall theme of *What will life be like in the future* and links up with the global Sustainable Development Goals. The festival is being held at some 30 places and is being coordinated by VA.

The VA barometer – how Swedes view science

Since 2002 VA has been conducting an annual measurement of the public's view of and confidence in researchers and science. The VA barometer for 2020/21 shows that Swedes have great *trust in research* and *trust in researchers*. Almost nine out of ten (88%) have *great* or *very great* confidence in researchers at universities and other higher education institutions, and six out of ten (60%) have corresponding confidence in researchers at companies. In 2020–2021 we are also making a special study of how the public view communication about the coronavirus, the actors who comment and the media that report on the pandemic.

Source criticism

Distrust of researchers and science is a recurring feature of the public conversation. During the pandemic there is also an infodemic of true and false statements about the coronavirus and COVID-19 vaccines. In 2021,

VA is working particularly on promoting evidence-based and research-linked communication, including by producing a popular science guide in cooperation with the Swedish Civil Contingencies Agency (MSB) and through a series of TV programmes about what science is, how research is conducted and how to conduct source criticism, which is being recorded by UR (the Swedish Educational Broadcasting Company). In recent years VA has also coordinated the Swedish part of the global manifestation March for Science, as well as a national campaign called #How do you know that? [*#Hurvetdudet?*] The purpose of both is to give scientific knowledge more space in the public debate and to get politicians and decision-makers to show more clearly what basis their proposals and standpoints have.

Digital developments are making it easier for antidemocratic movements to spread alternative facts and false news. In April 2021, VA launched a tool for source criticism of digital news developed along with researchers at Uppsala University and RISE Research Institutes of Sweden. The [News Evaluator](#) is intended to be used in schools, for example. But new technology and the internet essentially mean greater possibilities for researchers and everyone else to share and access research-based knowledge, communicate and act together. With more accessible research, democracy can be strengthened and social challenges like the ongoing pandemic can be overcome.