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SUBSIDIES

New and Full Notifications Pursuant to Article XVI:1
of the GATT 1994 and Article 25 of the Agreement
on Subsidies and Countervailing Measures

EUROPEAN COMMUNITIES

Addendum

The following addendum to the notification of the European Community relates to subsidy programmes of **Sweden**.

SWEDEN

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SUBSIDIES TO SWEDISH FISHERY 1997 (1996)

Introduction

This notification covers direct subsidies to the fisheries sector. Amounts reported relate in general to commitments made by the competent authorities between 1996 and 1997. As for "State aid for damages to fishing gear" amounts reported relate to net expenditure, i.e. compensations minus fee receipts.

The description of the various schemes follows the outline suggested by WTO. However, effects on trade are difficult to assess and the notification contains, apart from a few aid schemes, no information as regards effects on trade.

1. Investment aid to fishing enterprises

1(a) Aid for fleet renewal and modernization of fishing vessels

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996: 42,303,000 SEK (Community funds)
 12 ,30 ,00 SEK (National funds)

1997: 20,865,000 SEK (Community funds)
 4,646,000 SEK (National funds)

3. Policy objectives

To strengthen the structure and to develop economically viable enterprises in the sector.

4. Duration

State aid to fisheries is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: approx. 265
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients: Fishing enterprises.

Categories of expenditures eligible for aid:
selective gear, RSW tanks, safety equipment etc.

1(b) Aid for adjustment of fishing effort

1.. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996: 13 500 000 SEK (Community funds)
 13 500 000 SEK (National funds)

1997: 6 969 000 SEK (Community Funds)
 6 969 000 SEK (National Funds)

3. Policy objectives

To achieve a sustainable balance between resources and their exploitation.

4. Duration

State aid to fisheries is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 71
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients: Fishing enterprises

Categories of expenditures eligible for aid:

- scrapping
- permanent transfer to third country

Maximum possible aid intensity: Participation rates are stipulated in Council Regulation (EC) No 3699/93 and in the SPD

2. Investment aid to aquaculture enterprises

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996: 13 616 000 SEK (Community funds)
 3 611 000 SEK (National funds)

1997: 11 850 000 SEK (Community funds)
 3 294 000 SEK (National funds)

3. Policy objectives

To develop economically viable enterprises in the sector and assist structural improvements.

4. Duration

State aid to fisheries is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 90
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients: Aquaculture enterprises and organizations concerned with development projects within the aquaculture sector.

Maximum possible aid intensity: Participation rates are stipulated in Council Regulation (EC) No 3699/93 and in the SPD

Categories of expenditures eligible for aid:

- the construction, modernization and acquisition of buildings
- investments to improve the product quality and to reduce pollution
- the acquisition of new plant and machinery

The enterprise must be submitted to official animal health control.

3. Investment aid to fishing port facilities

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996 4 445 000 SEK (Community funds)
 3 006 000 SEK (National funds)

1997: 3 849 000 SEK (Community funds)
 2 475 000 SEK (National funds)

3. Policy objectives

To improve and adapt structure in the fisheries sector.

4. Duration

State aid to investments in fishing port facilities is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 59

Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients

- local authorities & other public bodies
- fishermen and fish processing enterprises connected to harbours
- fishing harbour associations

Maximum possible aid intensity: Participation rates are stipulated in Council Regulation (EC) No 3699/93 and in the SPD

Categories of expenditures eligible for aid:

- investments to improve the conditions under which fishery products are landed,
- handled and stored
- investments to support fishing vessel activities
- investments to improve the safety during the landing or loading of products.

4. Investment aid for processing and marketing

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996: 26 700 000 SEK (Community funds)
 9 614 000 SEK (National funds)

1997: 27 535 000 SEK (Community funds)
 9 523 000 SEK (National funds)

3. Policy objectives

To develop economically viable enterprises in the sector and assist structural improvements.

4. Duration

State aid to investments in processing and marketing is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 107
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients: The Processing Industry

Maximum possible aid intensity: Participation rates are stipulated in Council Regulation (EC) No 3699/93 and in the SPD

Categories of expenditures eligible for aid:

- The construction and acquisition of buildings and installation
- The acquisition of new equipment needed for the processing and marketing
- The application of new technology
- Investments to improve product quality and to reduce pollution

5. Aid for promotion/marketing

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996: 6 460 000 SEK (Community funds)
 5 783 000 SEK (National funds)

1997: 2 020 000 SEK (Community funds)
 1 820 000 SEK (National funds)

3. Policy objectives

To improve market supply and the value added to fisheries and aquaculture products.

4. Duration

Aid for promotion is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 9
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients:

Public bodies, fisheries interest associations, private contractors

Maximum possible aid intensity: Participation rates are stipulated in Council Regulation (EC) No 3699/93 and in the SPD

Categories of expenditures eligible for aid:

Consumers surveys and market studies, promotion campaigns, organization of and participation in trade fairs, consumption advice, services and advice to wholesalers and retailers.

1. Form of subsidy

Grant

1996: 3 653 000 SEK (Community funds)
 3 130 000 SEK (National funds)

1997: 721 000 SEK (Community funds)
387 000 SEK (National funds)

To achieve sustainable balance between resources and their exploitation.

State aid to temporary cessation of fishing activity is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

Estimated number of recipients of aid between 1996 and 1997: approx. 45

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

Recipients: Fishing enterprises.

Categories of expenditures eligible for aid:

Compensation of the loss of income associated with a temporary cessation measure introduced as a result of unforeseen and non-recurring circumstances attributable to biological causes.

1. Form of subsidy

Grant

1996: 5 733 000 SEK (Community funds)
 3 941 000 SEK (National funds)

1997: 2 764 000 SEK (Community funds)
 1 992 000 SEK (National funds)

3. Policy objectives

To improve and adapt structures in the fisheries and aquaculture sector.

4. Duration

State aid to studies and pilot projects is from the date of accession subject to the rules and conditions which are stipulated in Council Regulation (EC) No 3699/93.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 19
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients: Universities, Public and private institutions, enterprises

Maximum possible aid intensity: Participation rates are stipulated in Council Regulation (EC) No 3699/93 and in the SPD

Categories of expenditures eligible for aid:

The result of the study or pilot project should be of value for the Industry.

Any result must be published and made accessible to the public.

8. Payment of compensation to producers' organizations

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

1996: 13 463 000 SEK
1997: 3 600 000 SEK

3. Policy objective

To grant financial compensation to producers' organizations for losses when fish has been withdrawn from the market.

4. Duration

From 1 January 1995.

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 4 (Producers' organizations)
Sweden considers that this measure has had very insignificant, if any, effects on trade.

6. Legal basis

Council Regulation (EEC) No 3759/92 of 17 December 1992 on the common organization of the market in fishery and aquaculture products.

7. Rules and conditions

Article 8-12 in Council Regulation No 375

9. State aid for re-stocking of fish

1. Form of subsidy

Grant

2. Amount of subsidy (Total commitments)

<u>1996:</u>	1 650 000 SEK
<u>1997:</u>	1 645 000 SEK

3. Policy objectives

Increasing of stocks of eel and salmonids for the commercial fisheries in coastal and inland waters.

4. Duration

1997 is the last year for the subsidy

5. Statistical data

The grants are restricted to improve the stocks and it is not possible to estimate any effects on trade.

6. Legal basis

Government decision. The program is financed by funds from the price regulation system which has been abolished as from 1 January 1994.

7. Rules and conditions

The Board of Fisheries decides upon the program and the County Administrative Boards are responsible for carrying out the stocking programme

10. Aid to measures undertaken within the Community Initiative Pesca

1. Form of subsidy

Grant

2. Amount of subsidy

1996/1997: 3 581 000 SEK (Community funds)
 3 133 000 SEK (National funds)

3. Policy objectives: The objectives for the Community Initiative Pesca are stipulated in the Commission's notice to the Member States (94/C 180/01)

4. Duration

The integrated Operational Programme covers the period 1995-1999

5. Statistical data

Estimated number of recipients of aid between 1996 and 1997: 15
Information concerning effects on trade is not available.

6. Legal basis

Ordinance on fishing, aquaculture and fisheries (SFS 1994: 1716, 1 January 1995)

7. Rules and conditions

Recipients: Pesca is designed principally for areas dependent on fisheries in regions eligible under objective 1,2 and 5(b).

Maximum possible aid intensity: Participation rates are stipulated in the Operational Programme

Categories of expenditures eligible for aid:

- diversification of activities in eligible areas
- business services
- maintenance or creation of jobs
- specific project of a general and/or transnational nature in the fisheries sectors

11. Aid to Research and development within the fishery sector

1. Form of subsidy

Grant

2. Amount of subsidy

1995/1996 (18 months): 885 000 SEK.

Three projects; 285 000-300 000 SEK.

1997: 0 SEK

3. Policy objectives

Develop fishing gear with improved selectivity. Improve techniques for the processing of herring and develop new products of herring.

4. Duration

Grants are given for periods of 1-3 years.

5. Statistical data

The grants are restricted to basic research and development and it is therefore not possible to estimate effects on trade.

6. Legal basis

Government decision (letter of regulation)

7. Rules and conditions

The research and development results must be published and be accessible to the public. Frequent co-operation with a research institute is a prerequisite. Twenty-five percent of the amount is paid when the project is finished.

SUBSIDIES TO THE SWEDISH INDUSTRY 1997

1. Introduction

1.1 Method and Scope of the Notification

In Sweden, the budget of the central government is the only source of aid to industry. Local governments are in principle prohibited by law to grant aid to enterprises. However, administration of aid programmes funded by the central government may take place at the local level.

The notification covers aid to the business sector, in broad sense, i.e. trade and industry. It is not possible to separate aid figures to the mining and manufacturing industry (SITC 2 and 3).

The description of the various aid schemes follows the outline suggested by WTO. However, it is not possible to present statistical data permitting an assessment of trade effects.

The quantitative information is based on the net cost to government method. This method is used for the annual follow-up of state aid in Sweden. The approach is also used by OECD in its "Public Support to Industry" project. The method is described in appendix.

As from 1997, the Swedish administration has changed its budgetary cycle from fiscal to calendar years. The programmes that were in effect 1 January 1997 are reported in the notification.

2. Support for Research and Development

2.1 Support for Technological R&D Through NUTEK

1. Form of subsidy

Grants or loans with conditional repayment.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 936

- 121 millions SEK to firms and individual inventors
- 401 million to universities
- 414 millions SEK to technological research institutes and cooperative research institutes.

Net cost for seed financing, SEK millions: Calendar year 1997: 66

Net cost for technology transfer: Calendar year 1997: 8

- 5 millions SEK to firms
- 1 million SEK to universities
- 2 millions SEK to technological research institutes and cooperative research institutes.

Support is granted to a variety of projects and cannot be broken down per unit

3. Policy objective

The primary objective is aid for R&D and the secondary objective is aid to SMEs.

4. Duration

The programme commenced as from 1 July 1993. Duration until 1 January 2002.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the following Governmental ordinances: SFS 1993: 1332 (Förordning om ändring av förordningen 1978: 571 om statligt stöd till teknisk forskning, industriellt utvecklingsarbete och uppfinnar-verksamhet) and SFS 1993: 286 (Förordning om ändringar i förordningen 1991: 660 med instruktion för Närings- och Teknikutvecklingsverket). As from 1 January 1996, Governmental ordinance 1995: 1254 (Förordning om statligt stöd till teknisk forskning, industriellt utvecklingsarbete och uppfinnarverksamhet).

7. Rules and conditions

The National Board for Industrial and Technical Development (NUTEK), is a government agency which among other tasks administers government support to technical R&D. Support is granted to universities, technological research institutes for basic research, co-operative research institutes (i.e. institutes financed jointly by government and industry) and to individual firms and inventors. A precondition for receiving support in the form of grants is that the result of the supported project is made public.

All firms, regardless of industry, are eligible. However, the support is focused on small firms and individual innovators. The support to firms and individual innovators is in the form of loans with conditional repayment. A loan can cover up to 50 per cent of project costs. Repayment, including market interest rate, is required if a project becomes commercially successful. The duration and other terms of the loan are dependent on the objective of the loan and various economic factors. Costs for personnel, material and supplies related to R&D, instruments and equipment, consulting bought-in research, etc. are eligible for aid. Other possible aid should be taken into account before the decision of support is made. In practice, projects supported by other state aid schemes do not normally receive support from NUTEK. To the extent that this occurs, the aid ceilings apply to the combined aid.

As from 1 January 1996 rules and conditions have been altered in accordance with the state aid rules within the European Community. In practice the new rules have been applied as from 1 January 1995.

2.2 Project financing through The Fund for Industry

The Fund for Industry is a public foundation. Its main objective is to promote industrial development and marketing. The Fund should earn enough money to retain its capital on a long term basis. This calls for market interest rates to compensate for a few inevitable losses.

1. Form of subsidy

Project financing in the form of loans with conditional repayment, guarantees and grants with royalty repayments. No calculated element of subsidy to individual enterprises, but high risk is accepted.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 105

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective of the project financing is aid to SMEs and R&D.

4. Duration

The scheme commenced in 1979 and was altered in 1993 and 1996. Duration has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance SFS 1996: 880 (Förordning om finansiering genom Industrifonden).

7. Rules and conditions

Project financing: The Fund concentrates on support to small and medium-sized companies. There are no restrictions regarding industry or location. To be eligible for support, a project must involve a substantial risk, but have a compensating potential to become commercially successful. The maximum amount of an award cannot exceed 50 per cent of the costs of a project. Most types of expenditures connected with a development project (seldom land or buildings) are eligible for financing. All successful SMEs pay back with market interest rate or royalty. Financing from the Fund may be combined with regional support, in accordance with the state aid rules in the European Community.

2.3 Energy Research Programme

1. Form of subsidy

Grants or loans with conditional repayment.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 173

- 21 millions SEK to firms and individual inventors
- 145 million to universities
- 7 millions SEK to technological research institutes and co-operative research institutes

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective of the programme is to establish fundamental competence and expertise, to facilitate the transformation of the Swedish energy system in order to reduce the environmental and climatic effects of energy systems. The emphasis of the programme is long-term, i.e. on technology that can be expected to be implemented beyond the year 2000. The programme has its main focus on basic research, while applied research only plays a minor role.

4. Duration

Programme commenced originally in 1975 and has been prolonged several times. The present programme commenced as from 1 July 1993. Duration until further notice, i.e. has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance SFS 1987: 819 (Förordningen om statligt stöd till energiforskning).

7. Rules and conditions

Support is granted to universities, institutes of technology, co-operative research institutes (i.e. institutes financed jointly by the Government and industry) and to firms. The general rule is that all results from the Energy Research Programme are official and shall be made available. Aid to firms accounts for a minor portion (about 15 per cent) of the expenditure, and is mainly in the form of loans with conditional repayment. Costs for personnel, materials and supplies related to R&D, instruments and equipment, consulting, bought in research etc. are eligible for aid. Maximal aid intensity is 50 per cent of eligible costs. Other possible aid shall always be taken into account before decision of support is made.

2.4 The Energy Technology Fund

1. Form of subsidy

Grants, soft loans and guarantees.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 181

- 138 millions SEK to firms and individual inventors

- 5 million to universities
- 38 millions SEK to technological research institutes and co-operative research institutes

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective is aid for R&D. Research, development and preparations of commercial introduction of new technology for energy production and for environmental protection are supported through the Energy Technology Fund.

4. Duration

The programme commenced as from 1 July 1988. Duration until further notice, i.e. has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance SFS 1988: 805 (Förordning om statligt stöd ur energiteknikfonden, mm.)

7. Rules and conditions

Support is granted to the development, testing and demonstration of new techniques in the form of test plants, pilot projects, full scale plants, etc. Support is also granted to applied research jointly co-financed by industry. The beneficiary is normally the user of the new technique, mainly small-scale private energy producers and public utilities in the energy sector. Although the maximum possible aid is 50 per cent of the project costs, NUTEK has established the practice that maximum grant is 25 per cent. There are no formal restrictions to which extent the grant may be combined with other aid schemes. However, in practice, projects receiving aid from the Fund are not given support from other schemes.

2.5 Transport- and Communication Research through the Transport and Communications Research Board

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 149

- 10 million SEK to private firms
- 103 million SEK to universities

- 36 million to technological research institutes, co-operative research institutes

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The Primary objective is aid for R&D. Secondary objective is environmental aid and support for energy-saving.

4. Duration

Programme commenced as from 1 July 1993. Duration formally decided every year.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Government Bill "Research for Knowledge and Progress" 1992/1993: 170 and 1996/97: 1.

7. Rules and conditions

The nature of assisted projects is basic transport and communication research and applied research, development and demonstrations at a pre-competitive level. Grants are predominantly given to universities and research institutions. Regional authorities, municipalities and companies can be granted aid if they are engaged in pre-competitive development or demonstration projects. Such projects are devoted especially to the development of public transport. Costs for personnel, material and supplies related to R&D are eligible for aid. Maximum possible aid intensity is 100 per cent of the eligible costs. Aid is granted on a scientific basis on applications or initiatives from The Board. Grants are regulated by an R&D contract. At least SEK 15 million a year has to be used as grants to research-, development- or demonstration projects concerning public transports. There is no formal restriction to what extent the aid may be combined with other aid schemes.

2.6 Support to Demonstration of Electrical and Hybrid vehicles through the Transport and Communications Research Board

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Fiscal year 1995/1996: 3

- 1 million SEK to private firms
- 2 million SEK to universities, technological research institutes, co-operative research institutes.

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The Primary objective is aid for R&D. Secondary objective is environmental aid and support for energy-saving. The aim of the programme is to investigate the potentials of such vehicles have in order to accomplish energy-saving and environmental benefits. Investigated are also the real costs for society and users, the degree to which the vehicles can fit into the existing transport system as well as their impact on traffic safety. The aid is not devoted to development of the vehicles as such.

4. Duration

Programme commenced as from 1 July 1993. Duration formally decided every year.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Government Bills; 1992/1993: 179 and 1993/1994: 100.

7. Rules and conditions

The aid is directed towards research, development and demonstration of electrical vehicles and hybrid vehicles from a socio-economic and infrastructural point of view. The research is pre-competitive and the result is publicly available. Aid is granted on a scientific basis on applications or initiatives from the Board. Grants are regulated by an R&D contract. The programme is to be carried out in close co-operation with industry and other interested parties and the costs for the programme as a whole are supposed to be shared with these parties. Costs for personnel, material and supplies related to R&D are eligible for aid. Maximum possible aid intensity is 100 per cent of the eligible costs. There are no formal restrictions to what extent the aid may be combined with other aid schemes.

2.7 *Information Technology - now included in 2.1 Technological R&D*

2.8 *Project Financing through the Fund for Swedish-Norwegian Industrial Cooperation*

The Fund for Swedish-Norwegian Industrial Co-operation is a foundation operating relatively independently from the Swedish and Norwegian Governments. The Fund should earn enough money to cover the inflation on a long term basis. This calls for market interest rates to compensate for a few inevitable losses.

1. Form of subsidy

Grants, loans with conditional repayment and grants with royalty repayments.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 21 (to Swedish firms).

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective is aid to SMEs and for R&D. The objective of the Fund is to support development co-operation between Swedish and Norwegian companies.

4. Duration

The programme commenced as from 1 January 1982. Duration until the year 2001, with possible prolongation.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance SFS 1990: 45 (Förordningen om stöd genom Fonden för svenskt-norskt industriellt samarbete), altered 1998: 45.

7. Rules and conditions

Any costs connected with a development project (seldom land or buildings) are eligible. Maximal aid intensity is 50 per cent of eligible costs. A precondition is that the project is a high risk project and has prospects to be commercially successful on a relatively short term basis. All successful SMEs pay back with market interest rates or royalty. Beneficiaries are Swedish and Norwegian companies in all industry except the extraction of oil and gas. There are no formal restrictions to which extent financing through the Fund may be combined with other aid schemes, other than the state aid rules of the European Community.

3. Aid to small and medium sized companies

3.1 The Regional Development Companies, ALMI

ALMI, Regional Development Companies, consist of a parent company and 22 regional subsidiaries. The objective of ALMI is to strengthen the competitiveness and profitability of small and medium sized enterprises and to promote the formation of new firms. ALMI replaced The Regional Development Funds in 1994.

1. Form of subsidy

Loan guarantees, loans, new business loans and development capital in the form of grants with royalties repayment and soft loans.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 127

Support is granted to a variety of projects and can not be broken down per unit.

3. Policy objective

The primary objective of the scheme is aid to SMEs. The Regional Development Companies should strengthen the competitiveness and profitability of small and medium sized enterprises (generally defined as firms with less than 250 employees, in accordance with the European Commission definition) and to promote the formation of new firms.

4. Duration

The programme for loans and guarantees commenced in 1978, development capital in 1982 and new business loans in 1993. Duration until further notice, i.e. has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the following Governmental ordinance: SFS 1994: 1100 (Förordning om statlig finansiering genom regionala utvecklingsbolag) altered SFS 1995: 1196.

7. Rules and conditions

General rules for all forms of financing: The scheme is strictly complementary to private institutions. The scheme is intended for small firms, i.e. firms with less than 250 employees (in practice, often less than 50 employees.) The Regional Development Companies have discretion in respect of the terms of the loans, i.e. the rate of interest, duration and repayment holidays. However, the financing should be on commercial terms and aiming at a reasonable yield and risk-spread.

The lending should be on commercial terms but on a high risk level. Only firms that are profitable or have reasonable prospects to become profitable are eligible. The Companies also provide counselling. The scheme may be combined with regional support and support from NUTEK, in accordance with the state aid rules in the European Community.

Loans: High risk and slightly above market rates. Bad collateral accepted.

Development capital: High risk and bad or no collateral accepted.

Guarantees: High risk and bad collateral accepted. Guarantee fee required.

New business loans: The loan to start-ups is either a personal loan made out to the entrepreneur (injected into the company as restricted equity) or a risk-carrying (unsecured) debenture loan to the company. Maximum is 30 per cent of the amount of financing, but the limit is SEK 1 million. The loan runs for 10-15 years and is installment-free during the first years. The loan is interest-free for two years, with reduced interest for three years; from the sixth year market interest is

paid. An opening charge of 2 per cent on granted loans is payable and is deducted when the loan is paid. Security is normally not necessary.

Supplementary loan: If a company which has been granted a loan for a new company requires further financing, a supplementary loan may be granted but only if there are good reasons for it, and if an application is received by the fund within three years of the loan for a new company being granted. Authorized applicants are private persons or companies. The applicant has to contribute with at least 10 per cent of the capital. All sorts of businesses are eligible.

3.2 Support to Small Companies

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 105

Support is granted to a variety of projects and can not be broken down per unit

3. Policy objective

The primary objective is promotion of employment-generating investments within small companies and balance within regions.

4. Duration

Duration originally as from 1 July 1994 to 30 June 1995. Prolonged until 31 December 1998.

5. Statistical data

Support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in Governmental ordinance: SFS 1994: 773 (Förordning om tillfälligt småföretagsstöd), altered SFS 1996: 1496 (Förordning om ändring i förordningen (1994: 773) om tillfälligt småföretagarstöd).

7. Rules and conditions

Support is handled by the County Administrative Boards (Länsstyrelse). It is available to small companies throughout Sweden, with the exception of companies within the steel- or synthetic fibre industries. Small companies are defined according to the European Commission definition as consisting of 50 employees or less and having an annual turnover of less than SEK 40 million.

Support is granted for investments estimated to create long-term employment opportunities. The prerequisites are that it does not contribute to the relocation of an activity from one county to another, nor to the reconstructing of an activity. An activity that recently has undergone such reconstruction is also excluded from receiving support. Approved capital needed for the investment can not exceed

SEK 20 million. Support can be given with at most 15 per cent of total costs as long as it does not exceed the amount of funds needed for the investment to take place.

4. Support for Employment and Training

Labour market support is aimed at stimulating companies and authorities to hire individuals who face particular difficulties finding work, for instance youth, disabled, refugees and immigrants and elderly. The support is generally given directly to the employer. This kind of aid is intended to give an incentive for the employers to hire an individual they would not else have hired and to compensate for costs for training and equipment.

The schemes noted below, i.e. support for Vocational Training, Recruitment Aid, Trainee Temporary Replacement Scheme and Recruitment Incentive, are intended for companies and could be regarded to constitute a subsidy in the meaning of the WTO-agreement on subsidies. Expenses under these schemes have been significantly reduced during 1997.

4.1 Support for Vocational Training

1. Form of subsidy

Regular grants for on-the-job-training.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 143

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective of the scheme is to avoid disruption in the production mainly in small and medium-sized companies due to lack of skilled workers, to avoid lay-off and to support workers in danger of losing their jobs.

4. Duration

The programme commenced in 1984. Duration until 31 of December 1997. This scheme will be terminated as from 1 January 1998.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance SFS 1984: 518 (Förordning om bidrag till arbetsmarknadsutbildning i företag).

7. Rules and conditions

All firms, regardless of industry, are eligible. The aid is in the form of a grant. The state aid to individual companies covers the actual cost of the training course up to a maximum of SEK 60 per hour for a maximum of 920 hours.

4.2 Recruitment Aid

1. Form of subsidy

Gross wage subsidy for enterprises recruiting certain unemployed individuals.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 238

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective of the scheme is to increase employment, mainly of long-term unemployed and persons with difficulties to get a job.

4. Duration

The programme commenced in 1984. Duration has not been specified. During the calendar year 1997 the maximum budget for this scheme is limited to 300 millions SEK.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinances: SFS 1995: 338 (Förordning om ändring av förordningen 1986: 414 om rekryteringsstöd) and 1995: 720 (Förordning om ändring i förordningen (1986: 414) om rekryteringsstöd). SFS 1996: 1427 (Förordning om ändring i förordningen (1986: 414) om rekryteringsstöd).

7. Rules and conditions

All firms, regardless of industry, are eligible. However, as from 1 January 1997, a few sensitive sectors according to EU rules have been exempted (steel, motor vehicles, synthetic fibre, shipbuilding, agriculture, fisheries, transport). The aid is in the form of a grant that covers maximum 350 SEK per day or maximum 50 per cent of the wage. The individual must have been unemployed for a period of at least one year. The duration of the aid must not exceed 6 months.

4.3 The Trainee Temporary Replacement Scheme

1. Form of subsidy

Deduction of social fees.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 47

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective is aid to employment in the form of deduction of social fees for on-the-job-training.

5. Duration

The scheme commenced as from 1 July 1991. Duration has not been specified.

6. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

7. Legal basis

The legal provisions are laid down in Governmental ordinance: SFS 1993: 746 (Lagen om ändring i lagen 1993: 237 om tillfällig avikelse från lagen 1981: 691 om socialavgifter). As from 1st of January 1997 the legal provisions are laid down in SFS 1996: 1427 (Förordning om ändring i förordningen (1986: 414) om rekryteringsstöd).

8. Rules and conditions

Eligible costs are wage costs for the temporary employee. The employers that take on temporary employees qualify for deduction of social fees of SEK 400 per day. The deduction for training costs is maximum SEK 35 per hour of training and employee, subject to a limit of SEK 20,000 per employee. All firms regardless of sector or location are eligible, however, the beneficiaries are mainly county councils and municipalities. About 20 per cent of the programme budget goes to private firms. Figures reported are estimation of the private sectors share of the programme budget. The projects supported under this scheme are excluded from receiving aid from other sources. As from 1 January 1997 support is given in the form of grants. Aid levels have been slightly affected.

4.4 The Swedish Council for Work Life Research (formerly the Swedish Work Environment Fund)

The Swedish Work Environment Fund was financed by a special work environment levy included in the social security contributions paid by employers. The agency was established in 1972. The Fund was closed down in June 1995 and replaced with The Swedish Council for Work Life Research as from 1 July 1995. The Council is financed over the state budget. The Council shall

initiate and support R&D that promotes a good working environment, and efficient organization of work and a labour market that is accessible to all. The actual operations are rather different from those of the previous fund, with an emphasis on support for mainly academic research of general importance in the field of working life conditions. Grants to specific companies are rare.

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 4

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective is improvement of work conditions and quality of work. The secondary objective is aid for R&D. The Council supports such R&D, education and information that can counteract the emergence of industrial injury or in other ways promotes improved working environment.

4. Duration

Duration has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in governmental ordinance: SFS 1995: 865 (Förordning med instruktion för Rådet för arbetslivsforskning).

7. Rules and conditions

Project costs for R&D in the area of occupational safety and health, work organization and labour market issues. The support from the Council may be combined with other aid, however, for mainly research projects it depends on the purpose.

5. Export Promotion

5.1 General Export Promotion

1. Form of subsidy

The financial support of the Government is directed to the Swedish Trade Council, which is a semi-public organization, which mainly provides information and advice to Swedish companies, mainly SMEs. The Council also initiates and implements various collective export promotion activities like exhibitions and sales missions. Such activities are mainly financed by the companies.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 0

3. Policy objective

The primary objective is to support export and internationalization of Swedish companies in a way that promotes the long-term development of the Swedish economy.

4. Duration

The scheme commenced in 1972. Duration has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

Agreement between the Government and the General Swedish Export Association. The existing agreement is from 1992. Government Bill 1991/1992: 108.

7. Rules and conditions

The services of the Trade Council are available for all Swedish firms regardless of industry and to the export of services as well as goods. A number of companies choose to pay a fee that gives them a discount on certain services. Small and medium-sized firms are given priority.

Support is given in the form of:

- Information on matters regarding foreign trade and foreign markets.
- Export promotion activities, partly financed by government funds, e.g. exhibitions, market surveys, and missions abroad.

The activities of the Trade Council are partly financed by the Government, partly by the companies subscribing to its services. Government funds are used to finance most of the information services and a smaller part of the export promotion activities.

The total turnover of the Swedish Trade Council was around SEK 400 million in the calendar year 1996. Out of this amount around SEK 144 million was funded by the Government and the rest by individual companies, through fees to the Trade Council or by payment for specific export activities.

6. Regional Aid to Enterprises

Regional aid to enterprises in Sweden is granted within the framework of six main schemes: Regional Development Grants, Regional Development Loans, Loans to Regional Investment Companies, Employment Grants, Reduced Social Security Contributions and Regional Transport Aid. The main goal of Swedish regional policy is to promote sustainable growth, freedom of choice and a good environment, so that equal living conditions are created for the citizens in whatever part of the

country they live. Because of the special conditions of living in large parts of Sweden an active regional policy has for many years been of major importance for these regions.

6.1 Regional Development Grant (former Localization Grants and Development Grants)

1. Form of subsidy

Grants and conditional loans for tangible or intangible investments. The grants can be reclaimed if the objectives, especially the purpose of creating new jobs, are not fulfilled.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 490

Support is granted to a variety of sectors and recipients and cannot be broken down per unit.

3. Policy objective

The program supports investments in tangible and intangible investments. The primary objective is regional aid in designated areas. The secondary objective is aid to SMEs, employment and R&D in designated areas. The main objective is to promote development of industry and to create new employment in the designated areas.

4. Duration

The programme commenced as from 1 July 1990. Duration formally decided for every new fiscal year.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance (Förordningen om regionalpolitiskt företagsstöd): SFS 1990: 642, and (from 1 January 1997) in SFS 1996: 1570 (Förordning om ändring i förordningen (1990: 642) om regionalpolitiskt företagsstöd).

7. Rules and conditions

Eligible are natural or juridical persons operating in Sweden and public authorities working with viability in certain competitive sectors on market conditions. In certain cases aid can also be granted to non-profit associations. The firm must be profitable and the firm must, as a rule, increase employment. In order to promote equality between men and women there is also a rule that at least 40 per cent of the new jobs created in each project shall be reserved for each sex. The total grant element may not exceed the maximal aid intensity allowed in each designated area.

Regional Development Grants can be awarded in connection with investments in buildings, machinery, etc. It can also be awarded for intangible investment, such as investments in patent, licenses, marketing activities, development of new products and education. The form of the aid is a

grant, which can be reclaimed if the objectives, especially the purpose of creating new jobs, are not fulfilled.

The grant is awarded discretionary according to the calculated need for each individual project, the size of the investments, the number of new jobs, etc. Maximal intensity is 35 per cent of eligible investment costs in aid area 1 and 20 per cent in aid area 2 and structural aid areas. In some cases the maximal intensity is lower and in exceptional cases it can be higher, maximum 50 per cent (government decision). As from 1 January 1997 the maximum grant is 40 per cent of eligible investment for small and medium sized companies, and 35 per cent for other companies i.e. up to 250 employees, in regional aid area 1. In aid area 2 the maximum grant is 20 per cent.

The awarding of a grant has many reasons. For example: The cost of building is higher in the designated areas because of climatic reasons, transport costs, etc. It is more difficult to finance these investments on the regular credit market because of their low alternative value.

The main rule is that the grant is taxable as an income to the recipient. The general level for corporate income taxes is about 28 per cent flat rate. In Sweden, the value of buildings may depreciate at rates varying from 2 to 5 per cent per annum, depending on the type of the building. Machinery is normally depreciated during a 5-year period. The grant can be awarded either by the Government, NUTEK (National Board for Industrial and Technical Development) or the County Administrative Boards.

6.2 Regional Development Loans (former Localization Loans)

1. Form of subsidy

Loans that can be reclaimed immediately if the objectives, especially the purpose of creating new jobs, are not fulfilled.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 60

Support is granted to a variety of sectors and recipients and cannot be broken down per unit.

3. Policy objective

The primary objective is regional aid in designated areas. The secondary objective is aid to SMEs and aid to employment in designated areas. The main objective of the scheme is to promote development of industry and to create new employment in the designated areas. In these areas the credit market is less developed compared with other parts of Sweden. This is mainly due to the low alternative value of the fixed assets. Regional Development Loans can be awarded in connection with investments in buildings, machinery, etc.

4. Duration

The programme commenced in 1992. Duration formally decided for every new fiscal year.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance (Förordningen om regionalpolitiskt företagsstöd): SFS 1990: 642, and (from 1 January 1997) in SFS 1996: 1570 (Förordning om ändring i förordningen (1990: 642) om regionalpolitiskt företagsstöd).

7. Rules and conditions

Natural or juridical persons operating in Sweden and public authorities working with viability in competitive sectors on market conditions are eligible. Loans can also be granted to non-profit associations. The loan is granted discretionary and limited to an amount actually needed. The firm must be profitable and the firm must, as a rule, increase employment. At least 40 per cent of the new jobs created in each project must be reserved for each sex. Loans at market conditions, no subsidy, risk-sharing. The interest rate of the loan is the Swedish discount rate plus 4.25 percentage units. The state financing, grant and loans, may not exceed 70 per cent in aid area 1 and 50 per cent in aid area 2 and structural aid areas.

6.3 *Former Development Grants, now joined with the former Localization Grants into Regional Development grants*

6.4 *Loans to Regional Investment Companies*

1. Form of subsidy

Loans. During the first years the interest rate may be lower than market rates, provided that the state e.g. receives a share of the value added in the company after about ten years.

2. Amount of subsidy

Total amount of granted loans in SEK millions: Calendar year 1997: 0

3. Policy objective

The primary objective is regional aid to designated areas. The secondary objective is aid to SMEs in designated areas. The main objective is to create new employment by stimulating private capital to engage in certain businesses in the aid areas. The objective is also to take advantage of management knowledge in order to promote the expansion of small businesses.

4. Duration

The programme commenced as from 1 July 1982. Duration formally decided for every new fiscal year.

5. Statistical data

The support is granted to a variety of sectors and recipients, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance (Förordningen om regionalpolitiskt företagsstöd): SFS 1990: 642, and (from 1 January 1997) in SFS 1996: 1570 (Förordning om ändring i förordningen (1990: 642) om regionalpolitiskt företagsstöd).

7. Rules and conditions

Eligible are privately Swedish or foreign owned regional investment companies, working with viability in competitive sectors on market conditions. The size of the loan is related to the capital raised by the share holders. Decisions on loans to regional investment companies are made by the government. During the fiscal year 1997 no such decisions have been made.

6.5 Employment Grant

1. Form of subsidy

Grant.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 296

Support is granted to a variety of sectors and recipients and cannot be broken down per unit.

3. Policy objective

The primary objective is regional aid to designated areas. The secondary objective is aid to SMEs and employment in designated areas. The scheme is aimed at creation of new employment by reducing the extra costs during the first years when taking on additional labour.

4. Duration

The programme commenced as from 1 July 1990. Duration formally decided for every new fiscal year.

5. Statistical data

The support is granted to a variety of sectors and recipients, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance (Förordningen om regionalpolitiskt företagsstöd): SFS 1990: 642, and (from 1 January 1997) in SFS 1996: 1570 (Förordning om ändring i förordningen (1990: 642) om regionalpolitiskt företagsstöd).

7. Rules and conditions

Eligible for aid are public authorities, natural or juridical persons operating in Sweden and working in competitive sectors on market conditions. In some cases aid can also be granted to non-profit making associations. There is a requirement that at least 40 per cent of the new jobs created

shall be reserved for each sex. Grants are awarded according to the amount of new jobs created measured in additional man-years (i.e. total net increase of working hours performed by employees in companies applying and eligible for aid). Minor employment grants are awarded after application if all conditions are fulfilled. If the number of additional years of work is exceeding ten, the applications are examined from the company's economic point of view. Support is only granted for employment that is considered fixed and the employer shall supply competence raising education in the form of theory or practice of at least 125 hours during a period of 2 years.

The aid intensity in regional aid area 1: A total sum of SEK 200,000 per additional year of work allocated according to a uniform scheme during a five year period.

The aid intensity in regional aid area 2: A total sum of SEK 120,000 per additional year of work allocated according to a uniform scheme during a five year period.

Year	Aid area 1	Aid area 2
1	60,000	40,000
2	50,000	30,000
3	40,000	25,000
4	30,000	15,000
5	20,000	10,000
Total	200,000	120,000

6.6 Reduced Social Security Contributions

1. Form of subsidy

Tax concessions in the form of reduced social security contributions.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 410

Support is granted to a variety of sectors and recipients and cannot be broken down per unit.

3. Policy objective

The primary objective is regional aid to designated areas. The secondary objective is aid to SMEs and employment in designated areas. The main objective is to create new employment and to maintain employment in certain sectors in the most disadvantaged areas by reducing the cost of labour. An overall aim is to compensate for additional costs due to permanent geographical disadvantages in the form of long distances, low population density and remote location.

4. Duration

In aid area 1 and 2 the duration is until and including the year 2000.

5. Statistical data

The support is granted to a variety of sectors and recipients, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Act (Lag om nedsättning av social-avgifter och allmän löneavgift) SFS 1990: 912 and SFS 1994: 549 (Förordning om nedsättning av socialavgifter).

7. Rules and conditions

In aid area 1 and parts of aid area 2 the reduction is ten percentage units. In those parts of the northernmost county of Norrbotten which are not included in aid area 1 the reduction is five percentage points.

The social security contributions are reduced for employers engaged in the following sectors in aid area 1: mining and quarrying (except iron, ore and mining), manufacturing (except pulp, paper, iron, steel and ferro-alloys), wholesaling of manufacturing goods, hotels and restaurants and service activities. In aid area 2 the reduction is only available in the most sparsely populated areas. In these parts e.g. agricultural and forestry activities and certain private business services are eligible. These activities are very important for women's employment. In the vast majority of cases the aid is awarded automatically. Reduced social security contributions may be combined with employment grants.

6.7 Regional Transport Grant

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 352

Support is granted to a variety of sectors and recipients and cannot be broken down per unit.

3. Policy objective

The primary objective is regional aid to designated areas. The objective of the grant is to partly compensate for high transport costs due to long distances to the main markets. It is important to create new employment and to maintain employment in those areas in Sweden where the cost of transport is considerably higher than in the rest of the country. Hereby these companies are put on more equal footing when competing with companies situated closer to the large markets.

4. Duration

The scheme commenced in 1971. Duration formally decided for every new fiscal year.

5. Statistical data

The support is granted to a variety of sectors and recipients, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinance: SFS 1980: 803 (Förordningen om regionalpolitiskt transportstöd). SFS 1996: 1569 Förordning om ändring i förordningen (1980: 803) om regionalpolitiskt transportstöd.

7. Rules and conditions

Eligible are Swedish natural or juridical persons, foreign company branches in Sweden or foreign natural persons living in Sweden.

The assisted projects: actually paid domestic transport costs from the regional aid area for goods that have been produced or manufactured (processed) in this area (except for certain products like pulp, paper, metals, certain steel products and iron ore), transport costs for raw materials that shall be processed in the regional transport aid area are also eligible. However, in principle, materials from outside the aid area that are also produced in the aid area are not eligible. The goods transported must be highly processed in order to be eligible. The grant is awarded automatically after application if all the conditions are fulfilled. As from 1 July 1995 regional transport aid was terminated in 12 municipalities outside the regional aid areas approved by ESA, i.e. outside areas with population density above 12,5 inhabitants per square kilometres.

The regional aid area for transport is divided into five zones. The percentages of the transport costs that are covered appear in the following table:

Distance in kilometres	Transport aid zone	Transport aid zone	Transport aid zone	Transport aid zone	Transport aid zone
	1	2	3	4	5
251 - 400	5%	5%	5%	5%	5%
401 - 700	5%	15%	25%	30%	30%
701 -	5%	15%	25%	30%	45%

6.8 **The Fund for Northern Sweden**

The Fund has been operating with two different types of activities:

- loans, including guarantees and conditional loans given primarily to small and medium sized companies within the industrial and service sector.
- guarantees and project support given to institutions or projects and research of infrastructural character (for example, research activities at universities and colleges, foundations of research bodies outside the university sphere). As from 1994 the Fund has primarily concentrated on the loan operation.

1. Form of subsidy

Mainly loans at market conditions. No subsidies, risk-sharing. Conditional loans, guarantees, grants and project support.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 35

Support is granted to a variety of projects and recipients and cannot be broken down per unit.

3. Policy objective

The primary objective is regional aid to designated areas. The secondary objective is aid to SMEs and R&D. The aim of the fund is to promote development mainly of SMEs, at present, in the 5 northernmost counties.

4. Duration

The scheme commenced in 1961. Duration has not been specified.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

Government Decision 1961, last revision in 1995.

7. Rules and conditions

Expenditure eligible for financing is product development, marketing, fixed assets and working capital. If loans from The Fund Northern Sweden are combined with Regional Development aid, the State financing may only amount to 70 per cent of investment costs in aid area 1 and 50 per cent in aid area 2 and structural aid areas. The Government can decide that these levels may be exceeded if there is a special priority.

6.9 Programme for Industrial Development in Regions of Regional Policy Priority

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 4

- 1,4 million SEK to private firms
- 1 million SEK to universities
- 2 million to other governmental bodies

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

The primary objective of the programme is regional aid in designated areas. The aim is to improve companies own ability to develop through knowledge-raising activities. Secondary objective is aid for R&D activities.

4. Duration

Programme started as from 1 August 1994. Duration until 31 December 1999.

5. Statistical data

Support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in Government Decision No. 7 from 10 February 1994.

7. Rules and conditions

Support is allocated by NUTEK to 22 consortiums (programmes). These programmes have been selected from submitted proposals, according to criteria such as relevance to industry and connection to external sources of knowledge (size and quality of network).

The consortiums include around 200 companies and a number of research institutes or universities. These are working together to raise the level of knowledge in companies. No financial resources are directed to an individual company, but to the consortiums as collective bodies. Support to each consortium can amount to 37,5 per cent of total programme costs at most.

Costs eligible for aid include personnel, materials and supplies related to R&D. Instruments and equipment costs are only to a limited extent supported.

6.10 European Union Structural Funds - Development within the geographical objective areas 2, 5b and 6.

1. Form of subsidy

Grant.

2. Amount of subsidy

EU funds accorded during calendar year 1997, net cost in SEK millions:

Objective area 2:	<u>14</u>
Objective area 5b:	<u>37</u>
Objective area 6:	<u>36</u>

3. Policy objective

Aid to structural development within the different geographical objective areas. The programmes are dominated by measures for small and medium-sized enterprises. Priorities: Industrial development, local development and tourism, and skills development.

4. Duration

The programme is running from 1995 to 1999.

5. Statistical data

Funds are distributed horizontally mainly to small and medium-sized companies, and trade effects are considered minimal.

6. Legal basis

Council Regulation (EEC) No. 2082/93.

7. Rules and conditions

Funds from the European Union are to be complemented by national funds at the rate 30/70 per cent. Programme no. 3.2, Temporary Support to Small Companies, is used for Swedish national co-financing. Co-financing is included in the total reported under that program.

7. Environment Aid

7.1 Investment Grant for Ecologically Sustainable Development

1. Form of subsidy

Grants.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 114,4

Support is granted to a variety of projects and cannot be broken down per unit.

3. Policy objective

Primary objective is to obtain higher levels of environmental protection compared to what is demanded by international standards.

4. Duration

The programme started in July 1995 and was terminated in June 1996. A new programme, with basically the same objectives, started 1 January 1997.

5. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

6. Legal basis

The legal provisions are laid down in the Governmental ordinances: SFS 1995: 1044 (Förordning om bidrag till ekologisk omställning), and from 1 January 1997 in SFS 1996: 1378 (Förordning om statligt investeringsbidrag för en ekologiskt hållbar samhällsutveckling).

7. Rules and conditions

Support is granted to environmentally friendly investments. The grant is to be given to projects that are rational, cost-effective, that produce obvious environmental gains and that have obvious effects on employment. Support is not to cover more than 30 per cent of the additional costs that arise due to upgrading of investments into a more environmentally friendly direction. Investments can not receive other forms of state aid.

8. Other Forms of Subsidies

8.1 Energy tax concession

1. Form of subsidy

Tax exemption.

2. Amount of subsidy

Net cost in SEK millions: Calendar year 1997: 52.8

Support is granted to a variety of projects and cannot be broken down per unit.

4. Policy objective

The tax measure aims at reducing emissions of CO₂. The objective of the concession provisions is to safeguard that enterprises with energy intensive production are not burdened with an unreasonably high tax level.

5. Duration

The present system started 1 July 1997. Expiration date 31 December 1999.

6. Statistical data

The support is granted to a variety of projects and sectors, therefore it is not possible to present statistical data permitting an assessment of trade effects.

7. Legal basis

The legal provisions are laid down in the Act (Lagen om skatt på energi) SFS 1994: 1776.

8. Rules and conditions

For enterprises within the industry sector there is a general rule stipulating a 50 per cent reduction of the CO₂-tax for the use of fossil fuels. As concerns enterprises with energy intensive production, they also benefit from a special tax reduction; If the CO₂ tax payable according to the 50 per cent-rule exceeds 0,8 per cent of the companies value of sales, then the enterprise only has to pay 12 per cent tax on the exceeding sales value. In addition, there are complementary rules for certain types of fuels. According to these rules CO₂ tax exceeding 1,2 per cent of sales value is deductible from the total CO₂ tax amount to be paid. (The 0,8 per cent rule was introduced as from 1 July 1997. The 1,2 per cent rule was in force former to that date).

APPENDIX

The net cost method

The objective of the net cost to government (NCG) method is to obtain a consistent measure of government aid, where support from various instruments, i.e. grants, loans, guarantees, equity injections and tax concessions, are added. The NCG-method is used by OECD in its project "Public support to industry".

Net costs are calculated as follows:

Grants: Actual amounts paid out minus repayments and royalties if any.

Guarantees: Claims paid minus fees received and recoveries.

Loans: Estimated capital cost based on the difference between the government borrowing rate and actual interest payments received.

Equity capital: Estimated capital cost based on the government borrowing rate and dividends received.

Tax concessions: Estimates of revenue forgone.

Capital against Royalty: Estimated capital cost based on the difference between the government borrowing rate and actual royalty payments received.

It should be noted that the net cost does not correspond to the actual transfer of funds from the government to the firms in any given year, i.e. the expenditure as reported in the government budget. Instead the purpose is to indicate the net cost to government of support to industry. Since imputed capital costs on previous loans and equity injections are included, the net cost figures to a certain extent reflect past policies. The NCG-method is not a direct guide to determine the extent of distortion of competition nor to approximate the ultimate benefit to industry. However, the NCG is a useful guide to the evolution and the structure of government support over time.
