

SWEDEN

UNITARY COUNTRY

EUROPE

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **HIGH INCOME: OECD** Local currency - **Swedish Krona (SEK)**

POPULATION AND GEOGRAPHY

AREA: **407 340** km²

POPULATION: **9.696** million inhabitants (2014), an increase of 0.8% per year (2010-14)

DENSITY: **24** inhabitants/km²

URBAN POPULATION: **85.7%** of national population

CAPITAL CITY: **Stockholm** (15.2% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **439.2** billion (current PPP international dollars)
i.e. 28 327 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.3%** (2014 vs 2013)

UNEMPLOYMENT RATE: **8.0%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **-2 535** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **24%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.907** (very high), **rank 14**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
290 MUNICIPALITIES (KOMMUNER) AVERAGE MUNICIPAL SIZE: 33 890 INHABITANTS	-	21 COUNTY COUNCILS (LANDSTING)	311

MAIN FEATURES OF TERRITORIAL ORGANISATION. Sweden has a two-tier system of local government, recognised in the Constitution (Article 7). It is composed of 21 county councils and 290 municipalities with no hierarchical links between them. The island of Gotland has a specific status, being a municipality which carries out county council responsibilities. Sweden has also a central government territorial administration composed of 21 counties (*län*), each of which has its own County Administrative Board and County Governor appointed by the central government. There has been an experimental regionalisation since 1999 (with Skåne and Västra-Götaland) which has been gradually extended since 2011. In 2016, among the 21 county councils, 10 have additional responsibilities, in particular regional development. They will be 14 in 2017. In the rest of the country, responsibility for regional development falls on either County Administrative Boards or on indirectly elected Regional Development Councils. In addition, a commission on regional reforms has been established. It will make proposals to merge counties, with possible implementation in 2019 and 2023.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. SNG responsibilities are laid down in the 1991 Local Government Act, amended in 2004. Municipalities have extended responsibilities, devolved to them by law and overall responsibility for local affairs. They are responsible for social protection (care for the family, child, elderly and disabled), education (pre-school, primary and secondary education) and vocational training, planning and building issues, healthcare (prevention), environmental protection, utilities (waste, water and sewerage), local roads and public transport, leisure and culture, housing, rescue services, etc. County councils' responsibilities include health care (primary care, hospitals, ambulatory care, dental care, medical services) and regional public transport. Some county councils also have responsibilities regarding regional development.

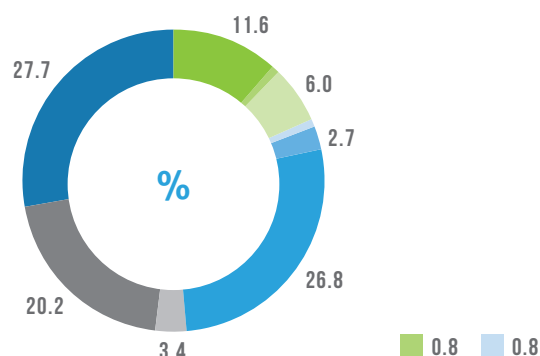
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	25.3%	47.4%	100%
CURRENT EXPENDITURE	23.2%	-	91.6%
STAFF EXPENDITURE	9.6%	75.8%	37.9%
INVESTMENT	2.0%	45.6%	8.1%

SNGs are providers of numerous public services and benefits in key areas, making Sweden one of the most unitary decentralised countries of the OECD. SNG expenditure as a share of GDP and public expenditure is even greater than in most OECD federal countries. SNGs employ more than three quarters of public staff, being responsible for wages of teaching, social and health employees. The role of SNGs in public investment is lower than in the OECD on average where it accounted for 59% of public investment and 11% of SNG expenditure in 2013. Municipalities account for around 70% of SNG total expenditure.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



SNG largest areas of spending are by far social protection and healthcare, which accounted for almost 55% of subnational expenditure. They are followed by education. For the county councils, the main category of spending is health care (around 90%). For the municipalities, social protection and education are the main categories. Although some other spending areas occupy a relatively low percentage of SNG expenditure, they may represent a substantial share of total public spending in these areas, in particular housing and community amenities and recreation and culture. Comparatively to other OECD countries, spending in economic affairs and transports is lower.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	25.2%	48.6%	100%
TAX REVENUE	13.7%	34.3%	54.3%
GRANTS AND SUBSIDIES	7.8%	-	30.9%
OTHER REVENUES	3.7%	-	14.7%

The majority of SNG revenue come from taxation and other own revenues, grants accounting for less than one-third of SNG revenue. Municipalities and county council have a fairly similar revenue structure.

TAX REVENUE. SNG tax revenue come almost entirely from the local PIT, which is an own-source tax levied independently of the national PIT. Levied on incomes from salaries, wages, pensions, payments from health insurances and unemployment benefits, etc.), it represented 97% of SNG tax revenue in 2013. Municipalities and county councils have the same tax bases, and decide independently to set their own tax rates. Although the national Parliament has the power to cap tax rates, no limit is currently set. The property tax represented only 3% of SNG tax revenue and 0.4% of GDP in 2013, among the lowest levels of the OECD.

GRANTS AND SUBSIDIES. Transfers from the central government include compensations for mandatory tasks based on an ex-ante assessment, and allocated on a per capita basis as a lump sum through general or earmarked grants. Equalisation transfers are enshrined in the Constitution. The equalisation system is divided between five grants: the income equalisation grant (the most significant, it is intended to equalise tax disparities and is mainly a vertical equalisation mechanism), a cost equalisation grant (intended to neutralise disparities in the cost of services), a structural grant, a transitional grant and an adjustment grant/charge. In 2008, a new audit of the equalisation system was entrusted to a Parliamentary committee. Its aim was to identify growth deterring factors linked to the equalisation system. This audit led to the adoption of several measures in 2012 and 2014, but ultimately benefited high-revenue SNGs. Since 2015, new measures are on-going to correct this situation. 95% of grants are for current expenditure.

OTHER REVENUES. Other SNG revenues come mainly from charges and fees (10.4%) for local services provided such as child, elderly and health care. Municipalities and counties are to set fees but ceilings on maximum charges have been introduced on some services. Revenues from assets represented around 2% of SNG revenues in 2013. Since 2013, local governments are also able to build rainy day funds in order to reduce the cyclicity of their revenues.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	13.7%	25.3%

Municipalities and county councils are subject to a balanced budget requirement. They can borrow only to fund capital expenditure (golden rule) through bonds and loans. SNG outstanding debt as a percentage of GDP is lower than in OECD unitary countries on average (15.1%). It is made up of financial debt including loans (39% of outstanding debt) and bonds (17%), pension liabilities (19%) and other accounts payable (22%). Financial debt comprises only loans. Kommuninvest i Sverige AB, a non for profit credit association owned by county councils and municipalities, is the main lender (market share about 50%).

A joint- study of:



Sources:

OECD National Accounts Statistics • OECD (2016 and 2015), Subnational Governments in OECD Countries: Key data • Chatry I., Hulbert C. (2016), Multi-level governance reforms: Overview of OECD country experiences, OECD publishing • Sweden's Convergence Programme 2014 • Kommuninvest (2014), Local government borrowing • Council of Europe (2014) Local and regional democracy in Sweden • OECD (2010) Territorial review of Sweden.