

Entrepreneurship and SME policies across Europe

Estimating the costs of Entrepreneurship and SME Policy in Sweden - Implementation report

The IPREG-2 project: Entrepreneurship and SME policy across Europe aims to map the politics towards entrepreneurship (E) and Small and Medium-sized Enterprises (SME) in Europe. One goal has been to investigate the E/SME policy costs in European countries. This report describes how we proceeded in mapping the Swedish costs for E/SME policies. Costs were estimated for year 2009.

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Foreword

IPREG is the Innovative Policy Research for Economic Growth. It undertakes research leading to a better understanding of how entrepreneurship, innovation and small business can create sustainable economic growth in Europe and its' constituent regions.

IPREG is a European “network of networks” comprising researchers, policymakers and representatives from business organisations interested in Entrepreneurship and SME policy.

IPREG is currently co-ordinating two collaborative projects in Sweden, Flanders (Belgium), Poland, Spain and Austria:

- Estimating the full cost of Entrepreneurship and SME policy
- Mapping Entrepreneurship and SME Policy expenditure, policy focus and perceived impact

Subsequently IPREG will undertake a third project:

- Linking the input of Entrepreneurship and SME Policy to impact- most notably that of enhancing the entrepreneurial vitality of European countries.

The findings of the two current projects will be summarised in nine reports:

- One synthesis report covering all countries
- Individual country reports for Sweden, Flanders (Belgium), Poland and Austria.
- Two technical manuals for each of the current projects
- Two detailed reports for Sweden

This report describes how Sweden's Entrepreneurship and SME Policy expenditures were identified, categorized and estimated, it is the detailed report for Sweden concerning project 1.

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Summary

The IPREG-2 project: *Entrepreneurship and SME policy across Europe* aims to map the politics towards entrepreneurship (E) and Small and Medium-sized Enterprises (SME) in Europe. One goal has been to investigate the E/SME policy costs in European countries. This report describes how we proceeded in mapping the Swedish costs for E/SME policies. Costs were estimated for year 2009.

In the *Cost Manual* entrepreneurship policy (EP) is defined as:

Policy measures aimed at individuals who are interested to start a business and still are in a starting phase procedure meaning activities during the first three years

SME policy (SMEP) is defined as:

Publicly funded measures aimed at existing firms with up to 249 employees.

In the Swedish case (in this report), due to data limitations, costs are classified as entrepreneurship policy measures only if they are aimed at individuals in the pre-start phase of starting a business. *All measures aimed at existing firms are classified as SME policy measures.* This means that the cost estimates for entrepreneurship policy do not include measures aimed at young firms in their starting-up phase, which means that the Swedish cost estimates underestimate the costs for entrepreneurship policy measures and overestimate the costs for SME policy measures in regard to the definitions in the *Cost Manual*.

Once we have identified a measure as E or SME policy (EP/SMEP), we classify it further as being either *narrow* or *broad* type policy.

Measures that entirely or partially are aimed at fostering entrepreneurship and/or SMEs are sorted as **narrow policy**.

Measures that are not explicitly aimed at fostering entrepreneurship or SMEs but lead to funds being distributed to these groups are sorted as **broad policy**. For these measures, we count only the portion of the total cost that is either entrepreneurship or SME support. (We exclude share of the costs constituting support for companies with more than 250 employees)

Furthermore, all measures are classified by the type of aid they represent to one of the following policy areas: 1) Target Groups (if it is a measure specifically targeting one of the following groups: young, old, unemployed, women, or immigrants), 2) Policy relevant research, 3) Counselling and information, 4) Finance, 5) Administrative burden, 6) Entrepreneurship Education, 7) Promotion activities, 8) Training activities, 9) Innovative entrepreneurship, 10) Networking.

Using this framework we find, among other things, that narrow policy costs are about a tenth (9 percent) of broad policy costs; and that the major costs of Sweden's support to entrepreneurship and SMEs are not on the state's expenditure side but on its income side, in the form of tax costs. Tax costs represent 56.7 percent of total costs (71.4 percent if we exclude EU funding). All tax costs identified represent broad policy measures (there were no tax costs explicitly exclusive to SMEs that we could find).

EU funding covers 20.7 percent of total costs; this is mainly in the form of aid to agriculture (funding through the Common Agriculture Policy via Jordbruksverket (the Swedish Board of Agriculture) represents 92.8 percent of total EU funding).

Swedish 'out of pocket' costs (EU-funding and tax costs excluded) reached SEK 10 529m or 22.7 percent of total costs.

The Ministry of Enterprise, Energy and Communications, handles only 7.1 percent of the total Swedish costs for entrepreneurship and SME policies. They are, however, the 'biggest player' among all ministries concerning the narrow policy costs, administering 58.9 percent of total narrow policy costs.

It is important to understand what we mean by *costs* in this report. The costs we have estimated are the *direct costs* (see below) of the measures that constitute E/SME policy. Trying to estimate the cost of the whole underlying system enabling entrepreneurship and SME policies is *not* our goal.

If we delineate three basic types of costs related to Entrepreneurship and SME policies, it may be easier to understand the costs that we estimate, there is: 1) the *overhead* of involved organizations, 2) the *administrative costs* of involved organizations, and 3) the *direct costs* of the organizations involved.

By *overhead*, we mean the cost of the resources an organization requires simply to exist. In other words costs (like rent, insurance, wages for the overall management, etc.) that are *not directly attributable* to what the organization produces.

By *administrative costs*, we mean the cost of executing the organizations' initiatives, which in *no direct way* is a benefit the entrepreneur or the SME which the measure aims to support.

By *direct costs* (which is what we estimate in this report), we mean the costs that *directly* provide support to the entrepreneur or the SME which the measure aims to support. Direct costs are mostly found in the form of pure transfers - money transferred to 'entrepreneurship' or SMEs. But in some cases 'direct costs' take other forms, like for counselling services, in which case the wage costs for the people who gave advice are estimated.

Sammanfattning

Projektet *IPREG-2: Entrepreneurship and SME policy across Europe* har haft som mål att på olika sätt kartlägga politiken gentemot entreprenörskap (E) och små och medelstora företag (SMF eller SME) i Europa. Ett mål har varit att undersöka hur mycket pengar varje lands E/SMF politik kostar och hur dessa spenderas. Denna rapport beskriver hur arbetet för att kartlägga de Svenska kostnaderna gått till. Året vi undersökt är 2009.

Med *entreprenörskaps politik* menar vi offentligt finansierade åtgärder riktade mot individer som är intresserade av att starta ett företag men ännu inte har gjort det .

Som *SMF politik* menar vi offentligt finansierade åtgärder riktade mot existerande företag med färre än 250 anställda.

När vi identifierat en åtgärd som E eller SMF politik klassificerar vi den vidare som tillhörande antingen ”lilla” eller ”stora” politiken (narrow or broad policy).

Som ”lilla politiken” (narrow policy) klassificerar vi de som de åtgärder som *huvudsakligen* syftar till att stödja antingen entreprenörskap eller SMF.

Som ”stora politiken” (broad policy) klassificerar vi åtgärder som inte särskilt riktar sig emot entreprenörskap eller SMF men som dessa ändå tar del av. För dessa åtgärder räknar vi bara med den *del* av de totala åtgärdskostnaderna som utgör antingen entreprenörskaps eller SMF stöd. (Vi räknar bort den del av kostnaderna för åtgärden som utgör stöd till företag med fler än 250 anställda)

Vidare klassificeras alla åtgärdskostnader efter vilken *typ* av stöd de representerar till en av följande tio grupper: 1) Målgrupper (om det är en åtgärd speciellt riktad mot en av följande grupper: unga, gamla, arbetslösa, kvinnor, eller invandare); 2) Policy relevant forskning; 3) Rådgivning och information; 4) Finansiering; 5) Åtgärder för regelförenkling; 6) Entreprenörskaps utbildning; 7) Attitydskapande åtgärder; 8) Kompetensutveckling; 9) Innovativt entreprenörskap; 10) Nätverksbyggande.

Med dessa utgångspunkter kommer vi bland annat fram till att kostnaderna för den ”lilla politiken” är ca en tiondel (9 procent) av den ”stora politiken”, och att de största kostnaderna för Sveriges stöd till E och SMF inte hittas som offentliga utgifter utan som minskade inkomster i form av olika skattenedsättnings åtgärder.

Den totala kostnaden för samtliga stödåtgärder till E/SMF beräknas till 46,5 miljarder kronor. Av denna kostnad är dock endast 22,7 procent eller 10,5 miljarder offentliga ”out-of-pocket” kostnader. Detta eftersom 20,7 procent av de totala kostnaderna betalas av EU, (främst en följd av EU:s gemensamma jordbrukspolitik, *CAP*), och resterande 56,7 procent (26,4 miljarder) av de totala kostnaderna utgörs av skattekostnader, d.v.s. minskade statliga inkomster.

Finansdepartementet administrerar huvuddelen av de totala kostnaderna (57 procent, eller 26,4 miljarder), följt av Jordbruksdepartementet (25 procent) och Näringsdepartementet (7 procent). Om man däremot tittar enbart på den ’lilla politiken’, (de stödåtgärder som fokuserar enbart på E och SMF) administrerar Näringsdepartementet huvuddelen av kostnaderna (59 procent, eller 2,3 miljarder) följt av Jordbruksdepartementet (24 procent) och Arbetsmarknadsdepartementet (9 procent).

Kostnaderna för den *lilla politiken* fördelar sig över typ av stöd som följer: Finansiering (31,7 procent), Innovativt entreprenörskap (22,4 procent), Rådgivning och information (14,5 procent), Målgrupper (11,1 procent), Kompetensutveckling (8,7 procent), Entreprenörskaps utbildning (6,2 procent), Nätverksbyggande (2,8 procent), Attitydskapande åtgärder (1,3 procent), Policy relevant forskning (1,2 procent), och Åtgärder för regelförenkling (0,3 procent), och.

Det är viktigt att förstå vad vi menar med kostnader i denna rapport. De kostnader vi har estimerat är de *direkta kostnaderna* (se nedan) för de åtgärder som utgör entreprenörskaps och SMF politiken. Vi försöker *inte* beräkna kostnaderna för hela det system som ligger bakom och möjliggör dagens entreprenörskaps och SMF politik.

Man kan för enkelhet avgränsa tre typer av kostnader för Entreprenörskaps och SMF politiken: 1) De inblandade organisationernas *overhead kostnader*, 2) de inblandade organisationernas *administrativa kostnader*, och 3) de inblandade organisationernas *direkta kostnader*.

Med *overheadkostnader* menar vi kostnaden för de resurser en organisation kräver enbart för att existera. Eller med andra ord: *utgifter (som hyra, försäkringar, löner för övergripande administration, etc.) som inte är direkt hänförliga till vad organisationen producerar*. Overheadkostnader beräknas *inte* denna rapport.

Med *administrativa kostnader* menar vi kostnaden för de åtgärder organisationerna utför som inte på något direkt sätt tillfaller den entreprenör eller det SME som åtgärden ämnar stödja. Administrativa kostnader beräknas *inte* denna rapport.

Med *direkta kostnader* (som är vad vi estimerar i denna rapport) menar vi kostnaderna som *direkt* utgör ett stöd till den entreprenör eller det SME som åtgärden ämnar stödja. Detta är oftast rena transfereringar (som är det enda vi räknar som kostnad för t.ex. Arbetsförmedlingens åtgärd ”Start av näringsverksamhet” - hur mycket pengar fick mottagarna). I fallet med rådgivning så innebär det att vi estimerar lönekostnaderna för de personer som ger rådgivningen.

1 Introduction

Each year countries and regions within the European Union spend billions of Euros on innovation, entrepreneurship and SME policies. Such policies, if effective, could play a major role in stimulating enterprise and innovation, enhancing productivity, creating jobs and wealth in turn.

However, the work undertaken by IPREG to date suggests that policy-making and implementation in this area lacks both an explicit strategy and reliable evidence of effectiveness. Secondly, IPREG research has emphasized the need to consider the totality of policy measures, rather than each individually, because of their close interaction with one another. Thirdly, IPREG has called attention to the almost total absence of information on the cost of these policies.

The second phase of the IPREG work (IPREG-2) will therefore build upon the networks established in earlier collaborations and deliver clear evidence-based research recommendations designed to improve the impact of entrepreneurship and SME policy in all participating countries.

More specifically, three inter-related projects are undertaken. Each country/region:

- will quantify the total budget devoted to entrepreneurship and SME policy,
- will map the expenditure and activities, policy focus and perceived impact within these policy areas,
- will link policy input to impact in terms of enhancing entrepreneurial vitality in the relevant country/region.

This report describes the Swedish work with and results from sub-project 1 concerning estimations of costs for entrepreneurship and SME policy in Sweden. The report describes the definitions, sources and methods used to obtain the cost estimates. The resulting estimates are also described in detail.

The methodological starting point for the cost project is the general methodological framework described in the *Cost manual*¹. The *Cost manual* contains definitions, guidelines and recommendations common to all countries participating in the cost estimating sub-project of IPREG-2.

Based on the *Cost manual*, this report describes how the Swedish research team has implemented the definitions, guidelines and recommendations in order to obtain empirical estimates of the costs for entrepreneurship and SME-policy.

The report has the following disposition: Section 2 describes the general methodological framework used to obtain the cost estimates for Sweden. In section 3, a detailed account is given on which measures that is included in the cost estimates and how they are categorized. Section 4 presents the results.

¹ *Tillväxtanalys (2011)*

2 Definitions and methodological framework

In this section, the general approach used for estimating the costs for Sweden is described. The starting point for the work is the recommendations and guidelines in the *Cost manual*, and in this section these are repeated briefly. The focus is on how the recommendations and guidelines are implemented in order to obtain cost estimates for Sweden.

2.1 Definitions and their implementation in Sweden

According to the *Cost Manual* Entrepreneurship policy is defined as:

Policy measures aimed at individuals who are interested to start a business and still are in a starting phase procedure meaning activities during the first three years

SME policy is defined as:

Publicly funded measures aimed at existing firms older than three years with up to 249 employees.

In the Swedish case, due to data limitations, measures are classified as entrepreneurship policy only if they are aimed at individuals in the pre-start phase of starting a business. All measures aimed at existing firms (no matter how young) are classified as SME policy. This means that the cost estimates for entrepreneurship policy do not include measures aimed at firms younger than three years, which means that the Swedish cost estimates underestimate the costs for entrepreneurship policy and overestimate the costs for SME policy in regard to the definitions in the *Cost Manual (Method manual for IPREG subproject 1)*.

The total cost for entrepreneurship and SME policy measures are divided into:

1. Policy measures that entirely are aimed at fostering entrepreneurship and SMEs. These comprise the *narrow* definition of entrepreneurship and SME policy measures and include, for example, policy measures aimed at increasing the formation of new firms or measures aimed at financing SMEs.
2. Policies that are not explicitly aimed at fostering entrepreneurship or SMEs, but include measures that lead to funds being distributed also to these groups. These are included within the *broad* definition of entrepreneurship and SME policy measures. This requires an estimation of the proportion of total costs that are allocated to entrepreneurship and SMEs.

An important part of the estimation process has been to distinguish between these two categories. The main procedure that has been used is to use the available documentation for different policy measures and projects that are within the domain of entrepreneurship and SME policy to identify the main purpose of the measures/projects. If it can be concluded that the main purpose is to improve the performance of entrepreneurship and/or SMEs then the measure is classified as belonging to the *narrow* category. Otherwise the measure is classified as belonging to the *broad* category.

According to the *Cost Manual* total costs within both the broad and narrow policy categories should also be disaggregated as follows:

- Sector: Expenditure is disaggregated between high tech and low tech sectors.

- Policy areas: Expenditure is disaggregated between: target groups²; counselling and information; finance³; entrepreneurship education; promotional activities; training activities; innovative entrepreneurship, administrative burdens, policy relevant research, and networking activities.
- Regions: The precise regional/spatial distribution of expenditure will vary between countries, but there should be at least one regional description of costs.

For Sweden, due to data limitations, it has not been possible to disaggregate costs between high-tech and low-tech sectors except for some measures. Therefore, data for Sweden will not be presented divided on high-tech and low-tech sectors.

The data used for the cost estimations does not allow a regional distribution for all measures. Therefore, the Swedish costs are only presented at the national level here. Furthermore, it is not possible to allocate costs after age of firms (see footnote 104).

The Swedish data is disaggregated on all policy areas.

2.2 General methodology

In accordance with the recommendations in the *Method manual* (section 3), the general approach was to use written accounts and quantitative data as much as possible and only use surveys and interviews as a last resort if necessary data was not otherwise available.

The first step was to identify relevant ministries and publicly funded agencies by surveying policy documents, budget bills and other regulatory documents. The purpose of this survey was to identify where entrepreneurship and SME policy could be found

For the different ministries, written documentation and public available account reports were consulted. The documents were found in the web on the home page of each ministry and their agencies. The websites of the different ministries and agencies have been a very useful source of data.

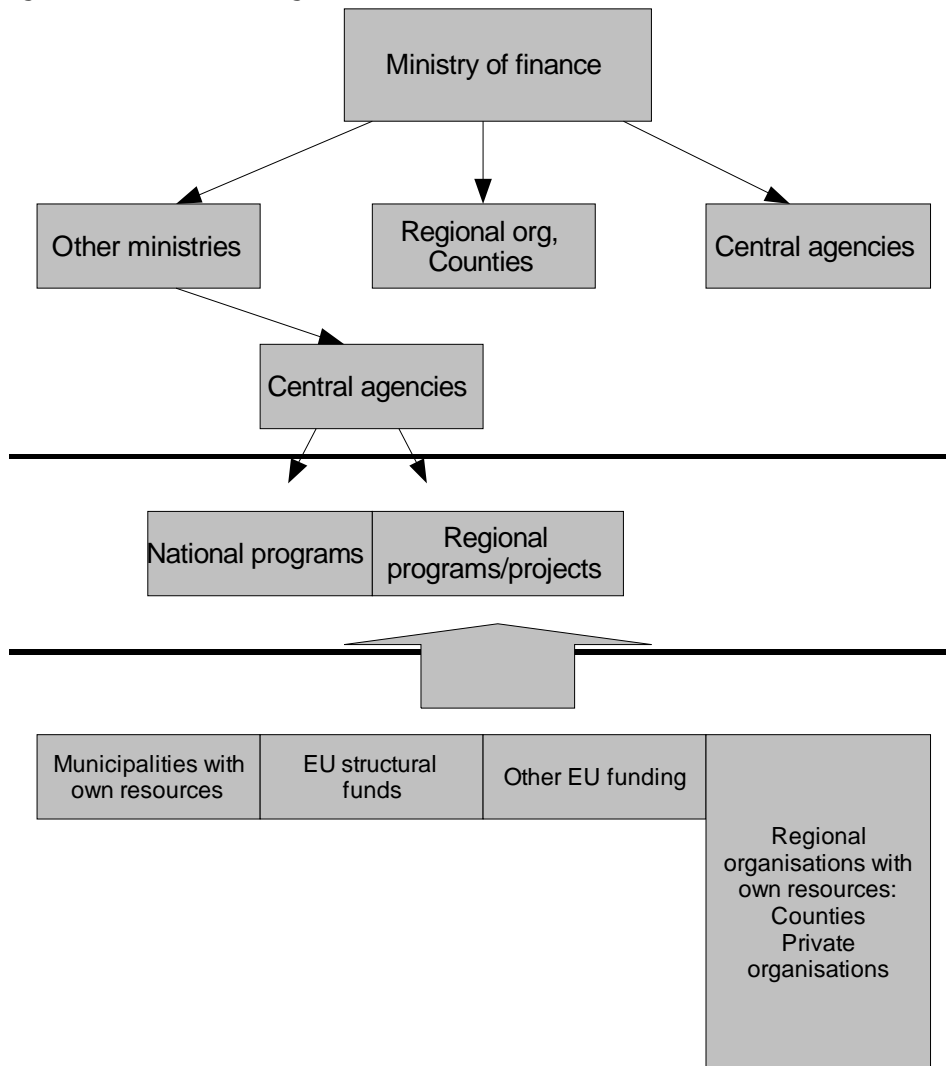
From the information collected in the first two procedures, a funding scheme was created that allowed the identification of the flow of funds within the entrepreneurship and SME policy areas. This funding scheme is presented in Figure 1 below.

The funding scheme reveals that funding for national and regional programs are channelled through central agencies (funding from above). On the regional level, the funding from central agencies is matched with funding from EU, counties, other regional organizations, and municipalities. Some projects are funded exclusively by regional and local authorities.

² 'Target groups' is further disaggregated in our data to the five following subgroups: women; unemployed; young; old; and immigrants.

³ 'Finance' is further disaggregated in our data to the three following subgroups: i) grants; ii) tax loss costs, and iii) 'losses on equity, risk capital, soft loans, etc.'

Figure 1 The Swedish funding scheme



The nature of the Swedish funding scheme means that data needs to be collected from the central agencies involved and the regional authorities and organizations that fund entrepreneurship and SME programs (with or without EU-funding). For the practical work of obtaining the cost estimates for Sweden, this implies that costs would be best measured at the level of central agencies and from the EU and regional level. This means that costs were measured at the thick black lines in the figure above at the interface between public authorities and the recipient in the form of entrepreneurs and SMEs.

The lowest level used for the estimates varies between agencies and activities depending primarily on the level of detailed information we have been able to access, as exemplified in the following two cases:

- 1) We attempt to categorize each of the thousands of individual projects at the Swedish Agency for Economic and Regional Growth (Tillväxtverket) separately, i.e. how much funding each project received in 2009 and what sort of sub-policy it represents.
- 2) In the case of government grants and tax-credits/subsidies we simply count the cash-value of the grants or tax-credits/subsidies times the percentage of total

employees working in SMEs, or times the share of total firms that are SMEs depending on the structure of the aid.

In order to estimate the costs, relevant programs were identified and classified. When possible, data from public documents such as yearly financial statements were used for estimating costs for different programs. Representatives at different agencies were also contacted in order to get hold of account and descriptions that were not available otherwise. These contacts also proved very useful to get advice on how to interpret the data and how to classify the different programs and projects.

The wealth of data available also meant that there was no need to conduct complementary surveys or any other additional ways of obtaining data in order to get information on specific programs falling within the narrow or broad policy area. Instead, much work was put into categorizing different programmes and projects according to their policy category (narrow or broad policy) and the different policy areas.

Data contained within the national State aid reporting in 2009 was also surveyed and was used when covering the identified programs, especially for financing measures. The State aid financing scheme from the national State aid report has been used in this report. Expenses in the form of loans, royalty loans, guarantees, and equity finance are presented and their net costs estimated. The State aid report shows the extent of aid given to the industry and service sectors in 2009.⁴

For the broad policy area, various procedures have been used to limit reported costs to only the measures that go to the SMEs. If it has not been possible to calculate the distribution between SME and large firms directly using microdata, the distribution has been calculated indirectly by using the share of SME in employment or value added.

In order to ensure the quality of the data and get feedback on the estimates, two seminars were arranged with representatives from the agencies that administered the entrepreneurship and SME programs. Special meetings were also organized with some agencies that administered large aid programs to SME areas. For instance, several ad hoc meetings were carried out with representatives of organizations that administer to national/regional aid programs (The Swedish Agency for Economic and Regional Growth (Tillväxtverket) in Östersund. A meeting was also held with the officer in charge of the EU structural fund program in Östersund. Finally, one meeting took place with The Swedish Governmental Agency for Innovation Systems (VINNOVA) in Stockholm.

Since the costs are measured at the level of the recipients (or at the lowest level possible), they do not include administrative or overhead costs originating at a higher level in the funding scheme. I.e., the costs for administering the entrepreneurship and SME programs at ministries or at the central agencies are not included in this estimation, which instead reflects the cost from the perspective of the recipients in the form of funds that are used in practice. If all administrative and overhead costs had been included, the estimated costs would have been significantly higher. (See *Approximation of administrative costs*, page 57)

The details of the estimation procedures and the details of the classification of different programs are described in the next section.

⁴ *Tillväxtanalys (2010a)*. By act (SFS 1988:764) §22-23 all state organizations shall inform the government (through Tillväxtanalys) of "...all forms of aid which may be subject to evaluation by the European Commission."

2.3 Regarding public risk capital

As stated in the *Cost Manual* (p. 12);

The public cost of guarantee systems, risk capital financing including public equity capital and public loans are the losses in these programmes and their cost of administration. It is NOT the value of the funds under guarantee.

Considerable sums are managed by public companies, foundations, and funds for capital investments. A Swedish paper recently estimated that close to SEK 20b in total is administered by some 30 organisations for these purposes⁵. In this study we are only interested in the direct costs of these organisations during 2009 for their operations. This is why we do not estimate any costs at all for, for example *Structural Fund funding of Venture Capital Operations* (see page 47) during 2009, even though considerable sums were transferred to funds, we have no data on losses.

In this study we have identified and estimated costs for four of these organisations, ALMI, Innovationsbron, Norrlandsfonden, and Industrifonden, what we have counted as costs for these organisations is best described as net financial losses for operations during 2009, how these costs have been estimated is described in section 3.18 *Financial Institutions*, on page 43 .

⁵ *Veckans Affärer nr 17, 2011, as referred to in Dagens Industri may 9 2011.*

3 Data and estimation procedures

In this chapter, we describe the Governmental Agencies that have been identified as stakeholders in the administration of Swedish entrepreneurship and SME policies. We describe the Agencies' field of action and which measures they administer in support of entrepreneurship or SMEs. Estimated costs are categorized to the predefined policy areas mentioned above.

All cost figures are in Swedish kronor (SEK), unless otherwise stated.

3.1 Proxies

For some policy measures, information could not be found regarding the share of expenditures that aid SMEs as opposed to other (larger) firms. We were then forced to estimate a share of the policy costs to be counted as E/SME policy costs. We did not count any money in this project that goes to other (larger) firms.

If information on the number of employees of the firms receiving aid cannot be found, making it impossible to construct a policy-specific proxy, the firm structure in the general economy was used as a proxy.⁶

In some cases, aid is given to firms related to how many people they employ. In these cases, aid to SMEs has been determined by the share of all those non-state employees whom are employed by SMEs (63 percent) as a proxy count unless otherwise stated.

In other cases, when information on various policies is missing, it is more reasonable to assume that 100 percent of the expenditures are going towards E/SMEs as opposed to larger firms. 99.99 percent of all firms in Sweden are SMEs, and for some types of policies it is likely that they are also the only recipients.

Proxy's are always the second best alternative and efforts have been made to succumb to them as seldom as possible.

The first policy measure cost presented below includes a proxy (63 percent) and a short explanation of why it has been used.

3.2 Swedish Public Employment Service, Arbetsförmedlingen

Arbetsförmedlingen is a governmental agency that falls under the jurisdiction of the Ministry of Employment (Arbetsmarknadsdepartementet).⁷

Arbetsförmedlingen is responsible for the public employment service and its labour market policies. Arbetsförmedlingen works to improve the functioning of the labour market by 1) effectively bringing together those seeking work with employers, 2) prioritizing those 'far from the labour market', and 3) contributing to increasing employment in the long run.⁷

An investigation⁸ of E/SME expenses connected with the Employment Service agency yielded the following programs:

⁶ See Appendix 1: Firm structure in Sweden 2008, page 70 below

⁷ 1 & 2 § Act (SFS 2007:1030)

Employment assistance (Swedish: Anställningsstöd): Recruitment incentives are provided to employers to encourage employment of people who have difficulties finding regular work. Recruitment incentives may be provided to both private and public employers. In 2009, employment support existed partly in the form of employment support linked to job and development guarantees. The aid may provide up to 85 percent of salary, with a maximum of 750 SEK per day limit.

Aid follows the employees with no maximum per firm; hence we estimate that approx. 63 percent of the aid goes to SMEs. If there had been a maximum aid amount per firm, SMEs as a group would have received a much larger share of the aid, since 99.99 percent of all firms in Sweden are SMEs. However, if aid follows the employee regardless of where he is employed, larger firms will receive a larger share of the aid since they employ 37 percent of Swedish employees⁹. This type of support can be seen as subsidizing labour costs for SMEs to give them opportunities to grow in terms of the number of employees.

Cost: SEK 1,140.0m

Estimated share of costs aiding E/SME: $1\ 140.0 * 0.63 = \text{SEK } 718.2\text{m}$

Sorted as: [Broad SME policy / Finance]

Entry-jobs (Swedish: Instegsjobb): Entry-level job aid is directed to employers of individuals who were granted a residence permit within the last 36 months.

Private employers receive a subsidy of 75 percent of salary costs. The subsidy for public sector employers is 50 percent. The wage subsidy covers a maximum period of six months. Quoted below is an extract from a fact sheet produced by the agency regarding this program. For a detailed description of the program, see Arbetsförmedlingen (2010b, pages 89-92).

[The entry-job program] offers the opportunity to gain experience from the Swedish labour market to newly arrived immigrants as they study Swedish.

[...] Special employment assistance in the form of entry-jobs can be given to you whom in the past 36 months have been granted a residence permit due to a need for protection. You must be at least 20 years old and registered as a job seeker at Arbetsförmedlingen. The same applies if you have a residence card as a family member of an EU / EEA national. EU / EEA citizens cannot get entry level jobs. A prerequisite for obtaining entry-jobs is that you study Swedish for Immigrants (SFI) while you work.¹⁰

Cost: SEK 325.0m

Estimated share of costs aiding E/SME: $325.0 * 0.63 = \text{SEK } 204.8\text{m}$

Sorted as: [Broad SME policy / Finance]¹¹

⁸ Arbetsförmedlingen (2010a & 2010b)

⁹ Year 2008; 99.99percent percent of all firms in Sweden were SMEs, these firms employed 62.53percent percent of the employees (in companies), the respective shares for large companies (>249 employees) were 0.01percent percent and 37.47percent percent. See Appendix 1: Firm structure in Sweden 2008, page 70 below

¹⁰ Arbetsförmedlingen (2011)

¹¹ Not categorized as aid to "Target group: immigrants" since it is the firms hiring the immigrants that are counted as 'aided' in this case. Aid to get employed is not entrepreneurship or SME policy.

Support for business start-up (Swedish: Start av näringsverksamhet): The purpose of this aid program is to give unemployed individuals who cannot get a job but are capable of starting a business grants for living expenses during the start-up phase.

Cost: SEK 288m

Estimated share of costs aiding E/SME: SEK 288m

Sorted as: [Narrow entrepreneurship policy / target group: unemployed]

Special support for business start-up (Swedish: Särskilt stöd vid start av näringsverksamhet): This program helps unemployed persons with disabilities and/or a diminished working capacity to start a business. Support may be provided to an unemployed person who has a business idea that is expected to be profitable and likely to make a significant contribution to the personal income. Aid may be provided to several persons who establish a business jointly in an amount not exceeding 60,000 SEK per person.

Cost: SEK 28m

Estimated share of costs aiding E/SME: SEK 28m

Sorted as: [Narrow entrepreneurship policy / target group: unemployed]

Employment training (Swedish: Arbetsmarknadsutbildning): Unemployed persons fulfilling certain criteria can get quick, ‘all expenses paid’ job training. This sort of aid should only be granted if there is a very high likelihood of employment when the training course is finished. Aid follows the aspiring employees, with no limit on how many ‘trained people’ firms can hire; hence approx. 63 percent of the aid indirectly reaches SMEs.

Cost: SEK 1,191m

Estimated share of costs aiding E/SME: $1\,191 * 0.63 = \text{SEK } 750.3\text{m}$

Sorted as: [Broad SME policy / Training]

3.3 The Swedish ESF Council, Svenska ESF-rådet

ESF- rådet is a governmental agency that falls under the jurisdiction of the Ministry of Employment.¹²

The ESF Council is the governmental agency managing and certifying the *national* Structural Fund Programmes for regional competitiveness and employment (a.k.a. ‘the social fund’).¹²

The ESF Council shall particularly 1) consider matters of aid under the National Structural Funds Programme for the 2007-2013 programming period, 2) perform additional tasks within its operational area as mandated by the regulatory framework of the national Structural Funds Programme and the European Social Fund (which finances 50 percent of project costs), 3) work towards coordination between the national structural fund program and the *regional* structural fund programs for competitiveness and employment (the latter are managed by Tillväxtverket, see page 29).¹²

The purpose of the Council’s work is to strengthen the individual’s positions in his or her working life and hence contribute to increased employment and growth. The Council consists of a central office and 8 regional offices in the administrative provinces of Sweden.

¹² 1 & 2 § Act (2007:907)

The Social Fund can finance projects that:

[Create] increasing opportunities for development and renewal of individuals' working life through competence development.

[Create] increasing job-opportunities. The projects shall aid individuals that are far from the labour market successfully find a job and [remain employed] through unconventional methods.

The programme comprises the whole labour market, i.e. companies, single entrepreneurs, public sector and organizations. It is intended to create additional empowerment to employed and unemployed individuals.¹³

The ESF Council provided information on all projects that received funding in 2009 in the form of a spreadsheet. Only projects in 'programme area 1 – competence development' fit under the definition of E/SME policy, and they all fall in the category of SME-policy and 'Training Activities'. Each project was then categorized as narrow- or broad- policy. Finally, for the projects categorized as broad policy, it was assumed that firms of all sizes gain equally, i.e. eventually 'trained' labourers disperse throughout the general economy, with 63 percent being employed by SMEs. Consequently the costs of the 'broad' projects are multiplied by 63 percent (to estimate the share of costs ultimately aiding SMEs).

Narrow SME-policy / Training Activities: SEK 42.5m

Broad SME-policy / Training Activities: 75.4 Mil * 63percent = SEK 47.5m

For all projects (within 'programme area 1 – competence development'), i.e. the spending summarized here, half the financing comes from the EU and half the financing comes from the state¹⁴.

3.4 The Swedish Tax Agency, Skatteverket

Skatteverket is a governmental agency operating under the jurisdiction of the Ministry of Finance.¹⁵

"Unless otherwise prescribed, Skatteverket is responsible for questions concerning 1) taxes, 2) social contributions, 3) road taxes for certain heavy vehicles, [etc. etc.]"¹⁵

Tax credits/relief that is seen as part of entrepreneurship and/or SME policy in Sweden is described here.

Society's support to companies is commonly reported as expenditures (the 'money spent' on maintaining subsidy programs). But there is also support or payments made through the tax system, called 'tax-expenditures'. Tax Expenditures does not affect the state budget's expenditures side. But they are nevertheless real costs; since the effects of tax cuts can be entirely comparable to ordinary expenditures. Even if these (tax) expenditures are on the government's budget income side, they have effects comparable to if they had been on the expenditures side.

This sort of description of tax expenditures requires that a norm for taxes is precisely described. Such precision can be achieved in several ways. In the accounts given here, which are from the Governments *Account of tax costs 2010*¹⁶, expenditures are

¹³ Svenska ESF-rådet (2009)

¹⁴ Source: email correspondence with official at The Swedish ESF Council

¹⁵ 1 § Act (2007:780)

¹⁶ Finansdepartementet (2010)

benchmarked on the principle of uniform taxation where different sorts of income - within a given category of income - are taxed at the same rate.

By the principle of uniform taxation; “tax expenditure” exists if the tax burden for a particular group of taxpayers is lower than the standard for that category of tax payers.

The budget balance affecting tax expenditures can be estimated in terms of either net or gross costs. Only net tax costs will be reported here. *Net* tax costs are comparable to tax *free* grants on the expenditure side while *gross* tax costs are comparable to *taxable* grants on the expenditure side.

For the purposes of this project not all tax expenditures are reported; rather, emphasis is placed on those that at least implicitly approximate E/SME policy and also constitute substantial (tax-) expenditures.

Energy tax costs

Energy tax is a generic term for excise duties on a number of fuels and electricity. The various energy taxes are composed of fiscal and resource-governing taxes. Resource-governing taxes include carbon dioxide and sulphur taxes. The general energy taxes are typically regarded as fiscal taxes, although they are also designed to limit and discourage resource use to some extent. In recent years, energy taxes have become more environmentally focused, with a shift from pure energy taxation to the taxation of environmentally harmful emissions.¹⁷

The government lists 30 exceptions from a unified tax regarding energy; these exceptions may be called *energy tax costs*. Below, we list energy tax costs that have been considered broad policy support of E/SME. In our source (footnote 16), these are described under the heading *excise taxes* (Swedish: punktskatter). Their individual reference codes have been included for ease of finding further descriptions of them (in Swedish).

Table 1 Estimated Net Tax costs for the energy sector:

Ref. Code	Tax cost title	Net tax cost 2009 (SEK millions)
I15	Electricity consumption in industry	11 980
I19	General reduction of carbon dioxide, industrial	3 560
I13	Fuel consumption for heating in industry	810
I18	Program for energy efficiency in industry	150
I22	Specific reduction of carbon tax for greenhouse and agriculture	20
I21	Specific reduction of carbon dioxide for industry	10
I24	Reduction of carbon tax on diesel fuel for machinery in agriculture and forestry	1000
I12	Recovery of carbon dioxide for heating supplies for industry	450
I16	Electricity consumption in the greenhouse and agricultural industry	440
I23	General reduction of carbon dioxide for the greenhouse and agricultural industry	360
I14	Fuel consumption for heating in the greenhouse and agricultural industry	110
I25	Repayment of energy for heating supplies for industry	100

¹⁷ Skatteverket. (2010c). Page 142

I17	Environmental bonus for electricity produced in wind turbines	60
SUM		19 050

As with other broad policy measures for which microdata concerning the distribution of aid between SMEs and larger firms is lacking, it is necessary to estimate the proportion of aid going to SMEs. Data from the Statistics Bureau of Sweden concerning firm size, value added, and energy usage over different sectors informed our estimate. Pulp, paper, chemical, iron, and steel industries comprised close to 70 percent of total energy usage within the industrial sector in 2009¹⁸. Within these industries, large companies (250+ employees) comprise the majority of the value added¹⁹, while the SME's share of total value added is 34 percent. 34 percent was determined as the proxy value for the share of total energy tax relief going to SMEs.

Total tax costs: SEK 19,050m
 Tax cost to E/SME (x34percent): SEK 6,477m
 Sorted as: [Broad SME policy / Finance]

Housework

'Housework' (Swedish: husarbete) is a general term for household work and renovation work. For these jobs, tax credits can be given for labour costs. The following activities count as housework²⁰:

- Repair and maintenance, modifications, extensions (ROT)²¹
- Cleaning, laundry, basic gardening, babysitting and other oversight (RUT).²²

Tax credit for housework is allowed for half the labour costs but not exceeding 50,000 SEK per person per year.

ROT tax relief was first introduced in 1993, aimed to increase capacity utilization within the Swedish construction sector and thereby reduce unemployment. Since then, the program has been on and off; its latest reincarnation (December 2008) was largely due to the financial crisis.²³

RUT tax relief was introduced in 2007; the aim of RUT is to increase employment and reduce informal employment.

Before 1 July 2009, consumers of housework services applied for the tax relief after the services were paid for in full (including taxes). On 1 July 2009, the 'invoice model' was started. Consumers of housework services now receive their tax-rebate immediately (deducted from the price of the services) and the administrative work against the tax agency (to show that no taxes needed to be paid) became the firm's responsibility.

One consequence of this change is that data on which firms benefited from the tax credits is available only from July (half the year). This data was provided by the Statistics Bureau

¹⁸ *Statistics Sweden (2011a)*

¹⁹ *For SNI 2002 sector codes: 21, 23, 24, 27, & 28, large companies (250+ employees) produced 66 percent of the total value added year 2008. Statistics Sweden (2011b)*

²⁰ *Skatteverket (2010b)*

²¹ *In Sweden the acronym ROT is used for: repairs, reconstruction, construction (Swedish: Reparation, Ombyggnad, Tillbyggnad)*

²² *In Sweden the acronym RUT is used for: cleaning, maintenance, servicing, (Swedish: Rengöring, Underhåll, Tvätt.)*

²³ *Ohlin, J. (2008); Billner, A. (2008); for more information and references, see Berg et al (2010).*

of Sweden and was used to calculate the cost of aid to SMEs over the whole year by assuming that the first half of the year was symmetrical to the second half in terms of the distribution of tax credits across firms.

Total approved tax relief for housework 2009 was: SEK 10,181.6m, of which 91.6 percent and 6.2 percent went to SMEs for ROT and RUT services respectively. The remaining 1.5 percent plus 0.7 percent of the tax credits went to larger firms (250+ employees) for ROT and RUT services.

Almost every tenth person (9.2 percent) over 20 years old in Sweden made ROT-tax-deductions in 2009. RUT tax-deductions were used to a smaller extent, but still doubled between 2008 and 2009.²⁴

Tax cost aiding SMEs in 2009: $(0.916 + 0.062) \times 10,181.6 = \text{SEK } 9,954.6\text{m}$
Sorted as: [Broad SME policy / Finance]

'New Start Jobs' (Swedish: Nystartsjobb)

'New Start Jobs' were introduced in 2007. The purpose of the New Start Jobs scheme is to get more people into work by encouraging employers to hire those who have been without work for a long time or are newly arrived immigrants. Employers who hire people for a 'new start job' receive financial compensation equal to employer contributions [Swedish: arbetsgivaravgiften].

The employer applies at the Employment Office to take on an employee for a 'new start job'. The employer pays the employer's contribution as usual, but is then credited this expense on their tax (31.42 percent of gross salary from 1 January 2009). The most common 'new start jobs' are kitchen and catering assistants, salesmen and warehouse assistants.²⁵

Total tax cost¹⁶: SEK 1,430m
Tax cost to SMEs: 63percent of SEK 1.43b. = SEK 900.9m
Sorted as: [Broad SME policy / Finance]

Reduction of employer contributions for people under age 26

For people who are under 26 years old at the start of the calendar year, employer contributions (Swedish: arbetsgivaravgifter) and the payroll tax (Swedish: allmänna löneavgiften) have been reduced,¹⁶ effectively reducing taxes for *employers* of people under 26 years. The aim of this measure has been to "create a durable higher level of employment and ease the entrance to the labour market for young people."²⁶

Total tax costs¹⁶: SEK 13,488m
Tax cost to E/SME: 63percent of SEK 13.48b= SEK 8,492m
Sorted as: [Broad SME policy / Finance]

²⁴ Statistics Sweden (2011c)

²⁵ Arbetsmarknadsdepartementet (2009)

²⁶ Finansdepartementet (2008)

Reduction of own contributions for people under the age of 26

For people under 26 years old at the start of the calendar year, ‘own contributions’ for sole proprietorships (Swedish: egenavgifterna) and the payroll tax (Swedish: allmänna löneavgiften) have been reduced,¹⁶ effectively reducing taxes for the self-employed under 26 years old. (100percent of their firms are assumed to be SMEs.)

Total tax cost¹⁶: SEK 70m
 Tax cost to E/SME: 100percent of SEK 70m = SEK 70m
 Sorted as: [Broad SME policy / Finance]

Regional Support

Some areas are ‘support areas’. This means that you as an employer with a permanent establishment in such areas could make a specific deduction when you calculate your payroll taxes. If you are self employed with a permanent establishment in an assisted area, you can also make a deduction when calculating your ‘own contributions’ (Swedish: egenavgifterna). These deductions are called regional support.²⁷

Deductions in payroll taxes (Swedish: arbetsgivaravgifter)

Total tax costs¹⁶: SEK 380m
 Tax cost to E/SME: 100percent of SEK 0.38b = SEK 380 m
 Sorted as: [Broad SME policy / Finance]

Deductions in ‘own contributions’ (Swedish: egenavgifter)

Total tax costs¹⁶: SEK 70m
 Tax cost to E/SME: 100percent of SEK 70m. = SEK 70m
 Sorted as: [Broad SME policy / Finance]

3.5 Swedish Accounting Standards Board, Bokföringsnämnden

Bokföringsnämnden (BFN) is a governmental agency that falls under the jurisdiction of the Ministry of Finance (Finansdepartementet).²⁸

The organization is charged with the task of 1) “*promoting the development of generally accepted accounting principles in corporate accounting*” and 2) “*developing a general body of advice within its field of expertise*”.²⁸

The expenditures from BFN directed to SMEs were taken from their annual report. There are explicit measures directed towards the SMEs. The project undertaken by BFN was called “Information to the SMEs”.

Estimated costs: SEK 1.5m.
 Sorted as: [Narrow SME policy / Administrative burden]

²⁷ Skatteverket. (2010d).

²⁸ 1 & 2 § Act (2007:783)

3.6 The Legal, Financial and Administrative Services Agency, Kammarkollegiet

Kammarkollegiet is a governmental agency that falls under the jurisdiction of the Ministry of Finance (Finansdepartementet).²⁹

The agency is charged with the task of “providing services within the State sector, primarily concerning questions of economics, law, asset management, risk management and administration.”²⁹

The Agency reported one project about counselling and information directed to SMEs which falls within narrow policy aid.³⁰

Estimated costs: SEK 10m

Sorted as: [Narrow SME policy / Counselling and information]

3.7 The Swedish Board of Agriculture, Statens Jordbruksverk

Jordbruksverket is a governmental agency operating under the jurisdiction of the Ministry of Agriculture (Jordbruksdepartementet).³¹

*1§ Jordbruksverket has administrative authority in the field of agriculture and rural development. It is charged with the task of working towards sustainable development, good animal welfare, a dynamic and competitive business climate throughout Sweden, and fostering food production policies that benefit consumers.*³¹

2§ The agency shall

*1) have overall responsibility for implementing the EU's Common Agricultural Policy [CAP], 2) be responsible for the administration of Sweden's rural programs, and 3) create conditions for sustainable agriculture in disadvantaged areas.*³¹

76 percent of the agency's SEK 12.3b in gross disbursements in 2009 were EU-financed (Jordbruksverket, 2010b, p 48).

For more than 40 years, the Common Agricultural Policy (CAP) has been the European Union's (EU) most important common policy. [...] The agricultural expenditure is financed by two funds, which form part of the EU's general budget: the European Agricultural Guarantee Fund (EAGF) finances direct payments to farmers and measures to regulate agricultural markets such as intervention and

²⁹ 1 § Act (SFS 2007:824)

³⁰ Kammarkollegiet (2010) page 26

³¹ Act (SFS 2009:1464)

*export refunds, while the European Agricultural Fund for Rural Development (EAFRD) finances the rural development programmes of the Member States.*³²

Expenditures under the EAFRD fall within four axes:³³

Axis 1: Improving the competitiveness of the agricultural and forestry sector.

Axis 2: Improving the environment and the countryside.

Axis 3: Quality of life in rural areas and diversification of the rural economy.

Axis 4: LEADER. The aid allocated under the LEADER axis relates to the implementation of local development strategies through public-private partnerships called “local action groups”

Statistics for 2009 (Jordbruksverket 2010a) shows disaggregated costs for Jordbruksverket. The costs associated with programs run by Jordbruksverket were determined with this document together with the *annual report* (Jordbruksverket 2010b), *Sweden’s countryside program* (Jordbruksdepartementet 2009), and an internal spreadsheet³⁵ received from Jordbruksverket with further budget calculations for 2009.

The first aim was to map all measures and costs to ‘narrow E/SME policies’.

Table 2: Narrow policy expenditures at Jordbruksverket.

Narrow policy expenditures	SEK in millions
Modernisation of agricultural firms, Axis 1 (Swedish: Modernisering av jordbruksföretag). This investment support focuses on accelerating the transition to a profitable and ecologically sustainable company. Aid is explicitly available only for small- and medium-sized enterprises or microenterprises. [Narrow / Finance / SME]	382.2
Training activities, Axis 1 (Swedish: Yrkesutbildning och information) The measure includes training, consultancy and information activities not included in the courses and practice of the normal agricultural and forestry education at secondary level or higher. Measures also include the dissemination of scientific knowledge, innovative practices and ‘knowledge-building activities’. Activities are to be carried out both nationally and regionally, based on national, regional and local rural development strategies. Programme target group: Persons <i>active</i> within the agricultural sector. [Narrow / Training activities / SME] ³⁴	203.7

³² *European Commission (2008)*

³³ *Summaries of EU legislation (2009)*

³⁴ *This/these measure(s) are difficult to sort into narrow or broad type policy. We have not found any regulation explicitly forbidding aid going to large firms. In conversations with knowledgeable officials, however, we have learned that all recipients are small scale operators and our understanding is that this aid ‘doesn’t need’ to explicitly exclude large firms since the structure of the aid and the context in which it operates make it effectively exclusive to SMEs in practice. The ‘aimed-criteria’ for narrow policy classification has therefore been accepted as fulfilled in this case.*

<p>Starting aid, Axis 1 (Swedish: Startstöd för unga jordbrukare)</p> <p>Aid should be granted as a starting premium to “young” people (under 40 years old) who aim to establish themselves as farm owners for the first time (Swedish: jordbruksföretag). The aid works to provide these individuals with an income during the start up phase.</p> <p>Aid is granted up to a maximum of 250,000 SEK (€ 27,777.8) as a starting bonus. The premium is paid only when the company can be considered established.</p> <p>[Narrow / Finance / entrepreneurship policy]</p>	53.7
<p>Adding value to agricultural and forestry products, Axis 1 (Swedish: Högre värde i jord- och skogsbruksprodukter)</p> <p>The aid is in the form of investment support for the processing of products from agriculture and forestry (including reindeer husbandry and horticulture). Support may be given to the following activities:</p> <ul style="list-style-type: none"> - Processing of agricultural and forestry products, - Sales of processed agricultural and forestry products (not marketing), - Development of new products, processes and technologies. <p>Aid is granted only to SMEs, except for the forestry sector where support is only available for micro-enterprises. [Narrow / Innovative entrepreneurship / SME]</p>	45.2
<p>Cooperation for development of new products, Axis 1 (Swedish: Samarbete om utveckling av nya produkter)</p> <p>The goal is that businesses in the agricultural industries improve their competitiveness as a result of their collaboration to develop new products (goods and services), processes and technologies, or restructure their existing business.</p> <p>[Narrow / Innovative entrepreneurship / SME]³⁴</p>	2.2
<p>Diversification into non-agricultural activities, Axis 3 (Swedish: Diversifiering till annan verksamhet än jordbruk)</p> <p>The goal is to foster growth of farms and reindeer-husbandry companies that develop, produce and / or commercialize products or services in areas other than traditional agricultural production. Sales growth in diversified agriculture and reindeer husbandry enterprises. [Narrow / Innovative entrepreneurship / SME]³⁴</p>	52.4
<p>Business development in microenterprises, Axis 3 (Swedish: Affärsutveckling i mikroföretag)</p> <p>Investment aid and assistance can be made to microenterprises for the purchase of external services. The primary aim is to increase the number of microenterprises that develop, produce and/or commercialize products or services in rural areas. A secondary aim is to increase turnover for microenterprises. Support for business development in microenterprises may be given to: a) Entrepreneurs / rural businesses employing having fewer than ten full time employees and a turnover or balance sheet total of less than SEK 2m per year. b) Organized groups of microenterprises. [Narrow / Finance / SME]</p>	70.0
<p>Measures in the form of training and education, Axis 3 (Swedish: Åtgärder i form av utbildning och information)</p> <p>The aim is to increase business awareness, entrepreneurial ability and innovation in the rural economy. Support for education and information sharing can be provided through different types of training activities such as courses, workshops, study tours, advice, ‘experience-sharing’, knowledge transmission and business practicum. The range of different types of training and information is to be controlled by locally</p>	27.4

identified needs for skills development. Entrepreneurs and companies who diversify their companies or are engaged in microfirms or tourism agencies in rural areas should be free to seek out both appropriate training and support for their tuition costs. Entrepreneurs / business owners, Employees, Citizens active in local development groups.

25%[Narrow / Counselling and information / entrepreneurship policy]

25%[Narrow / Counselling and information / SME]

25%[Narrow / Training / entrepreneurship policy]

25%[Narrow / Training / SME]

836.8

Total narrow policy estimated at Jordbruksverket:

Broad Policy expenditures at Jordbruksverket

Due to the complexity of the information available and the problematic nature of what is called ‘broad policy,’ estimates of broad policy under Jordbruksverket is more difficult to determine than narrow policy estimates under the same agency. Estimates of broad policy initiatives were assessed in two different ways, and the true cost of broad policies under Jordbruksverket should lie somewhere within the vicinity of those estimates. These estimates were retrospectively labelled ‘high’ and ‘low’ estimates.

‘The low estimate’

, A first approximation of the size of broad policy expenditures under Jordbruksverket is assessed by subtracting the estimated narrow policy costs from Jordbruksverket’s total of SEK 12.3b in gross disbursements in 2009, as accounted in the annual report.

From this baseline sum, a few additional expenditures must be subtracted from Jordbruksverket’s total gross expenditures to estimate the size of the broad policy

For the low estimate, the following expenditures were taken into account:

SEK 12.3b. (gross disbursements) minus SEK 836.8m (narrow policy cost), minus the following expenditure posts:

Technical assistance (Swedish: “TA-medel” / “Tekniskt stöd”) amounting to SEK 158m³⁵. This aid is meant to relieve administrative costs for other public organizations involved with distributing CAP aid. Administrative costs in this project from the accounting whenever possible.

Restructuring support to Danisco (Swedish: “Omstruktureringsstöd Danisco”) SEK 110m.³⁵ Danisco is a large company (more than 250 employees).³⁶ We believe it is the only large company that received aid from Jordbruksverket in 2009. Money believed to have gone to firms with more than 249 employees should not be counted in this project.

Costs for temporary fund restructuring (Swedish: “Avg till tillfällig fond omstrukturering”) SEK 385m.³⁵ Again, administrative costs are not counted.

There are other expenditure posts for which it is questionable if they qualify to be sorted as broad policy aid. But the low estimate for broad policy with the formula outlined above is (SEK in billions) $12.3 - 0.8368 - 0.158 - 0.110 - 0.385 = \text{SEK } 10.8\text{b}$.

³⁵ *Stödutbetalningar 2009_1.xls (Spreadsheet provided by Jordbruksverket, 2010-11-18)*

³⁶ *Danisco (2010)*

'The high estimate'

The high estimate is SEK 10.9b, a number which was found by manually putting all the (about 100) expenditure posts described in Jordbruksverket (2010a, pages 4-37) into a spreadsheet and summarizing them, with two expenditures—"TA-medel" and "omstruktureringsstöd socker" (p 7)—subtracted, the latter since it seems to be a duplicate of "Omstruktureringsstöd / Industri" (p 16).

The high and the low estimates are rather close. It is our belief that a more detailed examination of Jordbruksverket's expenditures would reach a figure for broad policy that is closer to the low estimate. (Since expenditure posts, upon closer inspection, more often seem to fall outside our definition of broad policy than inside.) Therefore the low estimate of SEK 10.8b is the amount deemed as the project's best estimate. This SEK 10.8b is primarily composed of the following aid programs: the Single Payment Scheme (gårdsstödet) (approx SEK 6.4b), compensation subsidies for farms in mountain areas and other less-favoured areas SEK 657m, and various environmental, regional, ecological, and animal health related subsidies totalling approx. SEK 3b.

SEK 10,800m, Sorted as: [Broad SME policy / Finance]

3.8 The Swedish Board of Fisheries, Fiskeriverket

Fiskeriverket is a governmental agency operating under the jurisdiction of the Ministry of Agriculture (Jordbruksdepartementet).³⁷

*1§ Fiskeriverket exists for the conservation and utilization of fisheries resources. The Agency is responsible for environmental issues related to the Agency's area of operations. The Authority shall within the context of this responsibility be supportive and proactive in relation to other stakeholders and assist in coordinating their efforts with the Agency's operations.*³⁷

Fiskeriverket's annual report mentions funding distributed in cooperation with the European Fisheries Fund (EFF). Fiskeriverket supplied further information about these costs in the form of a spreadsheet covering funds distributed in 2009 under the EFF program.

Measures under the EFF program are taken within 'action areas.' Expenditures under the following areas³⁸ were considered relevant to register for this IPREG project: All aid was classified as "financial" in the IPREG project.

- 1) **Measures to adapt the EU fishing fleet;** *financial assistance can be granted to fishermen and fishing vessel owners affected by the measures taken to combat overfishing or to protect public health to help them temporarily or permanently shore fishing vessels and to train, find new skills and provide early retirement to fishermen.*
SEK 60.3m

³⁷ Act (SFS 2007:1045)

³⁸ Sources: Landsbygdsdepartementet (2007) page 90ff; Summaries of EU legislation (2010)

- 2) **Aquaculture, inland fishing, processing and marketing;** *the EFF promotes the purchase and use of gear and methods that reduce the impact of aquaculture production on the environment and improve the quality of produce and conditions in terms of human and animal health. Assistance will be limited to micro, small and medium enterprises as well as certain large enterprises with less than 750 employees or with a turnover of less than € 200m. Priority is given to micro and small enterprises.*
SEK 20.2m
- 3) **Collective action;** *certain collective action could receive aid from EFF on the condition that they contribute to the sustainable development or conservation of resources, to improving the services offered by fishing ports, to strengthening markets in fishery products and to promoting partnerships between scientists and operators in the fisheries sector*
SEK 3.4m
- 4) **Sustainable development of fishing areas.** *The EFF supports measures and initiatives aimed at diversifying and strengthening economic development in areas affected by the decline in fishing activities.*
SEK 0.2m

Total aid to SMEs amounted to SEK 84.1m under these measures, of which SEK 56.5m (or 67 percent) was from the EU (from the EFF). This aid has been considered narrow policy.³⁴

There is no support for entrepreneurship under Fiskeriverket, primarily because the limited availability of fish doesn't permit an increase in fishing efforts.

Estimated share of costs aiding E/SME: = SEK 84.1m
Sorted as: [Narrow SME policy / Finance]

Additional costs for Counselling and Information to SMEs has been estimated by Fiskeriverket as SEK 1.4m in 2009.

Estimated aid to E/SME: SEK 1.4m
Sorted as: [Narrow SME policy / Counselling and Information]

3.9 The Swedish Transport Agency, Transportstyrelsen

Transportstyrelsen is a governmental agency operating under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).³⁹

Transportstyrelsen's main responsibility is to oversee regulation, licensing and enforcement in the transport sector. The Swedish Transport Agency works to achieve transport policy objectives, with a focus on contributing to an internationally competitive, environmentally friendly and safe transport system.³⁹

Transportstyrelsen administers 'state aid to non-state airports'⁴⁰. There were 52 airports in Sweden in 2009, only three of which were privately owned⁴¹. Thirty of them were owned

³⁹ Act (SFS 2008:1300)

⁴⁰ Transportstyrelsen (2010) page 50

⁴¹ Transportstyrelsen (2009) page 87

by municipalities, fifteen by Luftfartsverket (the state), and four by the military. Of the three privately owned airports (Hemavan-Tärnaby, Linköping, and Stockholm/Skavsta), only the first received this kind of aid, amounting to SEK 11,142m in 2009. The aid is limited to airports with traffic under a certain volume, effectively making it a ‘narrow-type policy’. 18 of the 30 municipally owned airports also received aid totalling SEK 91.7m.

Estimated aid to E/SME: $11.1 + 91.7 = \text{SEK } 102.8\text{m}$
Sorted as: [Narrow SME policy / Finance]

3.10 National Public Transport Agency, Rikstrafiken

Rikstrafiken was (until 2011) a governmental agency operating under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).⁴²

In 2011, Rikstrafiken will cease to exist as an agency and its tasks will be taken over by *the Swedish Transport Administration* (Transportstyrelsen).

Rikstrafiken (until 2011) administers ‘transport agreements’, which aid SMEs to the extent that they operate “*commercially unviable inter-regional public passenger transports that meet transport policy objectives*”.

Information from Rikstrafiken’s annual report and Transportstyrelsen’s webpage was used to estimate how much aid went to SMEs. Transportstyrelsen’s webpage presents an ‘overview’ of information, so the following figures represent estimations based on incomplete firm-level data. At the time of this investigation in late December 2010, Rikstrafiken was under closure, and it was an unfortunate time to request further microdata.

Through the ‘overview data’ on Transportstyrelsen’s webpage a reasonable estimate can be determined at a total of SEK 624m as aid to SMEs or not. In the annual report SEK 860m is listed as the sum of total transfers 2009. Of the SEK 624m, for which we have information, SEK 119m, or 19 percent is estimated to aid SMEs. Extrapolating from this data, it can be assumed that 19 percent of all transfers aid SMEs, resulting in an estimate of $860 * 0.19 = \text{SEK } 163\text{m}$

Estimated aid to E/SME: = SEK 163m
Sorted as: [Broad SME policy / Finance]

3.11 Swedish Agency for Economic and Regional Growth – Tillväxtverket

Tillväxtverket is a governmental agency operating under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).

Tillväxtverket is responsible for developing and implementing interventions that promote entrepreneurship, competitiveness and growth of enterprises. It is also charged with the task of enhancing the ‘development-force’ in all parts of the country, thus strengthening national, regional and local competitiveness.⁴³

⁴² Act (SFS 2008:1300)

⁴³ Act (SFS 2009:145)

The agency is the managing authority for the European Regional Development Fund (ERDF) in Sweden.⁴⁴

Costs of activities in support of entrepreneurship and SME policy registered by Tillväxtverket can be sorted into three groups.

- i. Projects *with* EU co-financing (ERDF).
- ii. Projects *without* EU financing.
- iii. Annual programs, such as Transport aid, Rural Investment Aid, Firm development aid, etc.

The process by which the costs were calculated for these three groups are described in order, starting with 'Projects with EU co-financing' on the following page. First some general words on how project costs were assessed.

Data on all projects that received funding in 2009 came from Tillväxtverket's internal database, "NYPS". This data shows who the financiers were for each project, and for the purposes of this project, only expenses from 1) Tillväxtverket itself, 2) EU (ERDF), 3) 'regional public bodies'⁴⁵, and 4) Universities⁴⁶ were considered within the scope of the estimate (not all public financiers were counted). Aid to projects from other public organs were not counted, including ALMI or VINNOVA, among others. This was done to avoid double-counting, since the expenses of other public financiers are investigated separately.

One problem with the NYPS project data is that there is overlap, or double counting of project funding. Problems arise when multiple public bodies report funding to the same project. Sometimes the funding data is not properly merged, i.e. the same project (and funding) is sometimes listed more than once. In an effort to present project costs, Tillväxtverket writes⁴⁷:

In reviewing the counties' project registrations, major work has been done to identify projects with identical statements by various aid actors. A significant number of double-counting of projects have been removed this way [...] This is, among other things, because of the regional structural fund programs, to a large extent they contain cross-county projects funded and reported by several regional aid actors. *We probably still double-counted some funding but there is also funding that has not been reported. Our assessment is that the latter case is larger than the former.* (p.17, our translation and emphasis)

Similarly, the authors of this report have made considerable efforts to avoid double-counting of money.

I) Projects with EU (ERDF) co-funding, 'EU-projects'

Our data over 'EU-projects' consists of 586 projects whom received funding in 2009, all of which were categorized. This exercise is difficult and time-consuming. Projects are usually

⁴⁴ European Commission (2011)

⁴⁵ Municipalities, Municipal cooperative bodies and county councils; for these public bodies, costs are most efficiently estimated through Tillväxtverkets data.

⁴⁶ At the time of writing, November 11, this is the only information we have on universities funding outside their primary role (teaching, and research).

⁴⁷ Tillväxtverket (2010a)

described in general terms and can be difficult to categorize ‘after the fact’⁴⁸. Here is one example of an EU-project description (translated):

Case-ID: 39686 Project name: Future Position X NYSTA, Project description: The association ‘Future Position X’ has as members the National Land Survey, Gävle University, Gävle municipality, and about twenty companies in geographic information systems and some of the region's large corporations. The association is investing in this project to inspire and support all players that are open to cooperate with others in new combinations and contexts, and who want to develop geographic information systems with a focus on user-friendly products. Future Position X coordinates the region's players in terms of offering new methods and resources for internationalization, with market analysis and business intelligence, and collaboration in research. It provides companies with a technological base in a laboratory to test, develop, and demonstrate their products.

The project above was categorized as narrow SME policy, and the costs were distributed: 75percent ‘innovative entrepreneurship’ and 25percent ‘Networking’.

Gross financing to all EU-projects in 2009 was SEK 3.2b, but only half of all EU-projects were categorized as E/SME policy⁴⁹. Financiers *counted within the scope of this project* (see above) distributed SEK 1.5b to E/SME projects. Close to half of this money went to risk-capital funds and are not counted as costs. Consequently, the final cost of EU-projects activities in support of entrepreneurship and SME policy in 2009 was estimated to be SEK 900m. (Not all financiers are counted (see above) nor all projects – only those regarded as narrow or broad E/SME policy. Infrastructure projects are another example of a type of project excluded by these estimates.

II) Projects without EU financing.

Projects without EU financing can be divided into two sub groups:

- a) *Central projects*: i.e. projects managed by Tillväxtverket, and
- b) *Regional projects*: i.e. projects managed by regional public bodies.

Data exists for 971 *central* projects; most of these projects belong to different programs which are described in the annual report⁵⁰. There were discrepancies between costs reported in NYPS and in the annual report. Throughout this evaluation, the largest cost reported from either source was consistently chosen as representative.⁵¹ The estimated cost for central projects categorized as E/SME policy was SEK 274min 2009.

After corrections (double-counted projects removed) we have data on 1443 *regional* projects being financed in 2009. For these projects, descriptions are not available except by requesting thousands of documents in total from about 30 different regional public bodies. Instead, these projects have been categorized by their project-names and by information we could find by searching the internet. This is sufficient to categorize the majority of projects

⁴⁸ Since 2010-01-01 all projects in NYPS are categorized by a system rather similar to the one used in the IPREG-project - directly by the individuals registering the projects in the first place!

⁴⁹ A large part of the projects that fell outside of the IPREG categorisation of E/SME policy costs were infrastructure projects.

⁵⁰ Tillväxtverket (2010c)

⁵¹ One exception, the program ‘Supporting women’s enterprise’; here, large expenditures are reported in the annual report, along with an explanation that the majority of the funds were distributed to regional public bodies to initiate projects. For these projects, NYPS data was used to avoid double-counting.

with significant public funding (SEK 1m and more). This process works because most big projects leave ‘marks’ on the Internet, and ‘Googling’ by project-name (especially the big projects) usually points a reader to project web pages or articles about the projects containing information whether the project represents E/SME-aid. In the latter case, the web page most often includes information regarding the relevant category. Project descriptions were attained for a minority of the 1443 regional projects receiving aid in 2009, but the descriptions attained helped categorize a majority of the total funding. For the regional projects and funding remaining, cost-categorization was roughly estimated. The estimated cost for regional projects categorized as E/SME policy was SEK 75min 2009.⁵²

Total project funding (for projects with *and* without EU financing) *accounted for* by Tillväxtverket (this funding is not all from Tillväxtverket, see about financiers above), and classified as broad or narrow entrepreneurship or SME policy is estimated to be SEK 1,272.2m⁵³. The funding distribution over IPREG subcategories can be seen in Table 3, below. These calculations represent the categorisation of approximately two thousand projects by hand. Some projects are possibly questionably allocated over the IPREG subcategories, but overall, the summarized estimates should be accurate,(assuming that the errors in project classifications are distributed evenly).

Table 3 Sorting of *project funding* accounted for by data from Tillväxtverket (SEK in millions)

Policy Area	Narrow Policy		Broad Policy	
	E	SME	E	SME
Target Groups	49.1	60.2		
Innovative entrepreneurship	14.4	539.7		12.2
Networking	3.1	103.4		2.7
Entrepreneurship education	8.5			
Training activities	2.0	40.8		3.5
Counselling and Information	40.9	178.6		3.5
Promotion activities	8.3	41.8		
Policy relevant research	7.0	34.5		
Administrative burden		8.6		
Finance		11.9		97.6
Totals	133.3	1 019.4		119.6
	1 152.6		119.6	
	1 272.2			

⁵² Most of the regional project funding comes from RIS and FUB, which is counted separately.

⁵³ This includes 401.2 Mn from the EU; 272.3 Mn from Tillväxtverket/NUTEK; 137.2 Mn from universities, and 461.6 Mn from Municipalities, Municipal cooperative bodies and county councils.

III) Annual Programs

Annual programs fitting either the narrow or the broad definition of entrepreneurship and SME policy are⁵⁴:

Transport aid, which can be given for transport of goods to, from, or within a certain ‘transport aid area’. Aid can be given for transport by car, boat, and railway. Data on the relevant cost of the program for 2009 (how much of the aid that goes to SMEs) was found in the annual report. Transport aid was categorized as belonging to the ‘broad-definition SME-policy’ and in the ‘finance’ category, subcategory: grants.

Estimated aid to E/SME: = SEK 305m
Sorted as: [Broad SME policy / Finance]

For all programs described below, we calculate public costs from NYPS ‘excel-extracts’ covering all funds paid during 2009.

Regional Investment aid (RIS), including, and previously known as ‘Regional development aid’ (RUB). To aid sustainable growth in the supported enterprises and thereby aid sustainable regional growth, this public aid is allowed in conjunction with private investments. Regional investment aid is granted for investments in machines, buildings, education, consulting services, information campaigns, and research and development. It is granted by one of the three following organs: i) Regional public bodies (usually), ii) Tillväxtverket (for bigger cases), or iii) the Government (for even bigger cases). This aid is limited to a percentage of the total investment, and it is further limited geographically to ‘support areas A and B’ - basically northern Sweden. Public costs associated with these two programs were categorized as ‘broad E/SME policy’ and the ‘finance’ category.

In the NYPS ‘excel-extracts’ received (funds paid in 2009 for all annual programs) we cannot see the size of the firms receiving aid, but in a report (footnote 54) we note that SMEs received “92 percent of total [RIS] granted” in 2009. Hence we estimated our expenditures of RIS and RUB to SMEs by taking the total figures (for all firms receiving RIS and RUB) and multiplied it by 0.92.

Estimated aid to E/SME: = SEK 304.8m
Sorted as: [Broad SME policy / Finance]

Regional aid to firm development (FUB): This form of aid is granted by regional public bodies and is given to SMEs in rural areas throughout the country. The purpose of the aid is to support “sustainable growth in the supported firms and thereby sustainable regional growth”. Aid consists of 25 to 50 percent of a firm’s costs for an approved investment, with a maximum of SEK 1.2 m investment over three years. Regional aid to firm development can be given for investments in buildings, facilities, machines (but not vehicles), or boats necessary to the business of certain firms in the archipelago. Public costs associated with this program were categorized as belonging to the ‘narrow-definition SME-policy’ and sort under the ‘finance’ category.

Estimated aid to E/SME: = SEK 199.4m
Sorted as: [Narrow SME policy / Finance]

⁵⁴ Source for programme descriptions: Tillväxtverket (2010b)

Commercial service aid (KS): The aim of this program is to “support investments and increase employment, growth and service in rural regions”. This aid program contains three sub-programs, of which one handles aid to municipalities and therefore is not relevant to IPREG. The following two sub-programs were relevant: i) Investment aid, and ii) Service aid. The first concerns firm development and is similar to regional investment aid. The second, service aid, is an initiative that tries to prevent or delay the dismantling of firms particularly important for consumer’s supply of goods and services in rural areas. Public costs associated with this program were categorized as belonging to the ‘narrow-definition SME-policy’ and sort under the ‘finance’ category. Without being able to determine firm size or the number of employees in the aid-receiving firms, all aid was assumed to go to SMEs.

Estimated aid to E/SME: = SEK 29.6m
Sorted as: [Narrow SME policy / Finance]

Employment aid (SYSS): can be given to firms to stimulate economic growth and contribute to new and lasting jobs in the regional ‘support areas’. The aim of the aid is to cover general running costs in newly started or expanding businesses. Aid is granted by Tillväxtverket or the regional self-governing-public-body (Swedish: länsstyrelsen) in the county of Västra Götaland and can be given to firms, enterprises, and “mission agencies”⁵⁵ conducting “activities warranting aid” on market terms in the support areas. Public costs associated with this program were categorized as belonging to the ‘narrow-definition SME-policy’ and sort under the ‘finance’ category. Unable to determine firm size, i.e. number of employees in the aid-receiving firms, all aid was assumed to go to SMEs.

Estimated aid to E/SME: = SEK 17.4m
Sorted as: [Narrow SME policy / Finance]

Seed-financing aid (SÄDD): This form of financing aims to revitalize business through start up financing of developmental costs associated with promising technical product ideas. Financing can be applied for by projects that are technically innovative and bring forth new products, processes, methods, or systems that are potentially commercially successful. Financing can be applied for by SMEs and is granted by public bodies on the regional level. Public costs associated with this program were categorized as belonging to the ‘narrow-definition SME-policy’ and sort under the ‘finance’ category. The 258 workplaces granted aid by this project in 2009 had 1098 employees in total (source: footnote 54), resulting in an average 4.25 employees per workplace. It was assumed that all aid paid in 2009 went to SMEs.

Estimated aid to E/SME: = SEK 36.1m
Sorted as: [Narrow entrepreneurship policy / Finance]

3.12 The Swedish Governmental Agency for Innovation Systems, Verket för innovationssystem (VINNOVA)

VINNOVA is a governmental agency operating under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).⁵⁶

⁵⁵ Governmental agencies that are allowed to charge a fee for the services they provide. Swedish: Uppdragsmyndighet.

⁵⁶ Act (SFS 2009:1101)

VINNOVA's objective is to promote "sustainable growth by funding needs-driven research and development of effective innovation systems."⁵⁷

VINNOVA provided a spreadsheet covering VINNOVA's total project-aid to firms, including information on employees, type of ownership (e.g. state-/municipally-/privately-controlled), sector (NACE-code), project name, etc. This corresponds to the annual mandatory report to the Swedish Agency for Growth Policy Analysis within the national State aid to the Industry and Service sector report.

We estimated total aid to 'privately controlled' SMEs in 2009 to be SEK 354.7m. Since sector codes are available for every firm receiving aid, it was determined that SEK 154m or 43 percent of the aid to the private SME sector went to 'HIGH TECH' firms.

VINNOVA's annual report contained more information about the programs under which this money was spent (table 11, p 52, in VINNOVA's annual report, reproduced below in Table 2). Nine programmes are described; the sum of their contributions to SMEs is SEK 205.7m. *This money is a subset of the SEK 354.7m described above*⁵⁸. These programs were categorized as narrow-policy SME aid and innovative entrepreneurship. The remaining SEK 149m - for which programme descriptions were lacking - are classified as broad-policy SME aid for 'innovative entrepreneurship' (without more information available in the microdata, this category was deemed the best fit). Effect-analysis is available for at least some the programs⁵⁹.

⁵⁷ VINNOVA also reviews the Swedish participation in the Seventh Framework Programme for research and technological development (FP7), which is the European Union's chief instrument for funding research over the period 2007 to 2013. Funding to Swedish SMEs under this program will not be described here, but on p 48 below.

⁵⁸ Source: Phone conversation with VINNOVA official.

⁵⁹ See e.g. Bergman et al. (2010)

Table 4: Programmes with direct financing of SME (Translation of table 11 in Vinnova's annual report)

Program	Purpose/aim	Funds distributed to firms (SEK, in millions)
Forska&Väx	Enhance firms' innovative ability and competitive power	120.0
VINN NU	Enhance firms' ability to attract external capital	5.5
VarDagsIT	Aid for creating innovative IT-based products and services emanating from users' needs	22.4
Designade Material – Möjlighetsprövning och Konceptverifiering	Assess 'market readiness' of research based material-concepts	9.1
Designade Material – industrialisering	Transmit verified material-concepts to Industrial solutions	4.1
Innovationer för framtidens hälsa	Capitalize on Swedish research in firms and public businesses	5.4
Eurostars	Stimulate firms efforts to cooperate internationally within R&D	19.9
EUREKA – individuella projekt*	No description	11.8
EUREKA - klusterprojekt*	No description	7.5
SUM	SUM	205.7

The annual report mentions three programs under the heading 'Supportive activities for small and medium-sized enterprises': "VINN IP", "No Wrong Door", and "INNO-Partnering Forum". These include aid we would categorize as "counselling and information" and "regulatory burden. There are no cost figures for these programs in the annual report. We asked a VINNOVA official to look into costs for these programs, no costs for these programs were found for year 2009, however, costs were found for another program not mentioned in the annual report, "VINN EXPORT", under which 9 firms received a total of SEK 905 000 year 2009. VINN EXPORT was a cooperation programme between VINNOVA and the Swedish Trade Council, where a few firms were subsidized costs associated with the latter Agency's programmes: 'Business opportunity projects' or Market Selection Analysis (see page 48).

Total Estimated costs aiding E/SME: $354.7 + 0.905 = \text{SEK } 355.6\text{m}$
 $(205.7 + 0.905) = \text{SEK } 206.6\text{m}$ are sorted as: [Narrow SME policy / Innovative entrepreneurship]
 $(355.6 - 206.6) = \text{SEK } 149.0\text{m}$ are sorted as: : [Broad SME policy / Innovative entrepreneurship]

3.13 Swedish National Agency for Higher Education, Högskoleverket.

Högskoleverket is a governmental agency operating under the jurisdiction of the Ministry of Education and Research (Utbildningsdepartementet).⁶⁰

Table 5 shows estimated costs for tertiary education in *entrepreneurship* and *innovation* in 2009.

Table 5 Entrepreneurship education expenditures

a) Number of students registered in Entrepreneurship (E) or Innovation courses (15 points)	22,419
b) Full-time students	5,606
c) Full-year performance	5,606
d) Compensation per full-time student, SEK	20,866
e) Compensation per full-year performance, SEK	18,315
Estimated cost of entrepreneurship and Innovation courses in 2009 (millions) [b * d + c * e]	220

Sources: a) Högskoleverket (2009); b-e) Riksrevisionen (2010).

Estimated aid to E/SME: = SEK 220m

Sorted as: [Narrow entrepreneurship policy / Entrepreneurship Education]

3.14 The National Agency for Education, Statens skolverk (Skolverket)

Skolverket is a governmental agency operating under the jurisdiction of the Ministry of Education and Research (Utbildningsdepartementet).⁶¹

Skolverket is the central administrative authority for the public school system and for the publicly organized early childhood education (Swedish: förskoleverksamheten) and childcare. The agency also has other functions defined by governmental policies, laws and other specific decisions.⁶¹

In May 2009, the government adopted a strategy for entrepreneurship in education. The School Board is under a regulatory letter of 2010 to stimulate the process of entrepreneurship at school. It states explicitly that the National Agency shall identify, analyze and disseminate information relating to the experience of the principal work with entrepreneurship.

Expenditures related to the mission to promote entrepreneurship within the framework of the government's strategy for entrepreneurship in schools is found in the National Agency for Education's 2009 annual report.⁶² The expenditures reported by this Agency were categorized in the entrepreneurship policy within the narrow E/SME definition.

⁶⁰ Act (SFS 2007:1293)

⁶¹ Act (SFS 2008:612)

⁶² Skolverket (2010)

Estimated aid to E/SME: = SEK 8.7m

Sorted as: [Narrow entrepreneurship policy / Entrepreneurship Education]

3.15 Swedish Art Council, Statens Kulturråd (Kulturrådet)

Kulturrådet is a governmental agency operating under the jurisdiction of the Ministry of Culture (Kulturdepartementet)⁶³

Kulturrådet is responsible for monitoring developments within the area of culture and providing an integrated foundation for national cultural policy as well as assisting with governmental implementation. (Footnote 63, 1 §)

This authority deals with matters of state funding for cultural activities and other governmental actions related to theatre, dance, music, art, museums, exhibitions, literature, public libraries, adult education and social movements to the extent that these activities are not a task for other agencies. (Footnote 63, 1 §)

Though other agencies are involved, State aid for 'culture' (widely defined) will be summarized under this heading (3.15). For the following estimates (Table 6), 'state aid data' (i.e. data reported from the agencies to Growth Analysis (Tillväxtanalys)) has been used (see footnote 4 above). Program administrators have also assisted in the process of assessing estimates of the share of aid that goes to SMEs.

Table 6 State cultural aid aiding E/SMEs

Type of aid	Administrative Agency	Total (millions)	Est. share to E/SME
Production and distribution aid for Phonograms (Recorded audio)	Kulturrådet*	9.36	91%
Journal Support (support for cultural magazines)	Kulturrådet*	23.12	91%
Aid to bookstores	Kulturrådet*	3.11	91%
Press support (operation and distribution)	Presstödsnämnden	670.19	91%
Talking Newspapers/Magazines (Taltidningsstöd)	Taltidningsnämnden	119.25	100%
State aid in favour of Swedish film production and film-related activities	Svenska Filminstitutet**	393.00	100%

* Kulturrådet reported that 91 percent of total grants were given to SMEs.

**According to the Film Institute, all costs fall into the SME policy area as part of a general measure where enterprises under 250 employees were granted all available aid, which was given in the form of direct grants.

Estimated aid to E/SME: = SEK 1,155m

Sorted as: [Broad SME policy / Finance]

⁶³ Act (SFS 2007:1186)

3.16 Swedish Energy Agency, Statens energimyndighet (STEM)

STEM is a governmental agency operating under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).⁶⁴

STEM is the administrative authority for matters concerning the use and application of energy.⁶⁴

The agency is charged with the task of working to secure the short and long term supply of electricity and other energy sources at internationally competitive terms. STEM also strives for effective and sustainable energy use and a cost-effective energy supply, working towards a minimal negative impact on health, environment and climate. The agency shall contribute in the transition to an ecologically sustainable national energy system.⁶⁴

The Swedish Energy Agency reports its dispersion of state aid (according to EU definitions) yearly⁶⁵ to the Swedish Agency for Growth Policy Analysis (Tillväxtanalys). These documents⁶⁶ along with STEM's annual report have been used to categorize the following costs under STEM relevant to the IPREG project.

Grants: State aid in the form of grants or soft loans were distributed during 2009 with legal basis or instructions from one or more of the following acts: [\(2008:761\)](#) - state aid for R & D and innovation in the energy field; [\(1998:222\)](#) - state aid for energy research; [\(1998:653\)](#) - state aid for energy technology; [\(1998:654\)](#) - energy technology subsidies; and [\(2009:689\)](#) - state aid to solar cells.

Total grants distributed in 2009 under the acts named above amounted to SEK 1,214.8m; of which SEK 489.7m was given to firms (of all sizes), SEK 231ml to "institutes/branches", SEK 448.9m to universities, and SEK 45.2m to public or international organs.

From the microdata received, the firm sizes of 44 out of 84 firms receiving grants can be clearly determined. Additional database searches allowed for the identification of firm sizes (number of employees - to ascertain SME status) for the 11 firms whom received the largest portion (87 percent) of the aid to the group of firms of previously unknown size. The final estimate of *grants* to SMEs during 2009 from STEM amounted to SEK 211m.

Estimated aid to E/SME: = SEK 211m

Sorted as: [Broad SME policy / Innovative entrepreneurship]

⁶⁴ Act (SFS 2007:1153)

⁶⁵ For more information on this, see footnote 4.

⁶⁶ Six documents emailed to us whereof four contain microdata

Soft loans: Cost of loans (losses) have been estimated along lines described in the manual; “based on the State return rate (Government borrowing rate) plus loan losses minus interest incomes”. The following formula was used for all identified types of loans at STEM:

$$\text{Cost} = A \times [(0.5 \times B) + (0.5 \times C)] + D - E = \text{SEK } 4.6\text{m.}$$

Where: Average government borrowing rate year 2009: (A) 3.11percent⁶⁷
 STEM reports outstanding debt [Swedish: Sammanställning av villkorstån / Kapitalskuld] at beginning, and end of year 2009 to be: (B) SEK 57.2m and (C) SEK 88.8m.
 Loan losses (written off loans) amounted to: (D) SEK 2.76m
 Interest incomes during 2009: (E) SEK 0.4m

Estimated cost of aid to E/SME: = SEK 4.6m
 Sorted as: [Broad SME policy / Finance]

The following costs in aid of E/SME under STEM have also been identified:

STEM has given grants to 290 municipalities for energy and climate advisory services in 2009 for a total of SEK 85.41m (Annual Report 2009, p 24). Given the following quote from STEM, it was estimated that 20 percent of the costs were for the benefit of SMEs:

In general, most of the energy and climate advice is aimed to the public. 7 out of 10 advisers say they spend **at most a fifth** of their time [...] with firms.⁶⁸

Estimated cost of aid to E/SME: $85.4 \times 0.2 = \text{SEK } 17.1\text{m}$
 Sorted as: [Broad SME policy / Counselling and information]

Some minor costs relating to SME policy have also been identified by reading the annual report:

To activate small and medium-sized enterprises in energy efficiency, STEM has initiated collaborations with various actors in networks. Some networks are regionally based and others are industry-specific.

ENGINE - Network for regional energy efficiency trained personnel in participating companies in energy surveys in 2009. This has resulted in energy audits and development of energy plans in all participating companies.

ENIG - Energy Efficiency In Group, is a network for energy efficiency that was started in 2009 with grants from the Energy Agency (STEM). The network creates, collects and disseminates information about energy efficiency, together with industrial companies and regional the energy offices.

The cost of these performances in 2009 was about SEK 114,000.⁶⁹

Estimated cost of aid to E/SME: = SEK 0.1m
 Sorted as: [Narrow SME policy / Network]

⁶⁷ Riksgälden (2011)

⁶⁸ Energimyndigheten (2010a) page 33, our translation and emphasis

⁶⁹ Energimyndigheten (2010b) page 27f, our translation

3.17 The Swedish Better Regulation Council, Regelrådet

Regelrådet is a new agency; its directives are described⁷⁰ in directive 2008:57⁷¹ translated below.

Decisions of the Cabinet Meeting May 15, 2008

Summary of the mission

An advising body [Regelrådet] for the government and her administrative authorities/agencies (henceforth regulators) shall be established to assist the regulators in their work on regulatory reform for businesses. Regelrådet shall include representatives with particular experience regarding regulations effect on companies. To the Regulation Council will be attached a Secretariat.

Regelrådet will review the design of proposed new and amended regulations that could have important effects on firms' working conditions, competitive position or other conditions. Regelrådet will consider whether the regulators implemented prescribed impact studies and assess whether new regulations are designed to reach their goals simply and efficiently with low administrative costs for businesses.

Regelrådet should also assess the quality of impact studies and monitor developments in the area of regulatory simplification and provide information and advice that can promote cost-conscious and efficient regulatory activities.

The best estimate of costs at the moment is the government's allocation of funding for 2010, which is SEK 45m⁷².

Estimated costs: SEK 45m
Sorted as: [Broad / Administrative Burden / SME]

⁷⁰ *Regelrådet (2011)*

⁷¹ *Näringsdepartementet (2008)*

⁷² *Näringsdepartementet (2010)*

3.18 Financial Institutions

In this section, the different public financial institutions in Sweden that finance the E/SME area are described in brief. They are financial institutions that provide monetary aid in the form of soft loans, guarantees, capital against royalty and equity capital. Some of these institutions also provide support in the form of counselling and training to businesses. The methodology outlined in the *Method Manual*⁷³ (reiterated in the box below) was used to estimate the direct cost of aid measures enacted. The following financial institutions were identified as having entrepreneurship or SME policy (E/SME) costs during 2009: *ALMI*, *Norrlandsfonden*, *Industrifonden* and *Innovationsbron*.

To estimate the aid element of different financial measures, the following formulas are used:

Net loan = int. rate * ($\frac{1}{2}$ * loan at start of year + $\frac{1}{2}$ * loan at the end year) + Written-off loans – loan repayments.

Net guarantees = (Guarantees honoured – Guarantee fees – recycled guarantees).

Net equity capital = int. rate * ($\frac{1}{2}$ * own cap. start of year + $\frac{1}{2}$ * own cap. end of year) – dividends.

Net royalty = int. rate * ($\frac{1}{2}$ * cap against royalty start of year + $\frac{1}{2}$ * cap against royalty end of year) – paid royalties + discontinued royalty deal

The interest rate used is the average Government borrowing rate of the year. This information is provided by The Swedish National Debt Office (Riksgälden)⁷⁴

3.18.1 ALMI

ALMI Företagspartner AB⁷⁵ is 100 percent owned by the state and is managed by the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).⁷⁶

ALMI Företagspartner AB, in turn, owns 51 percent of the shares in 17 regional subsidiaries, while the remaining shares in these subsidiaries are owned by county councils, regional councils and other regional owners. The subsidiaries' directors consist of local politicians and entrepreneurs. ALMI's operative activities are conducted in its regional subsidiaries.⁷⁷

In 2009's owner's directives⁷⁸ to ALMI, under the heading *Guidelines for operations*, it said that (translated, and somewhat shortened):

Almi's activities shall **complement** the private market concerning the firm's financial and business development. Collaboration with commercial entities should be sought. **The central Almi operation is the analysis of firms and entrepreneurs that may lead to the financing of a business.** Almi should have

⁷³ *Tillväxtanalys (2011)*

⁷⁴ *(Riksgälden 2011)*

⁷⁵ *AB is a Swedish abbreviation for [Joint-stock company](#) (Swedish: Aktiebolag); these are limited liability corporations in Sweden.*

⁷⁶ *ALMI (2010)*

⁷⁷ *ALMI (2011)*

⁷⁸ *Näringsdepartementet (2009)*

an interest rate that takes into account the needs of businesses and reflects Almi's higher risk-taking⁷⁹ and complementary role.

Under the heading *Goals/Targets* the instructions were as follows (same caveat):

* Almi should secure its lending so that its capital is kept nominally intact over the longer term.

* Concerning Almi's lending and counselling, it should be relatively higher towards women and immigrants than the prevalence of these groups in the general stock of firms/entrepreneurs imply. (Positive discrimination)

* Financing should be aimed towards the early stages of a company's life cycle, the early stages of product or service development, or "renewal processes".

* Almi shall [...] take active steps to strengthen and expand lending in order to improve the funding situation for Sweden's new small- and medium-sized businesses. In light of the new situation in the credit market [a.k.a. 'the biggest crisis since the great depression'], Almi shall work to meet the need of market complementary financing for the entire segment of the small- and medium-sized companies that may be funded by Almi. Given the prevailing situation [Almi was given SEK 2b in additional funding 2009]; Almi should also try to increase its lending to medium-sized businesses and offer greater loan volumes.

In ALMI's 2009 Annual Report, they write that the SEK 2b in additional funding from the state enabled them to finance 'all companies judged to have potential'. Nevertheless, more than half of the applications for financing were denied. (p. 18).

In summary, 5,100 firms received loans from ALMI in 2009. Total new loans for 2009 amounted to SEK 3.2b, compared to SEK 1.7b the previous year. (Annual report for 2009, p 19)

Relevant financial figures from ALMI's state aid report in relation to IPREG.

	Outstanding loans at start of year	Outstanding loans at end of year	Written-off loans	Loan repayments
Loans	3 624.6m	5 148.6m	281.0m	278.6m
	Guarantees honoured	Guarantee fees	Recycled guarantees	
Guarantees	4.9m	0.8m	N/A	
	Cap against royalty start of year	Cap against royalty end of year	Paid Royalties	Written-off royalty deals
Royalties	5.9m	4.9m	0.2m	N/A

Est. net cost (loans) = $0.031 * 0.5 * (3\ 624.6 + 5\ 148.6) + 281.0 - 278.6 = \text{SEK } 138.4\text{m}$

⁷⁹ ALMI finances companies that could not get the financing they wanted exclusively from the private market.

Est. net cost (guarantees) = $4.9 - 0.8 = \text{SEK } 4.1\text{m}$

Est. net cost (royalties) = $0.031 * 0.5 * (5.9 + 4.9) - 0.2 = \text{SEK } 0\text{m}$

Est. Net cost (loans, guarantees, royalties) = $138.4 + 4.1 + 0 = \text{SEK } 142.5\text{m}$

Sorted as: [Narrow SME policy / Finance]

Additionally, the estimated cost for ALMI's Counselling and Information efforts during 2009 is SEK 278m. This information was not available in ALMI's annual report. It was provided by ALMI after a consultation with officials in charge with the Counselling programs. 40 percent of these costs are covered by EU funding.

Estimated cost of aid to E/SME: = SEK 278m

Sorted as: [Narrow SME policy / Counselling and information]

3.18.2 Industrifonden ("The Industry Fund")

The following description of the organisation is gathered from the organization's [webpage](#).

Industrifonden invests in small and medium-sized Swedish companies with the potential to grow in an international market. The Agency offers both equity capital and loans. All investments are made on commercial terms together with entrepreneurs and other investors.

Industrifonden is a foundation [Swedish: stiftelse] with no legal obligation to provide information on its financial activities to the national State aid collection of data. Therefore, data necessary to apply the estimated cost formulas described above and in the method manual was lacking. As a result, the estimate presented here is simply an average of the fund's reported financial results ["resultat"] as explained in the annual report for accounting years 2008/2009 and 2009/2010 $[-243\text{mn} + 156\text{mn}] / 2 = -43.5$

Industrifonden's estimated net costs in 2009 were: SEK 43.5m

[Narrow / Finance / SME]

3.18.3 Norrlandsfonden ("The Northern Fund")

The following description of the organisation is gathered and translated from the organization's [webpage](#).

Norrlandsfonden provides flexible loans for start-ups, development and expansion, primarily to small- and medium-sized manufacturing and service-based enterprises in Northern Sweden.

Financing of an investment is based on joint funding of equity capital and funds from other financiers. Norrlandsfonden collaborates closely with banks, Almi, venture-capital companies, county administrations, municipal business development offices and others with an interest in supporting business. Norrlandsfonden's share often amounts to 25 percent of the total capital.

Norrlandsfonden operates in the five northernmost counties of Sweden. The head office is in Luleå, and a branch office is located in Sundsvall.

Norrlandsfonden annually reports some aggregate financial data to Growth Analysis (Table 7) in connection with the annual state aid report. Norrlandsfonden has additionally reported at the behest of this report that the following two income streams should be

included for a more correct picture of the fund's total cost (using our methodology).⁸⁰
 1) gains on convertible bonds: SEK 9.3m, 2) recovered costs from written-off loans: SEK 2.5m.

Table 7

	Outstanding loans at start of year	Outstanding loans at end of year	Written-off loans	Loan repayments
Loans	580.7m	635.8m	38.0m	28.6m
			(1) 2.5m	(2) 9.3m

Est. net cost (loans) = $0.031 * 0.5 * (580.7 + 635.8) + (38.0 - 2.5) - (28.6 + 9.3) = \text{SEK } 16.5\text{m}$

Est. Net cost (loans, guarantees, royalties) = SEK 16.5m
 Sorted as: [Narrow SME policy / Finance]

3.18.4 Innovationsbron ("Innovation Bridge")

The following description of the organisation has been translated from the organization's [webpage](#).

Innovationsbron was formed by Teknikbrostiftelsen, Industrifonden and the State with the support of VINNOVA and started operations in spring 2005.

Today Innovationsbron is a national company Sweden [sic] with offices in Luleå, Umeå, Uppsala, Stockholm, Linköping, Gothenburg and Lund. Innovationsbron is owned by the State and Industrifonden.

Innovationsbron focuses on turning research and innovation into business. Our vision is for Sweden to become an international leader in commercialising research-related business ideas.

We support researchers, innovators and entrepreneurs translate their ideas into business. Innovationsbron's role is to act as a complement to the market, and our efforts are focused on projects and companies in the earliest stages of development. We help overcome the initial difficulties and risks associated with developing business ideas before commercial players such as private equity companies come on board.

Innovationsbron aims to strengthen weak links in the chain of development from the point at which an idea with commercial potential is identified to the point at which a company is able to develop without further support, in line with market conditions.

Innovationsbron is required to send aggregate data on its financial activities to the national State aid annual report published by the Swedish Agency for Growth Policy Analysis.

Innovationsbron estimated net costs (aid element) were calculated from the following data:

⁸⁰ A Norrlandsfonden official reported in a phone conversation that the fund's equity has grown (in real terms) from 1996-2010. Our estimates of costs (losses) in 2009 follow from our specific method of analysis (including, for example, only data for one year), which is one of several possible approaches that can be used to estimate losses or costs.

	Outstanding loans at start of year	Outstanding loans at end of year	Written-off loans	Loan repayments
Loans	97.6m	105.2 m	3.5m	0.1m
	Own capital initial year	Own capital end year	Dividends	
Equity Capital:	203.8m	278.1m	0	

Est. net cost (loans) = $0.031 * 0.5 * (97.6 + 105.2) + 3.5 - 0.1 = \text{SEK } 6.5\text{m}$

Est. net cost (equity) = $0.031 * 0.5 * (203.8 + 278.1) - 7.5 = \text{SEK } ??? \text{ m}$

Additionally: Innovationsbron reports giving SEK 13.2min grants to companies.

Est. Net cost (loans + equity + grants) = $6.5 + 7.5 + 13.2 = \text{SEK } 27.2\text{m}$

Sorted as: [Narrow SME policy / Finance]

For the estimate of the net costs of counselling for Innovationsbron, a proxy cost estimation was used. This proxy cost was based on Almi's estimated costs for counselling in relation to Almi's average of loans outstanding over the 2009 fiscal year (the ratio was 6.3 percent). Using the same ratio, the estimated expenditures for counselling at Innovationsbron in 2009 came to SEK 6.4m.

$[6.3 \text{ percent} * 0.5 * (97.6 + 105.2) = \text{SEK } 6.4\text{m}]$

Est. cost for counselling = SEK 6.4m

Sorted as: [Narrow SME policy / counselling and information]

3.18.5 Structural Fund funding of Venture Capital Operations

Structural Fund funding of Venture Capital Operations (Strukturfondsmedel till riskkapitalinsatser) was first implemented in Sweden for an initial time period of 2009-2014. The objective of the program is to increase the supply of risk capital at the regional level. Half the sum of the capital will come from private equity groups. The other half is distributed equally between funds from the European Regional Development Fund (ERUF) and regional public contribution. Behind the 12 regional funds exist, in different constellations: Almi Invest, Norrlandsfonden, Sjötte AP-Fonden and Innovationsbron. The target group is micro-, small- and medium-sized enterprises, and the investments will mainly apply to the start up stages of the business activities. The fund's activities should be complementary to the market and utilize revolving credit. In other words, the measure shall not displace existing private investment nor decrease it in the long term, thereby allowing continued investment. The regional program encloses a total of SEK 2.5b during the five years' realization period.⁸¹

The program is in its initial stage in 2009, and it was not possible to estimate the net cost of the program implementation.

⁸¹ *Tillväxtanalys (2010b)*

3.19 The Swedish Export Credit Guarantee Board, EKN

EKN is responsible for issuing government export credits and investment insurances.⁸²

The Swedish Export Credits Guarantee Board, EKN, guarantees that Swedish companies and banks get paid when for their export activities. Guarantees lead to improved financing and provide opportunities to offer competitive credit to purchasers. Agencies like EKN can be found in many other countries and are comparable to any state authority that guarantees exporters' payment risks. EKN's mandate includes providing guarantees that are competitive in relation to what other export credit agencies offer, without being so generous that they subsidize Swedish exports. The premium a company pays for a guarantee is intended to cover EKN's risk.

EKN offers guarantees for different types of export-related risks. The guarantees function as insurance and can be used for both small and large projects. EKN works with risk guarantees in most of the world's countries. The EKN Board reported credit guarantees for SMEs as amounting to SEK 284m in 2009⁸³, but there was no information available about possible financial losses (costs) from EKN, if any.

EKN mentions counselling activities in their annual report, but no cost figures are given. To estimate EKN's net 'counselling and information' costs, a proxy cost estimate was used derived from the ratio of Almi's estimated costs for 'counselling and information' as compared to Almi's average of loans outstanding over the 2009 fiscal year (the ratio was 6.3 percent). The estimated expenditures for counselling at EKN then came to SEK 17.9m in 2009⁸⁴. [6.3 percent *284 = SEK 17.9m]

Estimated costs: SEK 17.9m

Sorted as: [Narrow SME policy / counselling and information]

3.20 Swedish Trade Council, Exportrådet

"[T]he Trade Council's activities shall contribute to increased exports, primarily for small and medium-sized businesses and furthermore provide support to companies with Swedish interests in their international business development goals." (Government directives to the agency⁸⁵)

For this aim, the organization received SEK 171m from the state in 2009. The council has two other income streams: revenues from sales of services, SEK 409m, and contributions from the Confederation of Swedish Enterprise (Swedish: Svenskt Näringsliv). The total turnover is SEK 590m⁸⁶.

Operations are conducted abroad in more than 60 offices in more than 50 countries and in Sweden at the Stockholm headquarters as well as by export advisers in Swedish regions.

The SEK 171m state aid, which were of primary interest to this project, were spent on the following costs:⁸⁶

⁸² Act (SFS 2007:1217)

⁸³ Exportkreditnämnden (2010)

⁸⁴ It is assumed that the relation between ALMI's outstanding loans and their costs for counselling is a relation that (in lack of better information) can be assumed to provide some information for counselling costs for somewhat similar organizations and activities.

⁸⁵ Utrikesdepartementet (2008)

⁸⁶ Exportrådet (2010)

Table 8 E/SME Policy expenditures

Narrow policy expenditures	SEK (mn.)
<p>Basic counselling and information in Sweden</p> <p>Free advice and export preparation at home to small businesses (up to 50 employees, turnover less than 10 Mn. €).</p> <p style="text-align: right;">Sorted as: [Narrow / Counselling and information / SME]</p>	27.6
<p>‘Business opportunity projects’ and Market Selection Analysis</p> <p>These support programs are subsidised for small businesses, whom pay only 40 percent of the costs for the programs, or about 40k out 100k SEK for each support program they want to use.</p> <p>MSA gives businesses guidance on which markets to expand, aiming to provide an informed basis for continued international expansion.</p> <p>Business opportunity projects are a customized service with a mission to facilitate small firms’ entry into a new market. The goal is to reach new business opportunities through discussions with appropriate counterparts in each market. The projects are standardized and consist of a “market and partner search” which identifies suitable partners (customers, agents, distributors, etc.). Followed by a program of visits in the new market and ending with a follow-up and an action plan with recommendations on how business opportunities can best be exploited.</p> <p style="text-align: right;">Sorted as: [Narrow SME Policy / Training activities]</p>	30.4
<p style="text-align: center;">Broad policy expenditures</p> <p>Basic export services ⁸⁷</p> <p>Maintaining the organizations most basic support functions in over 50 countries abroad. Aid is not limited to SMEs.</p> <p style="text-align: right;">Sorted as: [Broad SME Policy/ Counselling and information]</p>	71.6
<p>Measures for markets and industries ⁸⁷</p> <p>Special orders from ministries or the government to do things aside from the basic orders given yearly from the Ministry for Foreign Affairs. To give only one example of how these undertakings are described in the annual report to the government (footnote 86 above): “2009-09-17, Specific marketing efforts in the U.S. in 2009 of Swedish business excellence with a focus on our advertising industry”</p> <p style="text-align: right;">Sorted as: [Broad SME Policy / Finance]</p>	39.5
<p>International contracting business ⁸⁷</p> <p>Measures to help Swedish enterprises win international contracting jobs, for example with UN contracting.</p> <p style="text-align: right;">Sorted as: [Broad SME Policy / Counselling and information]</p>	2.0

⁸⁷ There is no data on the size of firms gaining from these services; we believe that close to 100 percent in the end is aiding SME. Rather than guess the exact percentage however we accept the total as going towards SME.

3.21 The Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013) (FP7)

The latest (Seventh) EU Framework Program, [FP7](#), for research and technological development started in 2007 and is ongoing until 2013. The Framework Program is one of the world's largest programs for funding research and innovation with a total budget of around € 55b.⁸⁸

The Swedish participation in FP7 presents a positive trend so far. By October 2009, Swedish participation corresponded to 4.2 percent of all funds approved, or € 387m under contract.⁸⁸ One way to normalize the participation in FP7 with respect to differences in country size is to compare funds granted per capita. In this adjusted comparison, Sweden comes in fourth place, behind Switzerland, Iceland, and Finland.⁸⁸ (Switzerland was granted the most funding per capita of all participating countries.)

Universities and colleges constitute the largest group of participants in the program, both for Sweden and other countries involved. The Swedish business sector participation receives 24 percent of total funding (of which SMEs are allocated 54 percent), following the general trend in Europe and showing a downward trend in funding granted over the past several years.⁸⁸

For the purposes of this project we requested data from VINNOVA on the extent of funding received by Swedish SMEs under FP7 year 2009. VINNOVA do not themselves have access to information on funds actually distributed to Swedish SMEs, but they do data control on recipients of approved funding in Sweden (they 'refine' project data from the EU "[e-corda](#)" database), and they do analysis of the Swedish participation.⁸⁸ VINNOVA gave us an estimate for aid actually distributed to Swedish SMEs during 2009.

Considering i) that funds are distributed over time based on the length of the projects, ii) that the medium time span of a Swedish project is three years, and iii) that € 57,226,885 have been approved (not distributed) to Swedish SME project-participation since the inception of FP7 until 2010-10-26.⁸⁹

The estimate VINNOVA provided was € 13.3m for funding *actually distributed* in 2009 to Swedish SMEs.

Estimated funding aiding E/SME: (13.3 x 10.6 [exchange rate⁹⁰]) = SEK 141m
Sorted as: [Broad E/SME policy / Innovative Entrepreneurship / SME]
[100 percent EU funding]

3.22 Swedish National Board of Housing, Building and Planning (Boverket)

Boverket is the administrative authority for matters concerning management of land and water areas, land-use planning, construction and management of buildings, and other housing issues. Boverket is also responsible for the central administration of the different existing state aid programs in its field.⁹¹

⁸⁸ *Olivera, S. (2010)*

⁸⁹ *We also received a spreadsheet where the calculations can be followed.*

⁹⁰ *Average exchange rate (SEK/Euro) year 2009, see Eurostat (2011)*

⁹¹ *Act (SFS 2007:1065)*

To estimate public aid to entrepreneurship and SMEs administrated by Boverket we i) scanned available public information on the internet, ii) used documentation sent to us from Boverket in connection with the annual state aid report (see footnote 4 above), and iii) contacted officials at the agency with questions and request for further micro-data.

We have received many spreadsheets with micro data; they can be separated into two groups, I) interest rate subsidy programs, and II) other programs. First we describe the procedures taken for the ‘other programs’, because that is the order in which we received the data and wrote the report.

Some sorting is straightforward, as when firms are subsidized for specific things such as housing construction in specific areas. Other funding emanating from programs at Boverket is more difficult to classify. For instance: the subsidy for removing radon which is given to physical persons (32 Mn. SEK). It is possible that a portion of this aid represents indirect aid to SMEs, since they are likely often contracted to do the actual work of removing the radon (or isolating from it). There are a few programs like this⁹², i.e. where it seems likely that at least a small share of the subsidies aid SMEs indirectly. For the moment, aid programs not mentioned here have been viewed as too indirect to be categorized as (even ‘broad’) E/SME policy.

In the data received we can see all recipients of all aid administered by Bolagsverket and their judicial form. We ignore all judicial forms other than companies⁹³ (“bolag”). This form includes Housing cooperatives (bostadsrättsföreningar) however, but we also remove these by only counting cells where ‘type of tenure’ (swe: upplåtelseform) is tenancy (swe: hyresrätt). Below we describe identified⁹⁴ public aid programs involving E/SME administered by Bolagsverket.

Investment incentives for construction of housing (Includes the following subsidy programs, abbreviated here, but shortly described below; NYB05, NYB70, NST70, ÅBO01, OST70, OMB70)

NYB05: Investment incentives for construction of tenancy housing in areas with housing shortages.⁹⁵

NYB70: Investment incentives for construction of tenancy housing in *growth* areas with housing shortages.⁹⁵

NST70: Investment Incentives for the construction of student housing on or adjacent to locations where there are universities and housing shortages.⁹⁵

ÅBO01: Investment Incentives for the construction of special housing for elderly.

OST70: Investment Incentives for the *reconstruction* of student housing on or adjacent to locations where there are universities and housing shortages.⁹⁵

OMB70: Investment incentives for *reconstruction* of tenancy housing in *growth* areas with housing shortages.⁹⁵

In the data received we cannot see the number of employees the recipients of the subsidies have (if they are SMEs or not). To get an idea of the amount of aid actually going to SMEs

⁹² *Support for conversion from direct Electric heating in residential buildings(DIREL), ‘Contributions to the installation of solar thermal power plant’ (SOL01)*

⁹³ *We do not count aid to ‘public housing’ (allmännyttiga bostadsföretag), nor aid to recipients that are ‘physical persons’, estates or associations.*

⁹⁴ *Boverket (2010)*

⁹⁵ *Investment incentives are only granted to projects that have received interest rate subsidies (act: SFS 1992:986).*

we made database searches for each of the 58 recipients of one program (NYB70) in 2009; only one recipient had more than 250 employees. For the moment (until we have time to do manual DB searches) we assume the recipients for the other programs are all SMEs. Judging by the names of the recipient persons/firms this also seems likely.

Estimated E/SME Policy expenditures (millions):
 115 (NYB05) + 275 (NYB70) + 81.5 (NST70) + 38 (ÄBO01) + 32 (OST70) + 9 (OMB70)
 = 550.5 Mn SEK
 Sorted as: [Broad SME policy / Finance]

Support for installation of solar energy in commercial premises (SOLRT)

Support for installation of solar energy in commercial buildings may be given to owners of premises which are intended to be used for commercial activities.

Estimated E/SME Policy expenditures: 0.1 mn
 Sorted as: [Broad SME policy / Finance]

Interest rate subsidy programs (NYB01, OMB01)

For these two programs⁹⁴ we summarize interest rate subsidies to firms paid out year 2009.

NYB01: Interest subsidies are provided for construction of housing for leasing or individual ownership. The subsidy is calculated as follows: Contribution Basis x subsidy rate x 30%.

OMB01: Interest subsidies are provided for the rebuilding of homes in apartment buildings used for permanent use. The subsidy is calculated as follows: Contribution Basis x subsidy rate x 30%. In principle, the interest subsidy is given only to refurbishment work that involves new investments and not to what may be regarded as maintenance.

Estimated cost of aiding E/SME:
 320.0 (NYB01) + 87.6 (OMB01) = 407.6 Mn SEK
 Sorted as: [Broad SME policy / Finance]

3.23 Swedish Environmental Protection Agency (Naturvårdsverket)

[Naturvårdsverket](#) is a governmental agency operating under the jurisdiction of the Ministry of the Environment (Miljödepartementet).

Naturvårdsverket is managing authority on the environmental area and responsible to be *proactive and coordinating regarding environmental efforts*. The aim of the agency is to *promote ecologically sustainable development*. The environmental quality objectives ([miljö kvalitetsmålen](#)) and strategies set by Parliament are intended to guide the agency's work.⁹⁶

In our investigation of programs administered by Naturvårdsverket, two were identified as at least partially representing funding/aid to SMEs with payouts year 2009. They are "KLIMP", and "Tankställebidrag".

KLIMP is an abbreviation of "klimatinvesteringsprogram", which translates to 'climate investment programs' (CIPs). According to act 2003:262 regarding state funding of CIPs⁹⁷, "government grants may be given, to a municipality for CIPs that help to reduce

⁹⁶ Act (SFS 2007:1052)

⁹⁷ Act (SFS 2003:262)

greenhouse gas emissions in Sweden. CIPs can include actions in the: energy, waste or transport sector, but also other sectors. The aim is to reduce greenhouse gas emissions by means of energy transition and energy savings. The programs shall be prepared in cooperation with other actors. If deemed appropriate, grants can be given to actors other than municipalities.”

In several rounds between 2003 and 2008, Sweden has approved applications for government support totalling just over SEK 1.8 billion to climate investment programmes, Klimp. The purpose has been to encourage municipalities, companies and other stakeholders to reduce their emissions of greenhouse gases via long-term investments. The local aspect of these climate projects is strengthened by the requirement for local collaboration. Klimp is a continuation of the local investment programmes, LIP, which were allocated from 1998–2002.⁹⁸

Naturvårdsverket provided a spreadsheet reporting all funded projects in which a *firm* was registered as the principal agent (Swedish: huvudman). From this data we have reached an estimate of funding to SMEs during 2009 by a few simple steps. Considering i) the year that the project was *granted funding* and ii) that the medium time span of the projects is four years – we remove funding for projects granted in 2003 and 2004 (and therefore on average did not receive money in 2009). Considering iii) that we know the name of the firms – we made data searches to remove grants to firms with more than 249 employees. Finally, dividing the remaining sum by four, we reach an estimate of money actually paid out to SMEs during 2009. This *estimate* is 48.2 million SEK.

From these figures, SEK 48.2m is the best estimate of funding in 2009 to all SMEs.

Estimated funding aiding SMEs: SEK 48.2m
Sorted as: [Broad SME policy / Finance]

Tankställebidrag. (English: ‘Fuel station grants’)

Since spring 2006, all major filling stations are obliged to provide at least one renewable fuel. Most of these filling stations provide ethanol (E85). The purpose of this grant is to encourage the establishment of filling stations for other renewable fuels than ethanol. [...] Subsidy allocation is governed by act (SFS 2006:1591) on state aid to promote the distribution of renewable fuels. The grant expired at the end of the year 2009/2010.⁹⁹

Data reported by Naturvårdsverket to Growth Analysis in connection with the annual state aid report⁴ was used to estimate the costs of this measure. Here we can see grants awarded in 2009 and the name of the firms receiving the subsidy. SME status on the firms was acquired through database searches. 14 SMEs received a total of SEK 12.2m.

Estimated funding aiding SMEs: SEK 12.2m
Sorted as: [Broad SME policy / Finance]

⁹⁸ Naturvårdsverket (2009)

⁹⁹ Naturvårdsverket (2010b)

3.24 Swedish Agency for Growth Policy Analysis (Growth Analysis), Myndigheten för tillväxtpolitiska utvärderingar och analyser (Tillväxtanalys)

Growth Analysis (GA) is a governmental agency that falls under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet).¹⁰⁰

Instituted April 1, 2009, GA is responsible for growth policy analysis. The agency shall from different perspectives, evaluate, analyze and present effects of state measures for sustainable growth, competitiveness and regional development throughout the country. Growth Analysis should also provide input and recommendations for re-examination and streamlining of the measures.

The authors of this report (whom work at GA) asked the chief economist for cost data and the head of the [Entrepreneurship and Enterprise](#) department for identification of E/SME - policy related projects worked on during 2009.

To estimate costs we summarized “direct cost”¹⁰¹ and labour costs per project. To estimate labour costs per project we used available data on hours worked per project multiplied with the average wage cost for the ‘operative’ personnel (608 SEK per hour, our calculation).

Projects and costs identified are shown in Table 9 below.

Table 9 Entrepreneurship and SME policy related projects at Growth Analysis year 2009

projekt title	cost estimation (SEK)
Kundvalsmodellen - del 2 rådgivning	199 904
Regionala företagsstöd i jämställdhetsperspektiv	60 608
RB 09:8 Strategiskt arb. För utv. Kraft i landsb	2 236 917
RB 09:4 Utvärdering av ägarkapital struktur.	451 672
RB2 Entreprenörskap och Innovationer	732 995
Internationalisering SME	942 942
	4 625 038

Estimated cost of E/SME policy relevant research: SEK 4.6m

Sorted as: [Narrow SME policy / policy relevant research]

¹⁰⁰ Act (2009:146)

¹⁰¹ The accounting quantity “direct cost” did not include labour costs in these cases, only project specific costs, such as data-, literature-, and travelling- costs.

4 Main Results

The data collected is summarized here; costs are shown per policy area (Table 10) and as administered by each ministry (Table 11). In appendix 2, a euro conversion of Table 10 is shown with costs expressed in Euros.

Table 10 Total entrepreneurship and SME policy costs in million Swedish kronor (SEK) per policy type, policy area, and type of funding.*

	Narrow				Broad			Horizontal Sums
	EP		SMEP		SMEP			
	OOP	EU	OOP	EU	OOP	TC	EU	
<i>Women</i>	29	5	37	4	0	0	0	74
<i>Immigrants</i>	3	2	19	1	0	0	0	24
<i>Young</i>	7	4	0	0	0	0	0	11
<i>Unemployed</i>	316	0	0	0	0	0	0	316
Target groups (sum 5 above)	355	11	55	5	0	0	0	425
Innovative entrepreneurship	12	3	593	253	372	0	141	1 374
Networking	3	0	55	49	3	0	0	109
Entrepreneurship education	237	0	0	0	0	0	0	237
Training activities	2	6	131	194	778	0	24	1 135
Counselling and information	31	16	341	168	112	0	0	669
Promotion activities	4	4	30	11	0	0	0	50
Policy relevant research	7	0	28	12	0	0	0	46
Administrative burden	0	0	10	0	45	0	0	55
<i>Tax -exemptions & -credits</i>	0	0	0	0	0	26 345	0	26 345
<i>Grants/subsidies</i>	13	41	546	401	6 548	0	8 259	15 807
<i>'Financial Losses' **</i>	0	0	217	0	5	0	0	221
Finance (sum 3 above)	13	41	762	401	6 552	26 345	8 259	42 372
Vertical Sums	745		3 097		42 630			46 472
	3 842				42 630			
	46 472							

*Where: OOP = Out of pocket costs, EU = EU-funding, TC = Tax Costs

**'Financial losses' are estimated losses on: equity capital, loans, royalties and guarantees.

In Table 11 below we see the total costs of E/SME -policies in Sweden year 2009 as *administrated per ministry*.

Table 11 Total entrepreneurship and SME policy costs *administered per ministry* in million Swedish kronor (SEK).*

		Narrow				Broad		
		EP		SMEP		SMEP		
Total	Ministry of...	OOP	EU	OOP	EU	OOP	TC	EU
26 356	Finance			12			26 345	
11 722	Agriculture	16	51	157	698	2 592		8 208
3 350	Enterprise, Energy & Communications	103	31	1 699	431	990		51
2 079	Employment	316		21	21	1 697		24
1 251	Environment					1 251		
1 155	Culture					1 155		
274	Education and Research	229				45		
211	Foreign Affairs			58		153		
141	<i>EU (FP7)</i>							141
46 472	Sum Total	46 472						

*Where: OOP = Out of pocket costs, EU = EU-funding, TC = Tax Costs

The following exemplifies how we have calculated how much of the EP and SMEP costs each Ministry administers:

For a number of projects administrated by, and sorted by us to Tillväxtverket, part of the project funding actually emanates from other agencies (i.e. through co-funding of projects.), the costs are still sorted only to the agency where they were ‘ultimately’ administrated, in this case Tillväxtverket. Tillväxtverket in turn operates under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet), to where the costs are sorted in this case.

4.1 Ad hoc estimations

During the work on the cost project, questions naturally came up, and for three questions we have made some efforts to find answers, in the following three subsections we present some tentative answers to the following questions:

- How significant are the administrative costs in the system?
- How much aid goes to firms younger than three years?
- Was the “support system” (entrepreneurship and SME policy costs) increased due to the financial crisis?

Approximation of administrative costs

Administrative costs were not meant to be assessed at the outset of this report. In order to make a first approximation of these costs in retrospect however, we have looked at the administrative costs reported under the one agency where they were most readily available, Tillväxtverket. In their annual report they have, for 32 programs, listed both administrative costs (“förvaltningskostnader”), and ‘direct costs’ (“sakkostnader”). The former is meant to describe costs associated with *implementing* the program, the latter to describe the actual money transfers to firms or projects resulting from the program, i.e., the actual ‘aid’ part of the program costs.

If we make a linear regression between these 32 programs administrative and direct costs (see Figure 3 below) we find that, administrative costs (in thousands SEK) are predicted with this formula: administrative costs = 0.044 * direct costs (R² = 0.86).

This can be interpreted to mean that administrative costs increase approximately linearly in relation to direct costs, if extra money is going towards supporting entrepreneurship or SMEs at Tillväxtverket, (if you increase direct costs), administrative costs will increase by approximately 4.4 percent of those costs for the average measure (aid program/project) at Tillväxtverket. This seems reasonable considering the sort of aid programs administered by Tillväxtverket. Aid from Tillväxtverket tends to be discrete by design, by which we mean that the amount of aid that can go to each recipients is limited (by for instance EU:s *de minimis* aid rules¹⁰²). Simply put, if Tillväxtverket gets more money, they tend to increase the *number* of projects – not the *amount* given to recipients. I.e. more recipients get money through more projects. And more projects initiated means that more administrators are necessary for managing these projects, and costs increase in a linear fashion.

Our experience from having studied many narrow policy measures administered by many different organisations, leads us to believe that that the administrative-cost-structure just described for Tillväxtverket approximately generalizes to *narrow policy* measures in general.

On the assumption that we can extrapolate administrative costs from a (biased) sample of total narrow policy measures (Tillväxtverket) to approximate total administrative costs for all narrow policy measures. We take total direct costs for all narrow policies and multiply them by 4.4 percent (see above). Using this formula we estimate administrative costs for all narrow policy measures to be in the vicinity of $0.044 \times 3\,842\text{m} = \text{SEK } 169 \text{ million}$.

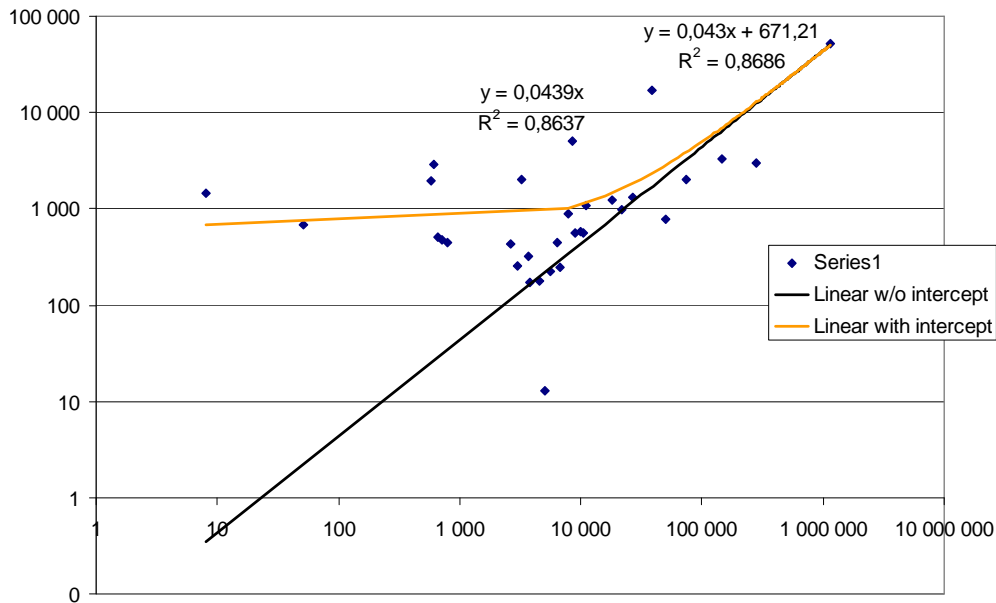
Administrative cost as a linear function of direct costs is *not* assumed to hold for broad policy measures. Why that is can be understood by imagining the type of “aid” that for example the Swedish Tax Agency administers. An increase in tax costs (tax-subsidies) for instance; does *not* need to imply that more administrators are necessary. For two (independent) reasons: 1) tax costs can increase “continuously” (the same number of beneficiaries can share a larger tax subsidy) meaning that the amount of units to administer is constant. 2) Administration is likely to be heavily computerized, and the administration of the computers is likely to be a fixed cost.

It is important to note what we are *not* estimating here. It is only administrative costs for the *narrow* policy that we have estimated. *Overhead costs* are additional costs, for which we have no estimate, but which are likely to represent higher costs than administrative costs do; Tillväxtverket estimates overhead cost to an additional 41% of their total (direct

¹⁰² European Commission (2007)

and administrative) costs per aid-programme¹⁰³. Note however that Tillväxtverket is likely to have high overhead costs in comparison with other agencies, due to their heterogeneous and decentralized plethora of cost wise small activities.

Figure 2. Scatter plot (log scale) of 32 programs direct and administrative costs at Tillväxtverket. On the x-axis we have Direct Costs (in SEK thousands). On the y-axis we have Administrative costs (in SEK thousands).



Source: Data from Tillväxtverket (2010c)

Young firms: aid received and share of employees

In our estimations of entrepreneurship and SME policy costs the distinction between the two policies has been (due to data limitations¹⁰⁴) whether aid goes to a *firm* (SME policy) or to a person *aiming* to start a firm (entrepreneurship policy).

This means that the cost estimates for entrepreneurship policy do not include measures aimed at young firms in their starting-up phase, which means that the Swedish cost estimates underestimate the costs for entrepreneurship policy measures and overestimate the costs for SME policy measures *in regard to the definitions in the Cost Manual*, where entrepreneurship policy is defined as: “Policy measures aimed at individuals who are interested to start a business and still are in a starting phase procedure *meaning activities during the first three years.*”

In this section we will try to shine some light on how much of the aid to firms that goes to firms younger than three years (young firms). That is, we want to get a picture of how

¹⁰³ Tillväxtverket (2010c) page 9

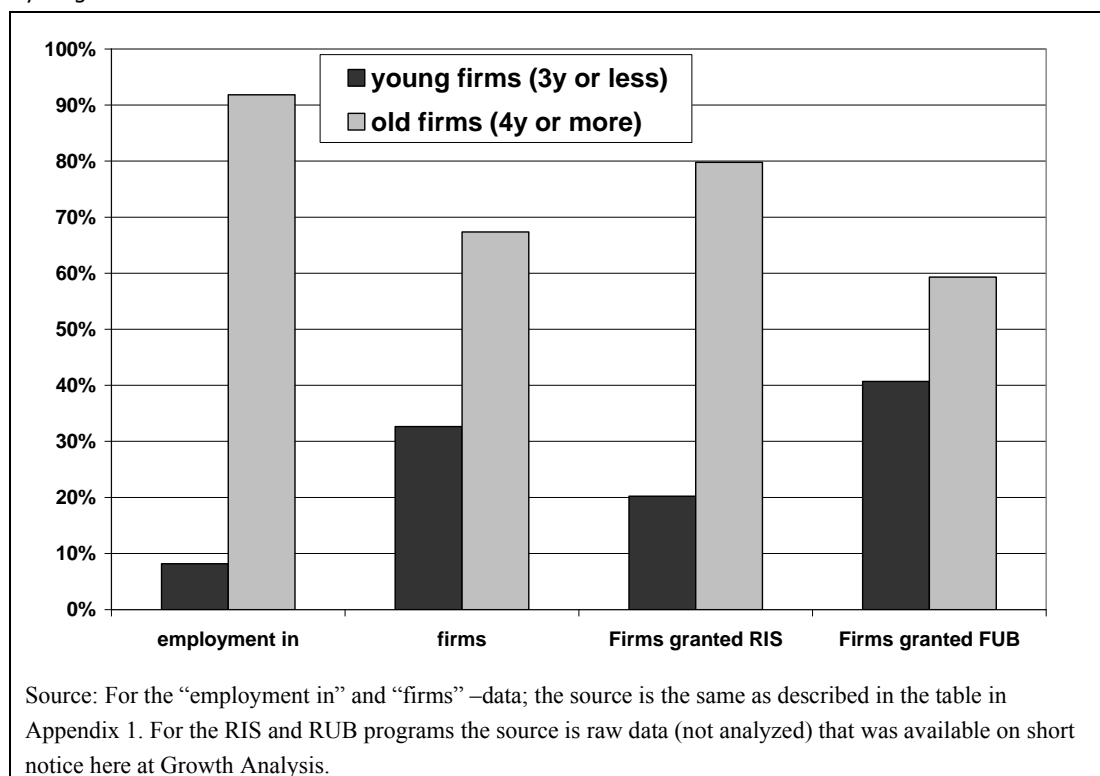
¹⁰⁴ For a few measures we actually have the necessary micro data but were not able to match it at the firm level against our own firm database (to determine firm age) due to time constraints. This sort of work is time consuming due to bureaucracy associated with integrity laws; fortunately it is being worked on under the aegis of another project (the MISS database project) at Growth Analysis.

much we have underestimated the cost of entrepreneurship policy (EP) in favour of SME policy (SMEP) in regard to the definitions in the *Cost Manual*.

In Figure 3 below, we show four statistics: i) share of employment in young vs. old firms; ii) share of all firms that are young vs. old; iii) share of young vs. old firms that received aid from the RIS program, and iv) share of young vs. old firms that received aid from the FUB program¹⁰⁵.

We want to know how much the total cost of Swedish entrepreneurship policy would be if it was defined as in the *Cost Manual*: to include aid to firms younger than three years. Unfortunately this is an empirical question that we cannot answer with our dataset. We believe (based on Figure 3) that somewhere between 8 and 40 percent of narrow SME policy costs should likely be transferred to narrow EP policy costs; while somewhere between 8 and 20 percent of broad SME policy costs should likely be transferred to broad EP policy costs.

Figure 3 Employment between, firm distribution between, and aid granted between (for two programs), young and old firms.



These estimates lower range (8 percent) is based upon the share of employment in young firms, while the estimates higher ranges (40 and 20 percent) is based upon single observations of a broad (RIS) and narrow (FUB) policy measure. We cannot know the share of aid that goes to young firms in general within the small and broad policy areas until we have the necessary micro data for all recipients of all forms of state aid. We

¹⁰⁵ Regional Investment aid (RIS), and Regional aid to firm development (FUB) are mainly investment subsidy programs (further described on page 30 f.) Basic differences: RIS investment aid is given for more sizeable investments than FUB. The latter gives smaller amounts of aid per case and is limited to SMEs.

believe the RIS and FUB programs (in Figure 3) represent programs that give *more* aid to young firms within their respective policy areas than the average program, which is why we see their share of aid to young firms (20, and 40 percent) as high range “estimates”. There is reason to be sceptical of 20 percent as a high range estimate for EP-policy underestimation regarding broad policy costs though, especially when considering the ROT program, which is likely to have spawned a number of new (young) firms to benefit from this new policy measure.

Financial crisis and E/SME policy costs

In response to the financial crisis that developed in autumn 2008, the Swedish government took a series of measures to prevent a financial collapse and reduce the economic effects of the crisis. Great emphasis was placed on supporting the supply of credit to businesses.¹⁰⁶

Perhaps the most important measure was the *guarantee program* to support the banks’ financing. The government changed the instructions directives for Riksgälden (the National Debt Office) by law (SFS 2008:814) regarding state aid to credit institutions¹⁰⁷, to give Riksgälden the mandate necessary to strengthen the stability of the Swedish financial system. Its most important new responsibility was for the guarantee program. At its height in June 2009, the program guaranteed SEK 354 billion, with most of the guarantees going to the bank Swedbank. By the end of 2010, the guarantee framework’s technical limit was SEK 1.5 trillion.¹⁰⁸

A number of other credit guarantee programs, recapitalization programs, etc. were also put into place. Some examples of these are the ‘recapitalization program for solvent banks’, the ‘special aid to credit institutions program’ and the ‘stability fund’.¹⁰⁹

In the context of this report, we are most interested in additional spending on and changes in; policies specifically targeted at enhancing entrepreneurship or SMEs due to the crisis. These are miniscule in comparison with the type of programs that aim to conserve the stability of the financial system, but, represent definite costs in the short term - not possible costs in the long term. We have identified the following measures as specifically E/SME policy related¹¹⁰:

Under Proposition 2008/09:97, ‘Measures for jobs and transition’ (January 22, 2009):

- Enhanced support for the long-term unemployed through the doubling of compensation to employers for ‘new start- jobs’
- More ‘spots’ to in polytechnic and vocational secondary education (Employment Training)
- ROT (deduction for repairs, maintenance, conversion and extension)

¹⁰⁶ Riksgälden (2010a)

¹⁰⁷ In Swedish, the law is called *Stödlagen* (the aid law)

¹⁰⁸ Riksgälden (2010b). Riksgälden also notes that it is important to understand that the state’s *real* exposure to the Swedish banking system not in any way is limited to actual guarantees; whether formal guarantees exist or not, the state would likely be forced to act to prevent bankruptcy of institutions critical to the financial system.

¹⁰⁹ In Swedish: *Kapitaltillskottsprogrammet för solventa banker, Särskilt stöd till kreditinstitut Stabilitetsfonden.*

¹¹⁰ For descriptions of these three measures see pp. 17, 20, 21.

Unfortunately, we have not found any description of the cost increase due increased efforts in Employment Training. We can however estimate a *minimal cost increase* in EP/SMEP due to the financial crises, by adding the costs we do know. If we summarize the costs for ROT, and half the costs for ‘start-jobs’, we reach an estimation of additional E/SME policy costs *due to the financial crises* amounting to: SEK 9.78 billion.¹¹¹ Both of these programs are broad policy measures.

Other E/SME and crisis related policies

Temporary respite for employers to pay taxes.

Statute (2008/09:113; proposed in January and enacted in February 2009)¹¹² established a temporary law on deferred payment of tax in certain cases. The proposal was part of the government's package of measures to counteract the negative effects of the financial crisis, aimed to alleviate liquidity problems for companies unable to obtain loans at under normal conditions because of the financial crisis.

At the end of November 2009, tax respites totalled SEK 5.1 billion distributed over 4340 companies, i.e. an average of about SEK 1.2 million per company. Since the taxes were to be paid later (with interest) the actual cost to the public of the measure is unclear.

ALMI

Demand for ALMI's lending rose sharply during the financial crisis. According to ALMI; liquidity crisis in the banking system led to significant difficulties for small-and medium-sized enterprises to get bank loans. The parliament authorized the government to give an additional 2 billion to the loan fund (executed in December 2008).

The government also gave new directives to ALMI to provide market complementing finance to *all* SMEs (their previous focus had been small companies). During the first three quarters of 2009 loans were granted to the sum of SEK 2.6 billion; an increase of 101 percent compared to the same period the previous year.¹¹³

We do not count state funding of as agencies as costs. We only count direct costs of measures meeting the entrepreneurs or SMEs. Direct E/SME policy costs under ALMI are covered on page 43.

¹¹¹ $[ROT] 0.916 \times 10\ 181.6 + [‘Start\ jobs’] 0.5 \times 900.9$

¹¹² *Proposition 2008/09:113; and Betänkande 2008/09:SkU27*

¹¹³ *Riksgälden (2010a)*

5 Concluding remarks

The aim of IPREG subproject 1, ‘Tracking the cash,’ has been to map public costs for entrepreneurship and SME policies. This implementation report for Sweden describes how these costs were estimated in practise for the 2009 financial year.

The costs of the various public support measures identified were classified along three dimensions: 1) as "narrow" or "broad" policy costs, 2) as entrepreneurship or SME policy costs, and 3) as costs belonging to one of ten predefined policy areas. Some of the most important results from and lessons learned during the project are described here.

The cost of all *narrow policies*¹¹⁴ in Sweden is about a tenth (9 percent) of the cost of all *broad policies* in Sweden. The largest costs of Sweden’s entrepreneurship (E) and SME policies fall not on the state’s expenditure side but on its income side, in the form of tax costs (housework tax costs, labour market related tax costs, and energy related tax costs). Tax costs represent 56.7 percent of total costs (71.4 percent if EU funding is excluded). All tax costs identified represent broad policy measures (there were no tax costs explicitly exclusive to SMEs).

EU funding covers 20.7 percent of total costs; this funding is manifested primarily in the form of assistance to agriculture (funding through the Common Agriculture Policy via Jordbruksverket represents 92.8 percent of total EU funding).

Swedish ‘out of pocket’ costs (EU-funding and tax costs excluded) reached SEK 10.5b or 22.7 percent of total costs, which is similar in scale to EU funding. The EU’s funding of costs and Swedish ‘out of pocket’ costs distributed similarly over the defined policy areas.

The Ministry of Enterprise, Energy and Communications (Näringsdepartementet) handles only 7.1 percent of the total Swedish costs for entrepreneurship and SME policies. They are, however, the biggest player among all ministries concerning the narrow policy costs, administering 58.9 percent of total narrow policy costs.

It is important to note that only the ‘direct cost’ of E/SME policies has been estimated. Administrative costs and overhead costs have not been included. To get an estimate of what administrative costs might be, a simple approximation was made with data from Tillväxtverket (page 57). From these calculations we estimate Total administrative costs for *narrow* E/SME policies to be approximately SEK 169m.

One of the biggest setbacks of this report was due to lack of data detailed enough to see the *age* of the firms receiving public support. It is desirable to see the spread of the age distribution among firms receiving aid rather than only being able to see if the recipient is a firm or not. We made some observations concerning this however, (see section 200433584.0.5, page 58 above for more information), and Growth Analysis is working on a project (the *MISS database*, that aims to make this sort of statistic easily available in the future.

Towards the end of the time allotted for this study, we tried to estimate the effects of the financial crisis on E/SME policy costs (section 0). Our conclusion is that its costs increased by *at least* SEK 9.8b due to crisis related measures.

¹¹⁴ For definitions of ‘narrow’ and ‘broad’ policy, see section 2.1 “Definitions and their implementation in Sweden” on p 11.

A problem with this study was the difficulty of identifying costs at municipalities, county councils, and other regional public bodies. Cost estimates were possible only for the parts of these bodies' costs that are in some way administered through a state agency. Significant costs may be missing due to the cost and time constraints prohibiting a detailed inspection of every municipality and county council for costs that are not elsewhere accounted for.

For any possible future studies, a reconsideration of the policy area classifications is recommended in order to see if costs classifications can be improved. One idea is to have 'Target group(s)' and 'Form of aid' as further dimensions to every cost, rather than as their own policy areas. If, for example, we encountered a measure giving loans to women, we had to decide if the measure should be classified as 'Finance' (subcategory: loans) or 'Target Groups' (subcategory: women). To avoid this, one would want to classify it on three dimensions: 1) sort of purpose, 2) sort of target group, and 3) form of aid, e.g., transfer of funds, counselling, loan, guarantees, tax break, etc.

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Additional non published data has been requested and received from the following agencies in the form of spreadsheets.

Tillväxtverket

VINNOVA

Jordbruksverket

Boverket

Statens Energimyndighet

Fiskeriverket

SCB

Svenska ESF-rådet

Appendix 1: Firm structure in Sweden 2008

Year 2008			(million SEK)			
limits	Nr firms	Nr employees	Value added	Share firms	Share employees	Share value added
0 employees turnover = <500	518 182	0	31 740	(56.9%) 0.56882	0	(1.7%) 0.017328
0 employees turnover = >500	144 740	0	119 363	(15.9%) 0.15888	0	(6.5%) 0.065164
<50 employees	242 364	1 098 953	632 742	(26.6%) 0.26605	(44.2%) 0.4419	(34.5%) 0.345432
<250 employees	4 726	456 125	312 293	(0.5%) 0.00519	(18.3%) 0.18341	(17.0%) 0.17049
SMEs (sum of 4 rows above)	910 012	1 555 078	1 096 138	99.99%	62.53%	59.84%
non SMEs =>250 employees	969	931 804	735 601	(0.0%) 0.00106	(37.5%) 0.37469	(40.2%) 0.401586
Datakälla: Individ och Företags Databasen (IFDB), Tillväxtanalys Företag = INSEKT 2000; JURFORM: 10, 21, 31, 49, 51 (Fysiska personer, Enkla bolag, Handelsbolag, kommanditbolag, Aktiebolag utom bank- och försäkringsaktiebolag, Ekonomiska föreningar utom bostadsrättsföreningar). För vidare variabel definitioner se: SCB, MIS, Standard för institutionell sektorindelning 2000, INSEKT 2000, Standard för indelning efter ägarkontroll 2000, ÄGAR 2000, Indelning efter juridisk form, JURFORM						

Appendix 2: Total entrepreneurship and SME policy costs in Euros* (€)

Table 12 Total costs in million Euros (€) per policy type and policy area, and type of funding. **

	Narrow				Broad			Horizontal Sums
	EP		SMEP		SMEP			
	OOP	EU	OOP	EU	OOP	TC	EU	
<i>Women</i>	3	0	3	0	0	0	0	7
<i>Immigrants</i>	0	0	2	0	0	0	0	2
<i>Young</i>	1	0	0	0	0	0	0	1
<i>Unemployed</i>	30	0	0	0	0	0	0	30
Target groups (sum 5 above)	33	1	5	0	0	0	0	40
Innovative entrepreneurship	1	0	56	24	35	0	13	130
Networking	0	0	5	5	0	0	0	10
Entrepreneurship education	22	0	0	0	0	0	0	22
Training activities	0	1	12	18	73	0	2	107
Counselling and information	3	2	32	16	11	0	0	63
Promotion activities	0	0	3	1	0	0	0	5
Policy relevant research	1	0	3	1	0	0	0	4
Administrative burden	0	0	1	0	4	0	0	5
<i>Tax -exemptions & -credits</i>	0	0	0	0	0	2 485	0	2 485
<i>Grants/subsidies</i>	1	4	51	38	618	0	779	1 491
<i>'Financial Losses'***</i>	0	0	20	0	0	0	0	21
Finance (sum 3 above)	1	4	72	38	618	2 485	779	3 997
Vertical Sums	70		292		4 022			4384
	362				4 022			
	4 384							

*Costs from Table 10 divided by 10.6 (the average exchange rate SEK/Euro for 2009 according to Eurostat (2011)).

*Where: OOP = Out of pocket costs, EU = EU-funding, TC = Tax Costs.

***'Financial losses' are estimated losses on: equity capital, loans, royalties and guarantees.

The Swedish Agency for Growth Policy Analysis (Growth Analysis) is a cross-border organisation with 60 employees. The main office is located in Östersund, Sweden, but activities are also conducted in Stockholm, Brussels, New Delhi, Beijing, Brasilia, Tokyo and Washington, D.C.

Growth Analysis is responsible for growth policy evaluations and analyses and thereby contributes to:

- stronger Swedish competitiveness and the establishment of conditions for job creation in more and growing companies
- development capacity throughout Sweden with stronger local and regional competitiveness, sustainable growth and sustainable regional development.

The premise is to form a policy where growth and sustainable development go hand in hand. The primary mission is specified in the Government directives and appropriations documents. These state that the Agency shall:

- work with market awareness and policy intelligence and spread knowledge regarding trends and growth policy
- conduct analyses and evaluations that contribute to removing barriers to growth
- conduct system evaluations that facilitate prioritisation and efficiency enhancement of the emphasis and design of growth policy
- be responsible for the production, development and distribution of official statistics, facts from databases and accessibility analyses.

About the Working paper/Memorandum series:

Some examples of publications in the series are method reasoning, interim reports and evidential reports.

Other series:

Report series – Growth Analysis' main channels for publications.

Statistics series – continuous statistical production.

Svar Direkt [Direct Response] – assignments that are to be presented on short notice.