

SGI Sustainable Governance
Indicators 2009

Denmark report



Executive summary

Despite a tradition of minority governments, when measured on all standard indicators, economic development in Denmark has been very good, and the political system functions well. The ability to reform has been high in a wide range of areas, including those having controversial issues related to the labor market and pension policies. This high ability may partly be attributed to a tradition of consensus-based policy-making as well as to a common understanding of the need for a small and open economy to make the necessary reforms if key objectives are to be maintained as relates to material well-being, wealth distribution and the extent of the welfare state. However, the reform agenda is not exhausted, and major issues related to education, immigration and social policies remain.

All in all, it is fair to say that Denmark has achieved much. Two decades ago, the country was plagued by high unemployment, and there was a widespread feeling that the welfare state was under pressure. Nevertheless, the welfare state survived, and unemployment started to come down in the 1990s and especially after 1993, when a Social Democratic government led by Poul Nyrup Rasmussen came into office. The process of rescuing the welfare state has continued under the Liberal-Conservative government of Anders Fogh Rasmussen, which came into office in 2001. The last election, in February 2005, allowed a second government under Fogh Rasmussen to continue.

Today, Denmark enjoys full employment and a surplus in the state budget, and net foreign debt has been paid off. It sounds a bit like the story of the ugly duckling that turned into a beautiful swan – or, to use another metaphor (which was probably first used by former Minister of Finance Mogens Lykketoft), the bumble bee that is not supposed to be able to fly, but did. Danes are proud of this achievement, and the welfare state has wide support. The Danes are used to having free education and medical services (whether physician or hospital visits) as well as other public services that they may have to pay for in part, such as day care for pre-school children and care for the elderly.

Success should not be taken for granted, though, and risks and challenges remain. The distance between full employment and labor shortages, for example, is not long. Denmark already has an insufficient number of highly

educated people and especially engineers and medical doctors. Moreover, the fact that the group of individuals in retirement is increasing relative to the part of population that is active in the workforce and the fact that people are living longer have been putting pressure on the pension system and related policies, particularly health care services and care for the elderly. Another great challenge for the country is that of integrating new immigrants and second-generation immigrants into the labor market. Furthermore, high marginal income taxes are a problem as well.

Denmark has a long tradition of reform efforts. The first and second governments of Anders Fogh Rasmussen have continued the efforts that had already been initiated in the 1980s. For example, in June 2006, the Danish People's Party (DF), the Social Democratic Party (SD) and the Social Liberal Party (RV) reached an important welfare agreement whose measures include: increasing the retirement age in the future (beginning in 2019); further strengthening efforts to increase employment, for example, by steering more immigrants into the job market; better and faster education; more investments; and more money for research. Although this agreement's reforms are important, the measures concerning retirement age may turn out to be too modest.

Furthermore, a so-called quality reform is currently under discussion. In August 2007, as part of this reform, the government put forward a detailed strategy paper with no less than 180 concrete initiatives focused on increasing the quality of public services. Some money has been set aside for improving day care and hospitals and for training public officials. Another important reform was the so-called Structural Reform agreed to in 2004 and implemented on January 1, 2007. This reform reduced the number of municipalities from 271 to 98 and created five regions to replace the 13 counties. It is expected to make the provision of public services more efficient.

Owing especially to pressure from the Conservative People's Party within the government, the Fogh Rasmussen governments have slightly reduced taxes on income. According to a government plan for the coming years published in August 2007 called "Toward New Goals – Denmark 2015," there will be further reductions in income taxes that will reduce the number of people paying the maximum tax to its 2001 level. Nevertheless, about 800,000 Danes will continue to pay 63 percent in taxes on their income. Without a doubt, this high tax rate will make it very difficult to attract highly qualified foreign workers, which is an important part of the government's strategy to make Denmark more competitive.

Due to vested interests, it will be difficult for the government to reach its stated goal of making Denmark the most competitive country in the world by 2015. The gap between the rhetoric and the means available is vast, and increasing public investments in research and development from 0.8 percent to 1.00 percent of GDP is not really an impressive step. Making schools and universities more productive will require not only an infusion of funding but also a change in attitudes, which is naturally much more difficult. Furthermore, the Danish system is not good at rewarding high achievements, and its philosophy of treating everybody equally creates a drag on improvements. Nevertheless, the government continues to try one reform after another, and it at least deserves credit for that.

Finally, Denmark has a very ambiguous policy toward European integration. Danish political leaders have not been good at explaining to their citizens what the European Union is about. For too long, the explanation had been that it was a common market on which the country could sell its products. After the Maastricht treaty, when it became clear that the European Union was more than a market, the Danes revolted and voted against it. In the end, Denmark's EU membership was only saved with four opt-outs. The one concerning citizenship is without practical importance. But Denmark does not take part in the euro or common defense policy. Nor does Denmark take part in so-called "justice and home affairs" cooperation since this cooperation starting using the "community method," which has been the case more and more since the Amsterdam treaty entered into force in 1999. The Reform Treaty currently being proposed will make all "justice and home affairs" cooperation supranational. The solution proposed by Denmark is an opt-in mechanism whereby it can choose in an ad-hoc manner to take part in this cooperation. Doing so would allow Denmark to not conform with the common EU immigration policy and retain an immigration policy that is stricter than the average. Nevertheless, such a policy hurts solidarity with the other EU countries and is bad for Denmark. Denmark's vote against the Maastricht treaty in 1992 created a trauma for both the Danes and the other EU member states, which was reinforced by its rejection of the euro in 2000.

Strategic Outlook

Denmark could do more to promote progressive policies internationally by, for example, more outspokenly demanding serious reforms of the European Union's common agricultural policy, which is very detrimental to a number of

Third World countries and EU consumers. The following points are some of the major challenges that Denmark might face in the coming years:

- The challenge of globalization

Globalization is not per se a new phenomenon. But in a small country with an open economy and a long tradition of close international integration, both politically and economically, the ongoing process of globalization raises new challenges. One immediate challenge regards how to maintain a tax-financed welfare state in a more globalized world. This issue is significantly affected by migration and its consequences. In addition, the cross-border spillover of policy actions in various areas is gaining in significance and necessitates strengthened cooperation and coordination in some policy areas. This applies to traditional economic policy areas, such as taxation, but also to other areas, such as environmental policies and security policies (e.g., anti-terror actions). All of these developments raise strategic issues for small nations about their ability to preserve their national identity and policy priorities.

- Denmark as a core member of the European Union

A last major reform field relates to cooperation with the European Union. Denmark's participation is currently hampered by the four opt-outs negotiated in 1993 in order to enable the acceptance of the Maastricht treaty in a second referendum, after the first referendum rejected it in 1992. Furthermore, high-pitched disagreements about Denmark's acceptance of EU policies might aggravate tensions between the government and the Danish People's Party (DF), which has strictly opposed increased European integration. At the same time, however, the emergence of the strongly pro-European New Alliance party might create new possibilities. All in all, Denmark cannot continue its ostrich-like policy. Now is the time to build a broad political coalition in favor of full participation in the European Union. Doing so would be a real test of national leadership.

- Improving Danish schools and universities

Despite the amount of available funding, Danish schools do not perform well enough. Danish school children do not score high in international tests and, over the last few decades, the schools have become too lax. Children are not tested or given grades before the seventh grade. Although teachers orally inform parents about their children's achievements, these evaluations are stated in very general terms that do not permit students to compare their performance with that of their peers. The philosophy behind these circumstances is one of treating all pupils equally. In fact, this social-democratic doctrine of equality

has been taken to the point that there has been little room for high achievers and the ambitious, and bright students have not received sufficient encouragement. Furthermore, it would appear that the influence of the so-called “Jante law,” according to which students have been encouraged to be modest and not stick their necks out, has been pervasive. Changes are also needed in Danish universities. For example, they need to become much more willing to recruit top-level professors from outside, which would require better salaries and more lenient taxation rules. Furthermore, the universities need to offer many more courses in English so as to prepare students for the globalized world they live in. The government talks about creating a Danish MIT (Massachusetts Institute of Technology), but with the current situation of inbreeding, such talk is only naïve.

- Improving the integration of immigrants

One of Denmark’s biggest problems – both politically and socially – is the fact that most immigrants have been integrated into society either poorly or not at all. This is a difficult issue, as it is not just a question of the right mix of policies but also a wider social problem requiring changes in attitudes on the part of both “new” and “old” Danes.

Since the first Liberal-Conservative government was formed in 2001, efforts to address this issue have increased. At the same time, however, some of the government’s measures have been draconian and out-of-line with what is acceptable in modern liberal democracies. The most outrageous example of this has been the rule that you must be 24-years-old before you can marry a foreigner and bring him or her to live in Denmark. Although this policy has brought down the number of arranged marriages involving a partner from the home country of immigrants, there must be other ways to deal with this practice, which is clearly out-of-line with prevailing norms in Danish society.

Another great challenge is integrating immigrants into the Danish labor market. Focused activation policies that have brought down unemployment levels in Denmark will eventually also bring down the high unemployment rate among immigrants. One important role in this change will have to come from businesses. For example, it can be very difficult for individuals with a foreign name or accent to get a job interview. The authorities should very actively enforce an anti-discrimination policy to stop businesses from following such discriminatory practices, which can be very discouraging for immigrants who seriously want to work.

- Improving health services

Denmark is undoubtedly a rich welfare state, and its inhabitants enjoy a

security net that in many ways is among the best in the world. Nevertheless, Denmark still has its shares of challenges here, too. In particular, health care in Denmark needs to be improved. A rich welfare state should simply not have waiting lists for individuals seeking treatment for life-threatening diseases. The main responsibility for solving these problems now falls on the five regions that replaced the smaller and more numerous counties in 2007. Creating these bigger entities will hopefully result in some economies of scale that will allow the hospitals to become more efficient. If this turns out to result in financial difficulties, the national government may have to step in and provide more assistance, since the regions cannot levy taxes or charge inhabitants for hospital treatment. It is also important that educational policies be adjusted so that the country can produce enough highly-qualified medical doctors and nurses.

- Reducing top marginal taxes

The Danish taxation system does not provide sufficient encouragement for people to work. A large proportion of Danes pay the so-called “top tax,” which is 63 percent of their income. At the same time, a VAT rate of 25 percent is also rather high. Another example of this is the fact that buying a car involves a so-called “registration fee” of 180 percent, which is just a fancy way of saying a car tax.

As a modern welfare state in a globalizing world, Denmark faces a dilemma. The Danes like their welfare state, and proposing to reduce welfare services is political suicide, as a majority of Danes actually depend on transfer income from the state. Nevertheless, current taxes are making it more difficult for Denmark to be and remain internationally competitive. The high taxes will make it difficult to attract the highly qualified foreigners who the government admits will be needed in the future. There is also currently a net outflow of highly qualified Danes because they seek positions abroad, where they can be better off financially.

Status Index

I. Status of democracy

Electoral process

Fair electoral process

Score: 10

Although in principle a person can run for office in Denmark without a party affiliation, in practice nearly all elected members of the People's Assembly, the country's unicameral parliament, run on a party list. As a result, it is the political parties that de facto decide who the candidates will be. In a multiparty system like the Danish one, anyone with political ambitions should have a reasonable chance of becoming a candidate. Furthermore, the election process is well-controlled and monitored, and no complaints have been filed regarding matters of principles or systematic fraud.

Nevertheless, there are two problems that create at least a potential for manipulation. First, parties already represented in the People's Assembly may automatically participate in new elections, while other parties must get the approval of the minister of the interior by providing a large number of signatures of voters supporting its participation. The number of signatures must be at least 1/175 of the voters who participated in the previous election, which in practice amounts to more than 25,000. Second, and perhaps even more problematic, is the fact that the minister of interior must approve the new party's name. For example, in the case of the party "Liberalisterne" (loosely translated as "the really liberal ones"), the minister of the interior refused to approve the party's name for a long time, arguing that it might confuse voters because his own party, the Liberal Party (V), also claims the "liberal" title.

Fair electoral campaign

Score: 10

The Danish constitution's guarantee of freedom of speech is only limited in cases involving libel, and it is illegal to make defamatory statements about opponents.

All parties and candidates are equally entitled to distribute pamphlets and put up

posters. The fairness of electoral campaigns can be limited by finances, as larger parties naturally have more campaign funds than the smaller ones. The public media sources (Danmarks Radio and TV2) must meet certain criteria for diversity and fairness. Regardless of their age or size, all parties participating in elections are entitled to equal radio and television time. The private media, and particularly the newspapers, are also usually open to all parties and candidates and are, for example, rather willing to accept and publish letters to the editor.

Annotation:

The score provided exceeds those provided by the country experts. This score is justified when compared with those given to other countries.

*Inclusive
electoral process
Score: 10*

All persons entitled to vote automatically appear on the voter register and receive a voting card by mail that must be presented at polling stations. Persons unable to cast their votes on voting day are allowed to submit absentee ballots by mail. Polling locations are easily accessible, and special arrangements are made for the elderly, disabled and others.

Thus, on the one hand, it can be said that the electoral process in Denmark is inclusive. On the other hand, however, the process of identifying and appointing candidates to run for parliamentary office occasionally comes under debate. Of particular concern are the facts that the levels of party membership are declining and that there is a degree of dissatisfaction with the specific rules that some parties use to nominate candidates.

Access to information

*Media freedom
Score: 8*

DR (Danmarks Radio) and TV2 are governed by independent boards appointed by the minister of culture, the People's Assembly and their respective employees. Although these circumstances might suggest the possibility of some degree of political influence, no members of the People's Assembly may be board members, and there are laws that seek to ensure that their programming is diverse and presents numerous viewpoints.

Nevertheless, to a certain degree, the country has fallen in this category. Whereas Denmark used to receive a top score in the Worldwide Press Freedom Index published by Reporters without Borders, in 2006 Denmark dropped to 19th place. This drop is presumably linked to the violent reactions following a newspaper's 2005 publishing of 12 caricatures depicting the Prophet Mohammed. Reactions included a number of threats against journalists, which necessitated their

receiving police protection. At no point did the government question the rights of the newspaper (Jyllands-Posten) to publish the caricatures, and it was ultimately the newspaper that apologized for any offense caused by the publication of the caricatures.

Slightly more problematic for the relationship between the press and the government was the case in which criminal charges were filed against two journalists and the editor in chief of the newspaper Berlingske Tidende, which published intelligence reports in 2004 questioning the existence of weapons of mass destruction in Iraq prior to the 2003 US-led invasion of that country. The government was upset by the newspaper's claim that Prime Minister Anders Fogh Rasmussen had ignored the intelligence report because he was in favor of supporting and contributing to the invasion. According to Freedom House, this was the first time in Danish history that reporters were indicted for leaking state secrets. The fact that all three employees of the newspaper were ultimately acquitted attests to the independence of the Danish judiciary.

Media pluralism

Score: 9

The public media (Danmarks Radio and TV2) are independent and have editorial freedom. When it comes to the private media, and particularly the newspapers, there has been a trend toward increased media concentration. Moreover, the newspapers with the largest circulations tend to be rather liberal-conservative in political orientation. Nevertheless, while more left-wing views tend to be underrepresented in the editorial pages, the main newspapers regularly include letters to the editor that do not represent the general political leanings of the newspaper.

If the newspapers were to not give voice to this wide range of views, there would most likely be a certain degree of public pressure to do so. Furthermore, the reporting in most newspapers tends to be fairly wide-ranging and diverse. Thus, in practice, there is a high degree of pluralism of opinions in the Danish press. Apart from a handful of papers with national distribution (e.g., Berlingske Tidende, Politiken, Jyllands-Posten, B.T., Ekstra Bladet and Information), there are also still a number of local newspapers.

Access to government information

Score: 9

Danes enjoy very good access to government information. This applies not only to accessibility via open and public sources (e.g., the Internet), but also to the possibilities that individual citizens have for obtaining both general and person-specific information from government entities.

Denmark's Act on Public Access to Documents in Administrative Files guarantees that all citizens enjoy a right of access to documents prepared by any public body in the process of handling given cases or matters. This right is also extended to individuals under 18 and foreigners legally residing in Denmark, and it is only restricted by issues of secrecy. However, in cases involving individuals,

the involved party has special rights of access to such information. There are well-defined rules defining this access, and it is also possible to file a complaint against a public institution, if a request for access is denied.

At the same time, there are a number of special laws that spell out exemptions from this principle of open access, and bureaucratic habits – or simple ignorance about the existence of the freedom of information act – occasionally impede access to requested information. In practice, there is a substantial burden on a person requesting information in that they must specify the particular documents they would like to have access to. Such a requirement naturally presupposes substantial prior knowledge of the particular case and the working procedures of the administration. In 2002, the Ministry of Justice formed a commission charged with drafting a new law, but this had still not taken place by the end of 2007.

Civil rights

Civil rights protection

Score: 8

The Danish constitution protects the classic civil rights of personal liberty, inviolability of property, inviolability of dwellings, freedom of speech, freedom of association and freedom of assembly. Under normal circumstances, Danish authorities and courts protect these freedoms. However, Amnesty International's 2007 human rights report criticizes recent terrorism legislation, arguing that it has weakened judicial oversight of police access to private and confidential information, that the times permitted for keeping prisoners in solitary confinement are too long, and the alleged use of excessive force by the Danish police.

There are some cases of infringement of civil rights. The most serious criticisms focus on the legislation and administrative practices in Denmark relating to immigration and particularly on the immigration-related issue of the unification of families. For example, for an immigrant already residing in Denmark to bring a spouse into the country, both partners must be at least 24-years-old and must document that they together have stronger ties to Denmark than they do to any other country. Under this regime, for instance, a Danish woman who has lived several years in Israel could not bring her Israeli husband to Denmark because, as a couple, they are more bound to Israel than they are to Denmark, or an elderly mother could not come to Denmark to live with her children living there. In spite of some minor reforms, these rules have produced much hardship for many people. In addition, there is some evidence of cases in which public administrators have treated applicants unevenly by means of arbitrary enforcement of the rules. In fact, many experts have claimed that Denmark's legislation and administrative practices regarding immigration constitute a breach of Article 8 of the European Convention on Human Rights, which covers the right of living with one's family.

Non-discrimination
Score: 7

Danish law forbids discrimination on the basis of many criteria, including gender and ethnic origin. It is also forbidden, for example, to speak about ethnic groups in an insulting way. However, there is de facto discrimination against immigrants – and especially Muslim immigrants – in the workplace. Although the government had been slow in implementing a proactive integration policy, it has taken a number of related actions over the last few years.

The fact that Denmark has always been very ethnically homogenous adds to the difficulties foreigners face in integrating into Danish society. These difficulties have been exacerbated by the tightening of immigration laws that has taken place since the current Liberal-Conservative government came to power in 2001 with the support of the “nationalist” Danish People’s Party (DF). These policies, which are widely criticized by Danish intellectuals and considered discriminatory by many Danes, include measures requiring Danes who wants to marry foreigners and bring their partners to Denmark to be over 24 years of age and to satisfy certain economic criteria. As a result, many young Danes with foreign spouses live in southern Sweden and commute to work in Denmark.

Rule of law

Legal certainty
Score: 9

When it comes to legal certainty in Denmark, no serious problems can be detected. Government activities are based on law, which naturally gives it a certain degree of discretion. Much of the apparatus of Denmark’s government is decentralized, and the interpretation of particular laws can vary from one municipality or region (or county, before the 2007 reforms) to another. Moreover, the Danish government tends to approach issues in a rather commonsensical and pragmatic way.

Judicial review
Score: 10

The courts in Denmark have a strong and independent position. This has particularly been the case since the 1999 reforms (“domstolsreformen”), which many experts believe have given Denmark a rather unique position among Western European countries. By means of a gradual process of court decisions, the courts have developed a set of juridical principles that substantially impact not only legal interpretations but also the concrete judgments of civil servants. Moreover, as part of an increasing important trend, the courts have also exerted more control when it comes to issues of whether the government has respected international rules that Denmark has agreed to follow. With two decision related to the Maastricht treaty (in 1996 and 1998) as well as the so-called Tvind decision, it was clearly established that the Supreme Court is the main guardian of the constitution and has supremacy over the People’s Assembly in this respect. Moreover, the courts also hold a supreme and controlling position when it comes

to the state apparatus.

Furthermore, in Denmark, political interference or bribery is virtually unknown. The juridical expertise of judges is also very high, and the system works rather efficiently. Administrative decisions can normally first be appealed to higher administrative bodies and thereafter to the courts. The legal system has three levels: Lower level court judgments can be appealed to High Courts and thereafter, if necessary, to the Supreme Court.

Corruption prevention

Score: 9

There is practically no corruption in Denmark. Public norms are strongly against corruption, and the risk of exposure by an active press is high. In the past, there have occasionally been cases of local government officials accepting so-called “services” from businesses in exchange for being awarded municipal contacts, but such cases are rare. From time to time, there have also been cases of officials using their government-financed accounts rather generously, but such cases are likewise rare.

II. Economic and policy-specific performance

<i>Basic socioeconomic parameters</i>	<i>score</i>	<i>value</i>	<i>year</i>
GDP p.c.	4.8	34137 \$	2005
Potential growth	1.57	1.7 %	2008
Unemployment rate	9.25	3.9 %	2006
Labor force growth	4.03	1.8 %	2007-2008
Gini coefficient	10	0.228	2004
Foreign trade	2.67	-11.28	2005
Inflation rate	8.37	1.6 %	2007
Real interest rates	7.69	2.6 %	2007

A Economy and employment

Labor market policy

Score: 10

In recent years, labor market conditions in Denmark have been benign. Official

unemployment rates are at their lowest levels in decades, and the employment rate is among the world's highest. However, bottlenecks have appeared in some job categories, which are to a certain extent covered by increased immigration from abroad, including the new EU countries. The low unemployment rate is often attributed to the Danish model of "flexicurity," which aims to combine a flexible labor market with high levels of social protection and active labor market policies. Indeed, the labor market is rather flexible, and it is, for example, easy for employers to fire and hire employees. Apart from general framework conditions, wages are set at the company level. Unemployment benefits are generous by international comparison for all job categories, not only concerning the duration of payment, but also concerning replacement rates, especially for low-income groups. An elaborated system of active labor market policies assists job seekers with generously funded training and retraining programs. Nevertheless, it would be incorrect to attribute the low unemployment figures exclusively to labor market policies. Instead, much of its success can be attributed to benign macroeconomic conditions fueled by a boom in real estate prices, which has in turn stimulated private consumption. This presents a situation that is not free of future risks.

Regarding the labor market, experts have hinted at various possibilities for improvement. For example, they note that some social benefits might be over-generous to the point of creating disincentives to search for a job. This is particularly the case for persons with low levels of formal qualifications, who cannot expect to earn high salaries. However, there has been some tightening of social benefits in recent years and particularly with those aiming to assist immigrants. Moreover, this problem has also been reduced to a certain extent by a tax rebate for people in employment. Lastly, the system also creates many incentives for individuals to enter into early retirement. To a certain extent, however, these problems are expected to be reduced by reforms that will take effect in 2019.

Enterprise policy

Score: 9

In general, Danish companies are competitive. This is shown by the country's trade balance, which has been positive for many years in a row. Moreover, in spite of the emergence of new, strong competitors, the share of Danish exports on the European and global markets has remained stable. This fact is particularly remarkable because the Danish krone has substantially appreciated in real terms (15 percent between 2001 and 2004 alone) due to its fixed link to the euro. Furthermore, in international competitiveness rankings, Denmark usually scores

high.

This rather positive picture primarily results from successful policies. Successive governments have managed to create stable macroeconomic and monetary conditions that have in turn fostered stable investment conditions, such as low interest rates. Labor and product markets are very flexible and deregulated. The amount of social stability is also high, perhaps in large part owing to the high level of social security. Educational standards are likewise good, and the government has created many incentives for closer cooperation between academia and industry. The level of corruption is low, and so is the bureaucratic red tape companies must face.

On the negative side, however, one can point to a high level of income – rather than corporate – taxation. The high marginal tax rates, in particular, have been repeatedly criticized for providing a disincentive to work more and for making it difficult for companies to recruit foreign expertise. Although there have been some special exemptions regarding the latter, they have nevertheless been insufficient. Furthermore, many companies have had to face the problem that Denmark's reputation abroad – and thereby indirectly the perception of its products – has deteriorated in recent years as a result of its often harsh immigration policy, the crisis precipitated by the publication of the caricatures of the Prophet Mohammad and its participation in the occupation of Iraq.

Tax policy

Score: 7

The Danish system of taxation is clearly capable of generating sufficient public revenues. Since 1998, the general government budget has been in surplus, and public debt ratios have been falling dramatically. In general, the taxation policy has also been competitive, as can be seen by the fact that it has not substantially reduced the competitiveness of companies. Although their tax burden is high, companies and individuals still perceive it as bearable, and politicians who demand general tax cuts risk losing voters because it gives rise to the suspicion that it will diminish the public sector. At the same time, however, the rather high marginal income tax level (currently 63 percent) has often been singled out as problematic. Some believe that it destroys incentives to work more and makes it difficult for Danish companies to recruit foreign expertise. With equity, the problem is more difficult. In principle, Danish laws aim for the equal taxation of various types of income, and the tax burden placed on both individuals and companies is about the same. Moreover, according to some surveys, the amount of untaxed (or “black”) labor is thought to be rather low. There is, however, the problem that several international companies operating in Denmark have been

allowed to bend the rules to the extent that they do not pay any taxes in Denmark at all, which is undoubtedly a substantial failure when it comes to ensuring equity.

Budgetary policy

Score: 9

The so-called 2010 plan has guided fiscal policy in Denmark for a number of years. This plan has several targets, including significant debt reduction, tight expenditure controls and reforms to increase the labor supply and employment. When measured in terms of public debt and employment, the objectives have been met. However, this success can be attributed in large part to a very favorable business cycle situation as well as to other temporary revenue increases for the public sector. Nevertheless, the key target of the plan – that is, the growth target for public expenditures – has been regularly exceeded during the period under observation and, as a result, the part of the plan under direct policy control has not met its target. Moreover, there is some doubt as to whether the necessary structural changes have been made regarding demographic changes and increased pension requirements.

In June 2006, the government reached a welfare agreement with three main opposition parties, which includes a higher retirement age. Moreover, sound public finances are part of the government's National Reform Program, which aims to ensure long-term fiscal sustainability, and the government has introduced a tax freeze in order to constrain any increases in government spending.

In addition, a new medium-term plan – the so-called “2015 plan” – was also launched in September 2007. This plan is less explicit than the “2010 plan” in how it formulates precise targets, but it also includes guidelines for the budget balance (i.e., a surplus between 0.75 percent and 1.75 percent of GDP), growth in public spending (which is rather high at first before becoming more moderate) and the share that public services have of total expenditures (not to exceed 26.5 percent of GDP by 2015).

B Social affairs

Health policy

Score: 9

The main principles of health care in Denmark are: guaranteed health care services for all, regardless of economic circumstances; free health care; and governance of the sector, and especially hospitals, by elected regional bodies.

Whereas these regional bodies were once the county councils, they have been the regional councils since the 2007 administrative reform. However, since health care financing is provided by the state via taxes, the regional authorities must negotiate their budgets annually with the Ministry of Finance.

In 2005, total health care spending in Denmark was 9.1 percent of GDP, which is slightly above the OECD average. In that same year, 84.1 percent of health spending was funded by public sources, which is well above the OECD average. Moreover, life expectancy in Denmark that year was 77.9 years, which is slightly lower than the OECD average.

Comparatively speaking, Denmark spends a lot on treatment but very little on prevention, such as school programs for health and dental education. There are, however, regular campaigns against smoking and alcohol abuse as well as others promoting healthy eating and exercise habits.

The most significant problem in the health care sector has been long waiting lists, which are primarily a direct consequence of tight budget steering and the expansion of medical possibilities. The demand for medical services has also been constantly expanding, especially as more and more treatments become possible. Thus, when demand exceeds the budget, waiting lists result. For example, the waiting list for 23 types of cancer treatment in July 2002 varied between 2 and 4 weeks. By April 2007, however, the waiting lists for the same treatments had increased to between 2.4 and 5.6 weeks. This problem has also persisted even though it has received much political attention.

Annotation:

OECD, "OECD Health Data 2007. How Does Denmark Compare," <http://www.oecd.org/dataoecd/46/32/38979778.pdf> (accessed June 15, 2007).

Social cohesion

Score: 9

Denmark is a very egalitarian country. High taxes allow for generous transfers to people who are less well-off, making poverty very limited. Furthermore, welfare programs have strong legitimacy, and a high percentage of people are happy with their lives. As American sociologist John Campbell has shown, social cohesion is a national priority for the Danes, who enjoy greater income and social equality than most other OECD countries. This translates into more social trust and collective commitment to national goals, which in turn allows the state to adapt flexibly to globalization.

Nevertheless, Denmark is not void of social problems. The main problems are related to immigration and education. Immigrants (and particularly women) from low-income countries tend to have low employment rates and to bunch together in certain urban areas, which has raised some concern as to whether there is an ongoing process of ghettoization. Moreover, there is a particular problem associated with educating the children of immigrants. In general, this group has severe problems in the educational system (e.g., poor reading proficiency and high dropout rates), which lead to dismal prospects for future employment. The fact that about one-fifth of any given age cohort is not receiving any education beyond basic schooling combined with the labor market's increasing skill bias promises significant social and economic consequences.

Annotation: John Campbell, "Note to Denmark: Don't Change a Thing,"

<http://www.dartmouth.edu/~vox/0506/0417/denmark.html> (accessed June 15, 2008).

Family policy

Score: 9

Danish welfare policies quite effectively support women who desire to combine parenting and employment responsibilities. The day care network satisfies demand. In terms of parental leave, the state pays for 14 weeks of maternity leave and two weeks of paternity leave. In addition, parents are entitled to 32 weeks of parental leave, and both parents may apply for it. Schools provide children with many daily possibilities for leisure-time activities. Furthermore, the families receive financial support from the state, depending on the number of children. Once a child reaches 18, they receive a stipend if they are enrolled in higher education.

The general level of female employment is very high, and the profession of housewife is practically extinct (except for among some groups of immigrants). Generous welfare state support might also explain why the fertility rates have increased from 1.4 births per women in 1983 to its current level of 1.8. Nevertheless, women continue to be underrepresented among the higher echelons of Danish business and administration. This might partially result from traditional mentalities and partially from the fact that it is still primarily women who take parental leave. The state could possibly reduce this problem by assigning at least a part of the parental leave specifically to men.

Pension policy

Score: 9

In 2006, to respond to significant demographic changes, a large welfare reform package was approved and enacted. The reform stipulates a gradual and gentle increase in the age of eligibility for early retirement and the so-called “people’s pension.” Between 2019 and 2022, the early retirement age will increase from 60 to 62 years. Between 2024 and 2027, the age of eligibility for the people’s pension will increase from 65 to 67. Thereafter, the retirement age will be adjusted according to developments in the average life expectancy.

In addition to the people’s pension, large groups in the Danish labor market are covered by labor market pension arrangements, which are individually mandatory but negotiated. Under these circumstances, a significant proportion of the population can look forward to a reasonable pension package in the form of a public pension, a labor market pension and an eventual individual pension. Nevertheless, a non-trivial group (about 25 percent) of the working population has no significant pension savings. As a result, a growing inequality among pensioners can be expected, and a large group will be dependent on what the public pension scheme can offer. Thus, despite recent reforms in pension and retirement policies, a number of issues related to pension policy have yet to be solved.

C Security and integration policy

Security policy

External security

Score: 8

Denmark’s external security is principally based on its membership in NATO. Since the end of the Cold War, there have been no serious conventional threats to Danish territory. At the same time, though, terrorist attacks in the United States, Spain, the United Kingdom and other countries suggest that Denmark may also face the threat of an external terrorist attack.

In June 2004, a broad, six-party agreement defined the goals of Denmark’s defense policy as: countering direct and indirect threats to the security of Denmark and allied countries; maintaining Danish sovereignty and the protection of Danish citizens; and working toward international peace and security in accordance with the principles of the U.N. charter, especially through conflict prevention, peacekeeping, peacemaking and humanitarian operations.

According to the agreement, the changed security situation requires Denmark to strengthen its capabilities when it comes to its internationally deployable military

capacities and its ability to counter acts of terror and their consequences. The agreement adds that: “Danish security policy should primarily be aimed at countering the threats where they emerge, regardless of whether this is within or beyond Danish borders.”

As a result of this agreement, Denmark’s armed forces are being reorganized away from classic territorial defense toward having the capabilities required for international peacekeeping and peacemaking activities. Denmark has a proud tradition of taking part in U.N. peacekeeping activities, and since the end of the Cold War, Denmark has also taken part in a number of NATO activities, such as those in the former Yugoslavia. Moreover, Danish forces are also actively involved in Afghanistan and Iraq.

Over the five-year period of the defense agreement’s validity, Denmark’s defense budget will remain unchanged, but reorganization and modified procurement policies should make the armed forces more efficient. Moreover, whereas Denmark currently has about 1,000 soldiers deployed abroad, it aims to be able to deploy up to 2,000 soldiers by 2009.

Despite these improvements, Denmark’s defense policy has one major, persistent problem: its opt-out from EU defense policy. As a result of this opt-out, Denmark has not been able to take part in activities under the European Security and Defense Policy (ESDP) since they began in 2003. Many Danish politicians would like to abolish the defense opt-out, and according to a poll conducted in March 2005, 61 percent of the Danish population favors Denmark’s participation in ESDP. Despite these numbers, however, the government has yet to muster the courage to call a referendum, considering the fact that in a similar referendum in 2000 the Danes refused the introduction of the euro.

Annotation: Ministry of Defense, “Danish Defence Agreement,”

<http://forsvaret.dk/FMN/eng/Defence+Agreement/2005-2009/> (accessed June 15, 2008)

Internal security

Score: 8

Internal security in Denmark is based on both the defense forces and the work of the police, which is under the jurisdiction of the Ministry of Justice. Cooperation between intelligence units of the police and defense forces has been increased since 9/11, as has international cooperation among Western allies. In 2005, the government decided to establish a Centre for Terror Analysis within the Danish Security Intelligence Service. The center will produce analyses of threats to Danish society in the broadest sense.

The European Union is also trying to upgrade all aspects of Justice and Home

Affairs (JHA) cooperation. On this issue, too, Denmark has another potential opt-out problem. Denmark cooperates in JHA activities as long as they are inter-governmental, as opposed to when the so-called “community method” of the European Union’s first pillar are applied. After the Amsterdam treaty entered into force, many JHA activities migrated to the first pillar, whereas police and criminal justice activities remained under the third pillar. As a result, Denmark currently takes part in police cooperation activities, including EUROPOL, and the Schengen accord.

The European Union’s Constitutional Treaty would have made police and criminal justice activities communal. Denmark negotiated an opt-in solution attached to the treaty in protocols. Although that treaty failed to pass, a similar solution is expected with the Reform Treaty now on the agenda.

In a March 2005 Gallup poll, Danes were asked whether they were in favor of Denmark’s participation in EU justice and immigration policy activities: 47 percent were in favor of doing so, and 33 percent were against. Under these circumstances, a strong political coalition could possibly win a referendum to also abolish this Danish opt-out, but the government has not called a referendum.

*New security
policy*

Score: 8

In 2004, the Danish Foreign Ministry stated officially that its “development assistance is an active foreign policy instrument” and that this applied “in particular to the objective of promoting stability, security and the fight against terrorism.” In effect, this statement meant a reprioritization of developmental assistance to those poor and fragile states in which the radicalization of young people fosters a recruitment base for global terrorism and in which political extremism and religious fundamentalism are on the rise. When it comes to official development aid (ODA), Denmark has long been at the top of its league, and the Danish government is committed to keeping assistance at a level of at least 0.8 percent of GDP in the coming years.

The Danish government has also realized the important link between development and trade policies. Since trade policy is an exclusive EU competence, Denmark cannot change its trade policy independently, but it can – and does – work from within the European Union to change its policies. For example, Denmark is championing more liberal policies as relates to both market access and subsidies. It has recognized, for instance, that developing countries have comparative advantages with sugar and cotton but face high EU protectionist barriers. In the context of the WTO’s Doha round, Denmark’s government has recognized that “influencing EU agricultural policies is the key” to helping these countries overcome such barriers. As a result, Denmark has tried to ally itself with other reform-minded EU states and called for the “soonest possible reduction in the use of trade-distorting subsidies, soonest possible phased reduction of all forms of

export subsidies, [and] soonest possible abolition of production-enhancing subsidies to the cotton industry in industrialized countries.” Furthermore, Denmark has called for the reduction or elimination of the tariffs of developed countries and especially of tariff peaks and high rates.

Annotation:

Ministry of Foreign Affairs, “Principles Governing Danish Development Assistance for the Fight against New Terrorism,” February 2004.

<http://www.um.dk/en/menu/developmentpolicy/danishdevelopmentpolicy/fightagainstthenewterrorism> (accessed June 15, 2008)

Ministry of Foreign Affairs, “Globalisation – Progress through Partnership. Priorities of the Danish Government for Danish Development Assistance 2006–2010,” August 2005.

<http://www.um.dk/en/servicemenu/publications/developmentpolicy/globalisation+-+progress+through+partnership.htm> (accessed June 15, 2008).

Ministry of Foreign Affairs, “Trade Growth and Development. Strategy for Danish Support for the Promotion of Trade, Growth and Development in the World’s Poorest Countries,” June 2005.

<http://www.um.dk/en/servicemenu/publications/developmentpolicy/trade+growth+and+development.htm> (accessed June 15, 2008)

Integration policy

Score: 7

When it comes to immigration policy, Denmark has a mixed record. Seen in isolation, indicators such as unemployment or the employment rate of the adult population reveal a relatively positive picture by international comparison. However, one must also keep in mind that the general development of the Danish labor market has been rather benign. Furthermore, compared with the native Danish average, the foreign-born population is significantly worse off. For example, in 2005, the general unemployment rate stood at 4.8 percent, whereas that for foreign-born residents stood at 9.8 percent. As regards the employment rate, the figures for native-born and foreign-born Danes were 77 percent and 60 percent, respectively. Although it is difficult to point the blame for this discrepancy at any one factor, it in any case shows that the limitations of Denmark’s current integration policy.

Danish governments have initiated a set of policies aimed at helping immigrants integrate into the labor market, including training and retraining programs, language courses and special programs for bilingual children in the school system. While these policies aid integration, a number of policies make integration more difficult and undermine efforts by immigrants to identify with Denmark. For example, immigration rules are very strict and make unifying foreign families almost impossible, which naturally presents a massive burden to many immigrants. Restrictive visa rules also present serious obstacles, and even well-integrated immigrants who have been living in Denmark for decades often have their family members denied a visa to visit them.

Furthermore, many Danes – not least of which employers and administrators of building associations – discriminate against individuals who have immigrated to Denmark. In contrast to, say, Sweden, Danish governments after 2001 have not prioritized combating xenophobic attitudes among Danes. For example, ideas such as making room for foreign cultures in Denmark are absent from political discourse. This might result in part from the close cooperation of the government with the right-wing Danish People's Party in the People's Assembly. Instead, the government has launched several educational initiatives to strengthen so-called "Danish" values. Thus, while the government provides support to immigrants when it comes to entering the labor market, it erects barriers to immigration, awarding visas and inclusive cultural policies.

D Sustainability

Environmental policy

Score: 8

In the international literature on environmental policy, Denmark is often mentioned as being a relatively progressive country. Within the European Union, Denmark has a history of demanding high environmental standards, and a big share of Denmark's current environmental policy is based on EU directives.

Furthermore, the latest Commission Annual Survey on the Implementation and Enforcement of Community Environmental Law covering 2005 showed that Denmark was the second-best performer within the European Union, after Sweden. Denmark reached this position by pursuing the goal over many years of uncoupling economic growth from energy and consumption. For example, in spite of economic growth, emissions of greenhouse gases in Denmark have been falling since 1996, and in 2002 emissions fell below their 1990 level. For the period between 2008 and 2012, the government has committed itself to reducing emissions to a level of 21 percent below the 1990 level. Moreover, when it comes

to the emission of harmful elements (e.g., phosphor and acid compounds) or water usage, there has been a complete uncoupling. At the same time, however, the amount of energy consumed fell in relation to GNP but rose in absolute terms.

Furthermore, according to indicators such as the area of wood or water biotopes, biodiversity in Denmark has been increasing. Moreover, the share of renewable energy has been rising steadily to the point that, in 2005, it reached 16 percent of all energy consumed. The renewable sector is dominated by wind power owing to the country's virtual lack of sources of hydropower.

Annotation: Commission of the European Communities, "Seventh Annual Survey on the Implementation and Enforcement of Community Environmental Law 2005," SEC (2006): 1143.

Research and innovation policy

Score: 8

For many years, Danish governments have endeavored to support technological innovation. This can be seen, for example, in the increased financial means provided to universities, the targeted support of the transfer of new knowledge to companies, support for entrepreneurship training programs, generous conditions for some industries (e.g., wind energy) and large-scale efforts to promote the implementation of information technology in the educational and administrative sectors.

Such initiatives have had varying levels of success. According to quantitative data (e.g., the level of R&D spending, the number of patents registered or the proportion of graduates in the sciences), Denmark ranks above-average for OECD countries. At the same time, however, it should be kept in mind that politics cannot always easily influence all parameters in this context. For example, over a period of many years, various governments have tried to raise the number of university students focusing their studies on technical or scientific subjects, but these efforts have been met with a high degree of inertia on the part of Danish students.

Education policy

Score: 7

Denmark numbers among the OECD countries spending the largest proportion of public funds (as a percentage of GDP) on education. This high level of spending reflects the importance historically attached to education and the egalitarian aim

of ensuring that educational achievement is based on the ability and motivation of the individual (or, in other words, on mitigating negative social inheritance). Nevertheless, although Denmark formerly held an educational lead in international comparison, it is less clear whether this continues to be the case today. According to various measurements (e.g., the proportion of an age cohort receiving a higher education or performance in Pisa or similar tests), the results are not outstanding, and only about one-fifth of any age cohort in Denmark receives any education beyond basic schooling.

As a result, the debate on education policy in Denmark consists of both qualitative and quantitative issues. The qualitative dimension includes teaching methods and curricula and focuses on primary schools, where a number of initiatives have been launched, including more closely monitoring individual pupils, using more tests, and intensifying efforts to help students with learning disabilities. When it comes to quantitative issues, targets have been set for the proportion of an age cohort receiving an education relevant to the labor market (currently 80 percent; 2015 target is 95 percent) and the proportion receiving a higher education (50 percent by 2015).

Management Index

I. Executive Capacity

<i>Cabinet composition</i>	<i>Prime minister</i>	<i>Parties in government</i>	<i>Type</i>	<i>Mode of termination</i> *	<i>Duration</i>
	Anders Fogh Rasmussen	Liberal Party (V), Conservative Party (KF)	multiparty minority government	1	11/01-02/ 05
	Anders Fogh Rasmussen	Liberal Party (V), Conservative Party (KF)	multiparty minority government	-	02/05-

* *The following modes of termination should be distinguished: elections = 1; voluntary resignation of the prime minister = 2; resignation of prime minister due to health reasons = 3; dissension within cabinet (coalition breaks up) = 4; lack of parliamentary support = 5; intervention by head of state = 6; broadening of the coalition = 7.*

A Steering capability: preparing and formulating policies

Strategic capacity

Strategic planning
Score: 9

Denmark has never had a strong tradition of basing political decisions on available knowledge. Moreover, in the past, the level of academic analysis in Danish reports outlining political issues and options has been rather low. Nevertheless, in recent years, medium-term plans have come to play a much more dominant role. This change applies to economic policy in general (e.g., the “2010 plan” and, most recently, the “2015 plan”) as well as to other policy areas, such as the environment or education. The large welfare package approved in 2006 is an outstanding example of the importance that has been given to medium-term planning in that it addresses demographic problems that will unfold over the coming decades and enacts policy changes

that will gradually take effect and that are aimed at counteracting a significant part of the effects of demographic change.

Another sign of the importance attached to medium-term targets can be seen in the recurrent centrality of fiscal sustainability in political debates. Strategic planning has also underlain the work of the Globalization Council and recent work on reforms in the public sector.

Scientific advice

Score: 6

The Danish government has a certain amount of in-house expertise. For example, through various agencies, medical doctors are involved in administering health policy, and veterinarians are involved in administering food safety policies. The general administrators working in the various ministries have university degrees in political science, economics or law, and they usually do not feel the need to consult outside their organizations.

In general, apart from involving outside experts in preparatory commissions, Denmark's government has only a limited tradition of involving outside experts. There are, however, a few exceptions, such as the Danish Economic Council, which until recently was chaired by three professors of economics and whose advice is listened to by politicians. Furthermore, an Environmental Economic Council has also been recently established. Both councils are chaired by the same economics professors, who are known as the "wise men" and of whom there are now four. The chairmen prepare reports that are then discussed by the council members representing unions, employers, the Central Bank and the government. The reports also receive media attention. The American system, in which a university professor can spend a few years as part of an administration and then return to academia, does not exist in Denmark.

Inter-ministerial coordination

GO expertise

Score: 7

In Denmark, the Prime Minister's Office (PMO) has the formal status of a ministry. In comparison to other ministries, however, the PMO is rather small. Although it usually only has about 70 employees, it can become somewhat enlarged during certain periods, such as when Denmark holds the rotating EU presidency. All legislative proposals must be submitted to the PMO so that the prime minister and his official aides can ascertain that the proposals agree with the government's general policy and match the current political situation. Expertise is available on all important policy fields in the PMO, but it does not suffice to guarantee comprehensive and technically detailed control of proposals.

GO gatekeeping

Denmark's prime minister is formally the head of the government and enjoys

Score: 9

decision-making power. At the same time, however, the current government is a two-party minority government, which necessitates coordination involving both parties and other parties so as to support a given proposal. These circumstances make the communications and negotiation process rather complicated, and it happens occasionally that MPs or even ministers make statements that do not agree with the government's overall policy line.

Line ministries

Score: 9

In Denmark, the norms of ministerial rule and the department (ressort) principle give line ministries a certain degree of autonomy, but there is inter-departmental coordination aimed at achieving a coherent government policy. This coordination is based on negotiations rather than being hierarchical. Given his or her constitutional prerogatives as the person who appoints and dismisses ministers, the prime minister has a special place in these negotiations. The Council of State, Denmark's cabinet, serves as a policy-clearing institution. During its weekly meetings a number of political issues are debated under the chairmanship of the prime minister, and the final checks on proposals are made.

Whenever funding is involved, the Ministry of Finance also plays an important role, and no minister can go to the Finance Committee of the People's Assembly without having already secured the permission of the Ministry of Finance.

Apart from coordinating the preparation of the following year's finance act, the Ministry of Finance is also involved in formulating general economic policy and performing economic and administrative assessments of the consequences of proposed laws.

Cabinet

committees

Score: 9

Policy-preparation tends to take place in committees of the Council of State, which involves a smaller number of ministers. Since 2001, there have been between five and six of these committees, one of which is known as the Coordination Committee. The Economy Committee and the Foreign Policy Committee are also of particular importance, and the prime minister has a seat on each of these committees. Under the current government, this system has been strengthened, and there are parallel committees of high-level civil servants.

*Senior ministry
officials*

Score: 9

Denmark does not have a tradition of political appointees or junior ministers, and the ministries' top civil servants are always career civil servants. However, there is a long tradition of relatively smooth cooperation between ministers and their top civil servants, who are usually led by a permanent undersecretary.

In the 1990s, then Prime Minister Poul Nyrup Rasmussen began appointing

media consultants (also known as “spin doctors”) from outside the government. This practice has been generally accepted and continued by the current prime minister, Anders Fogh Rasmussen. At a certain point, Nyrup Rasmussen also changed his permanent undersecretary, when he felt he was receiving inadequate advice.

Since top civil servants are appointed based on merit, they are usually quite capable. Moreover, even if their own political convictions might not correspond exactly with those of the minister with whom they work, they tend to be quite loyal and to view protecting “their” minister as a central aspect of their job. Some permanent undersecretaries have built up impressive bodies of knowledge, expertise and understanding of the political game.

*Line ministry
civil servants
Score: 9*

Denmark’s civil servants have built up a dense and rather effective network of both formal and informal coordination between ministries. Nevertheless, this coordination is not equally dense in all fields, and the closest form of coordination – also in formalized structures and with a lot of written material – takes place in areas related to the European Union. As EU-related issues have increased and addressed matters within the purview of multiple ministries, so has the necessary degree of coordination between different ministries increased.

Another kind of close cooperation has arisen as a result of the Ministry of Finance’s role as a kind of “super ministry.” Since practically all types of political action have budgetary consequences, the Ministry of Finance has assumed many control functions that necessitate close contact and coordination between ministries. Furthermore, there has also been a long tradition of coordination between a restricted number of ministries, such as between the Ministry of Labor and the Ministry of Social Affairs. Much coordination between ministries also takes place on an ad-hoc and informal basis. Despite this high level of coordination, inconsistencies still occur and particularly when the various ministers are not in complete agreement.

Regulatory impact assessments

*RIA application
Score: 8*

A 1998 directive from the PMO has made RIAs a required part of Danish policy formulation for all ministries and agencies both in terms of proposed legislation and administrative regulations. Since that time, a number of ministries have developed texts that provide civil servants with advice on how to do this. In May 2005, a guide to be shared by all ministries was developed under the leadership of the Ministry of Finance.

Impact assessments must address the economic consequences for state and local governments as well as the administrative, business/economic and environmental consequences. The relation of the proposed legislation or administrative regulations to EU legislation must also be assessed.

Thinking about consequences starts during the initial period of consideration of a new law or regulation (i.e., the screening stage), it continues while the content and degree of new measures are considered (i.e., the scoping stage), and a detailed RIA is worked out during the final stage (i.e., the assessment stage). The extent to which existing regulations are regularly assessed depends on the regulation in question and the feedback the responsible administrative agency has received.

Needs analysis

Score: 9

The comments accompanying new legislative proposals usually provide a comprehensive review of the existing laws and regulations and clear arguments for why the new legislation is advisable. As specified by the 1998 regulation mentioned above (see “RIA application”), these comments must be written so that individuals who are not legal experts can also understand them. These comments also usually display the very high level of professional expertise of the individuals who compiled them. Nevertheless, there has occasionally been some criticism that the “real” purpose of legislation has not been made explicit, such as in the area of immigration policy. At the same time, though, this has been more of an issue of the professional expertise of the lawmakers rather than one of political transparency.

Alternative options

Score: 7

Assessing the consequences of new or revised legislation or administrative regulations is a process, which may start with a white paper outlining options. Options will also most likely be considered at the screening stage within the responsible ministry or agency. When it comes to a proposed law that will go before the People’s Assembly, only the regulatory consequences of that law will be assessed. However, this assessment does not prevent MPs from discussing alternative options or asking the responsible minister about alternative options. As the procedural nature of this assessment includes elements of finding a compromise or solution that will satisfy all the involved actors, not all options are considered. In general, however, a RIA will include a cost-benefit analysis.

Various interest groups also play an important role in advancing alternative options. For example, when it comes to general economic policy, the Council of Economic Advisors plays an important role by providing independent assessments on a continuous basis. There have also been recent proposals to further strengthen this role.

Societal consultation

*Mobilizing
public support*

Score: 9

Denmark has a long tradition of involving economic and social actors at all stages of the policy-making cycle and occasionally even in the implementation stages. Both formally and informally, the administration enjoys good contacts with the main interest organizations, such as the trade unions, employers' unions, various business organizations and NGOs as well as with the leaders of major companies. Interest organizations provide politicians and civil servants with important information.

Furthermore, although corporatism is still present, it has changed over the years. Two important recent examples are the Globalization Council and the process on so-called quality reform of the public sector. In both cases, the government consulted widely with various societal interest groups and, in the latter case, also with employees in the public sector. As a result of this process, in 2007, the government made a tripartite agreement on a number of efforts to improve the public sector.

Policy communication

*Coherent
communication*

Score: 8

In principle, each ministry is responsible for its own communications with the wider public. However, the government also tries to maintain a coherent policy line and speak to the public with one voice. In general, the coordination of communication – whether formally via the government's Coordination Committee or more informally on a case by case basis – has been effective. Nevertheless, major problems have arisen when there have been political disagreements between ministers. For example, the minister for ecology and the minister of finance have issued contradictory statements regarding the necessity of combating climate change. Furthermore, in summer 2007, a number of leading ministers made statements that were flatly at odds with each other on the question of whether tax reductions were advisable in the current situation, and if so, what specific kind reductions they should be.

B Resource efficiency: implementing policies

	<i>Total</i>	<i>Share</i>
<i>Legislative efficiency</i>		
Bills envisaged in the government's work program	348	
Government-sponsored bills adopted	367	105.46 %
<i>Veto players</i>		
Second chamber vetos	-	- %
Head of state vetos	-	- %
Court vetos	-	- %

Effective implementation

Government efficiency
Score: 9

Overall, the government has been rather successful at reaching its goals in major policy areas. Nevertheless, the fact that it is a minority government has required it to secure additional support for its proposals. Acquiring such support has often required it to modify its proposals, as can be seen with the 2006 welfare package and the 2007 fiscal bill. In both cases, significant alterations were made to the initial proposals so as to guarantee that they would be supported in the People's Assembly.

It must be stressed that Denmark is a relatively decentralized state and that, consequently, local governments carry out a large part of policy implementation. A large proportion of the welfare state's services are provided by decentralized units, and some degree of geographical variation is permitted. Using stipulations in laws and framework laws as well as budgetary constraints, the government has been reasonably successful at steering agencies and administrative bodies that do not have a direct hierarchical relationship with the central government.

Ministerial compliance
Score: 9

The government works on the basis of an agreement negotiated by the various party leaders, and there are no known cases of a minister having worked against a government. The position of the prime minister vis-à-vis the other ministers is rather strong, in particular toward ministers who are members of the Liberal Party (V). The prime minister can remove or nominate new ministers as well as change the ministries' areas of responsibility. Moreover, given the fact that prime ministers are also the uncontested leader of their party, they can exercise their prerogatives with ministers from the same party without many constraints. Ministers from other

parties, on the other hand, must be handled with more care.

In general, however, instruments such as meetings between the party leaderships or discussion in the government's Coordination Committee (chaired by the prime minister) have sufficed in keeping ministers in line. Nevertheless, political differences within the coalition do occur. For example, the program of the government can occasionally leave room for interpretation and the emphasis can be placed differently.

Monitoring line ministries

Score: 9

Each minister is fully responsible to the People's Assembly for the activities of his or her ministry. The minister may be summoned for hearings or questioning by committees, and all MPs may ask questions. Questioning ministers is considered a regular and important part of parliamentary work. For sensitive political issues, the prime minister has a strong incentive to monitor the line ministries. However, when it comes to less important issues or details, he or she has neither the time nor the means to monitor the line ministries. Instead, control is exercised indirectly through the members of the Council of State. Over the years, the position of the PMO in monitoring the line ministries has been strengthened. This resulted in part from the 1993 scandal (known as the "Tamil case") within the Ministry of Justice, which led to the downfall of the government under the conservative Prime Minister Poul Schlüter. Many observers viewed this incident as an indication that the PMO's ability to monitor the ministries was insufficient, and in the following years, the PMO was substantially strengthened. The changes also result from the different styles of prime ministers Poul Nyrup Rasmussen and Anders Fogh Rasmussen, who have both had a much more "hands-on" style than Schlüter had. In recent years, there have been no reports of major monitoring problems.

Monitoring agencies

Score: 8

Over the last few years, the central government has lost much direct governance capacity as a result of both the delegation of competencies to agencies and local government and the transformation of state enterprises into private corporations. However, legal regulation, framework control and budget steering have been implemented rather consistently throughout the system. Moreover, tools such as incentives, agreements and performance contracts have spread, and bureaucratic drift has been successfully contained. Nevertheless, because the work of the agencies is often based on specialized expertise, ministers will normally defer to the decisions made by the agencies. This is not always the case, however, especially with politicized issues.

Task funding

Score: 7

One of the taxes paid by people in Denmark is a municipal income tax, which varies in amount between municipalities. Municipalities also receive

money from the state, and there is an equalization arrangement that moves money between richer and poorer municipalities. The central government tries to control local expenditures through economic agreements. Given its tax moratorium, the current government is keeping a tight leash on local government spending. Municipalities and regions hold annual negotiations about the financial framework agreement, and some of the local governments complain about not receiving enough money. The priority of the Ministry of Finance is a sound financial policy, and with a tax moratorium, expenditures cannot increase much.

Denmark's regions do not receive proceeds from income tax. Instead, they depend on money transfers from the central government and payment for some of the services they render to the municipalities and citizens.

Constitutional discretion

Score: 9

Section 82 of the Danish constitution grants the municipalities a certain degree of autonomy but leaves it up to the People's Assembly to determine the extent of this autonomy. Over time, there has been a trend toward increasing the extent of local government activities. Indeed, viewed comparatively, Denmark is a very decentralized state, but not a federal one, as the People's Assembly can change the extent of local autonomy and its organization at any time. The latest change is very recent. An agreement on structural reform from June 2004 introduced the system that went into effect on January 1, 2007. The reform merged 271 municipalities into 98 and transformed 13 counties into five regions. At both levels, these mergers are meant to create bigger units with economies of scale as well as greater capacities for dealing with delegated tasks.

While regions are primarily responsible for health and regional development, municipalities have a wider range of tasks and basically administer the welfare state (e.g., schools, day care, care for the elderly, libraries, sport and roads). They also play an important role in employment policy.

National standards

Score: 9

National standards are defined for a number of areas, but in some cases these are set as minimum levels that decentralized units may exceed. These standards are controlled and monitored in different ways, but the primary responsibility for ensuring that standards are met rests with the regions or municipalities.

C International cooperation: incorporating reform impulses

Domestic adaptability

*Domestic
adaptability*
Score: 9

The European Union is the most intrusive form of international/supranational cooperation in which Denmark takes part. Since joining the organization in 1973, an elaborate system of coordination has developed within the administration, involving all affected ministries and agencies and often interest organizations as well. At the same time, the European Affairs Committee in the People's Assembly has become an efficient democratic control on Denmark's EU policy. In effect, Denmark speaks with one voice in Brussels.

External adaptability

*International
coordination
activities*
Score: 9

External influences obviously play an important role in a small and open country. Given the country's historically strong dependence on outside conditions, the international dimension has always played a role. At the same time, there has also been some degree of concern about how to protect and maintain political independence. For example, the issue of how the Danish welfare model is affected by international factors has always been of strong and particular concern. For this reason, the external influence on policy-making has always been two-sided, with focuses on what can be learned from other countries as well as on how foreign influences may constrain political freedom.

Over the years, these concerns have been very visible in debates in Denmark about the European Union and particularly those focused on the need for further international integration, and maintaining specific Danish positions has been important. As a result, the European Union is the largest external factor on Danish policy-making. In addition, on a number of occasions, Denmark has tried to assume a leadership or coordinating role when it comes to environmental issues.

*Exporting
reforms*
Score: 9

Denmark has occasionally served as a model country and shaped the reform agenda in other countries or in the European Union. For example, the "flexicurity" model of the Danish labor market has figured prominently in many EU discussions. However, closer scrutiny quickly reveals that exporting reforms is difficult, if not impossible, given the importance of institutional and political complementarities. Furthermore, when it comes to

some environmental policy issues, Denmark has been a pioneer and model for others. At the same time, however, the fact that Denmark is a small country limits its capacity to steer events outside its borders and makes it necessary for it to be highly adaptive. The country has been rather successful at this, both politically and economically.

D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

Self-monitoring
Score: 9

As part of a continuous modernization policy dating back to the governments of Poul Schlüter in the 1980s, the current government monitors institutional arrangements and has introduced many reform programs. Its current public-management and governance strategy includes contacts, result-oriented salaries, measurements, evaluations and efficiency reports.

The Danish constitution leaves much room for discretion when it comes to the institutional arrangements of government. Much is done using informal procedures and rules, and formalized arrangements can be changed rather easily. This arrangement permits a rather flexible way of working and smooth adaptation to new developments. Many institutional arrangements have been revised, whether because a new government introduced a new style or because some events made change seem necessary. There is, however, no formal mechanism for regularly monitoring the government's institutional arrangements.

Institutional reform
Score: 8

When it came to power in 2001, the first Fogh Rasmussen government launched its first reform program, entitled "With the Citizens at the Helm." As part of this program, he abolished some ministries, merged others, and carried out a number of internal reorganizations. The prime minister also abolished a number of councils and committees. In his New Year's speech at the end of the year, he criticized so-called "judges of taste," that is, experts that he felt had too much influence.

Viewed as a whole, over the last few years, the reforms have increased the efficiency of public-sector institutions. This partly results from the tax moratorium, which prevents the sector from growing, and the so-called "three E's" (efficiency, economy and effectiveness) have consequently gained in importance. Other reasons for increased efficiency include enhanced digitalization of administration and additional training for top civil servants. Given the importance of the local level in the Danish

administration, much of this drive toward efficiency has taken place in cooperation with the association of municipalities called Local Government Denmark.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

*Policy
knowledge
Score: 8*

Citizens in Denmark get most of their information via the traditional media (i.e., TV, radio and newspapers), and most Danes also have access to the Internet. Government documents are often available free of charge and can also be read in one of the many public libraries. Moreover, campaigns for election also serve the purpose of presenting and providing a forum to debate the policies of the government and the opposition. Relatively high turnout at national elections suggests a certain degree of interest as well as sufficient knowledge to consider voting important.

Within the European Union, the Danes are considered among the most knowledgeable about EU issues, owing partly to the use of referendums. Nevertheless, turnout at elections for the European Parliament are much lower, presumably because the issues are considered less important. The standard, everyday issues of Danish politics (e.g., jobs, health care, education and pensions) are what drive the Danes to seek information about and take part in politics.

F Parliament: information and control resources

Structures and resources of parliament, committees, parliamentary parties and deputies

Number of deputies	179
Number of parliamentary committees	25
Average number of committee members	17

Average number of subcommittee members	-
Pro-government committee chairs appointed	14
Deputy expert staff size	0.94
Total parliamentary group expert support staff	9.5
Total parliamentary expert support staff	104

Obtaining documents
Score: 9

The People's Assembly may ask for government documents and will usually receive whatever has been requested. In many areas, the ministries are obliged to deliver relevant documents to the committees in advance, and the committees can request all the documents they would like to have. However, a de facto limitation on parliamentary control can arise as a result of the complexity of the government's modern central administration and its 20,000 officials. As a result, MPs might not always know which documents they should request. If they do know, though, they will receive them. Several research projects have concluded that, over the last few decades, the People's Assembly has become significantly more efficient at controlling the government and administration.

Summoning ministers
Score: 10

Committees can summon and question ministers without restrictions. The ministers are held strictly accountable for providing correct answers to questions. There have even been a few cases in which ministers have been forced to resign on the ground that they had misinformed the People's Assembly, despite the fact that the substance of the question was minor.

Summoning experts
Score: 10

Committees can and often do summon experts, and they can also arrange public hearings/meetings for a wider audience. On average, during each parliamentary session, the committees usually organize about 25 hearings and expert meetings.

Task area coincidence
Score: 8

The committee structure in Denmark largely corresponds to the structure of ministries. For example, the Ministry of Social Affairs corresponds to the Social Affairs Committee in the People's Assembly, and the Ministry of Taxation corresponds to the Fiscal Affairs Committee. Other committees concern themselves with energy, defense, culture, the environment, health and education, knowing full well who "their" minister is. Nevertheless, a handful of committees do not fit into this one-to-one correlations so well, especially the European Affairs Committee. Although the Ministry of Foreign Affairs is responsible for coordinating EU policy, the European Affairs Committee consults with all ministers that take part in EU Council

meetings and seeks a mandate for upcoming negotiations within the council. As a result, there are some internal coordination problems in the People's Assembly between the European Affairs Committee and the committees dealing with the substance of EU legislation.

Audit office

Score: 10

The People's Assembly has an auditing unit comprised of six MPs, which is responsible for assessing whether sufficient information has been disseminated to the People's Assembly and committees on all actions taken. For its general auditing tasks, the unit relies on an independent audit agency ("Rigsrevisionen"), which is responsible for auditing all publicly financed activities and which reports to parliamentary auditing unit and the larger People's Assembly on a regular basis. The auditing itself entails both accounting and controlling the extent to which laws and regulations are obeyed. The auditing unit also monitors efficiency in public administration.

Ombuds office

Score: 10

After Sweden and Finland, in 1955, Denmark became the third country in the world to introduce the institution of an ombudsman. The ombudsman is appointed by the People's Assembly and is an independent institution. Citizens can complain to the ombudsman about decisions made by public authorities. The ombudsman can also investigate cases and visit institutions on his or her own initiative. The institution has a staff of about 85. In 2006, it received 3,767 complaints, investigated 245 cases on its own initiative, and inspected 41 institutions. The institution produces an annual report. The position of ombudsman has been held by distinguished law professors. The views of the ombudsman are highly respected, and his or her criticisms usually lead to changes in practice or decisions.

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

Media reporting

Score: 6

The media covers all major policy initiatives and focuses on both the problems being addressed and the remedies being proposed. More careful background material is found in the newspapers, whereas the broadcasting media only occasionally provide such information. A recent trend seems to be that the broadcasting media – and, in particular, the two important news programs (DR: TV AVISEN and TV2: Nyhederne) – avoid more complicated material or attempt to provide information by having someone interviewed on the street (in so-called "vox pop" interviews) provide the information. Some have argued that this has led to information of inferior quality. Moreover, intensified competition and turnover in the media have

brought about a shrinking of the group of journalists who have consistently covered policy areas over a longer period of time, which in turn may have lowered the quality of reporting.

Fragmentation

Parliamentary election results as of 2/8/2005

<i>Name of party</i>	<i>Acronym</i>	<i>% of votes</i>	<i>% of mandates</i>
Liberal Party	V	29.0	29.71
Social Democratic Party	SD	25.8	26.86
Danish People's Party	DF	13.3	13.71
Conservative Party	KF	10.3	10.29
Social Liberal Party	RV	9.2	9.71
Socialist People's Party	SF	6.0	6.29
Red-Green Unity List	EL	3.4	3.43
Others		3.0	0

Party competence

Score: 9

Danish Parties aim to present coherent programs that can withstand the scrutiny of outside observers. As a result, naïve or unrealistic programs are seldom observed. This is particularly true of the major and so-called “old” parties, such as the ruling Liberals and Conservatives, as well as of the leading opposition parties, the Social Democrats and the Social Liberals. All of these parties have existed for more than a century and have regularly been a part of the ruling governments. Since at different times they are either in power or have the prospect of being in the next government, these parties have a strong interest in proposing plausible and coherent policies and generally do so.

Newer parties, such as the Danish People's Party (DF), which is the third-biggest party currently in the People's Assembly, may be more tempted to propose popular or even populist policies. However, parties that aspire to one day be included in a government must temper their views. One could argue, for example, that this has happened in the case of the Socialist People's Party (SF), which has in some ways moved closer to the Social Democratic Party (SD).

Association

Most interest associations follow pragmatic lines and have accumulated

*competence**Score: 8*

much expertise. They have many decades of experience of having close contacts with the political parties, the People's Assembly, the government and its administration. The associations have much expertise as a result of direct contact with various groups (e.g., companies), and additional expertise is acquired by employing numerous university-trained experts in their organizations. Comparatively young associations, (e.g., the one for ecological farming) have become integrated into the political system rather quickly. In general, the associations propose reasonable policies.

The advice of associations is regularly solicited and taken into account as part of the political process. The most important recent examples of this are the Globalization Council and the process on the "Quality reform of the public sector," both of which involved representatives of various associations and led to a tripartite agreement concerning a number of public-sector issues.

*Association
relevance**Score: 8*

Denmark has a long corporatist tradition. The major interest organizations are often members of the committees and commissions that prepare legislation. They provide the government with information and with the legitimacy for the policies adopted, both of which facilitate implementation. Nevertheless, it should be noted that, over the past several years, the relationship between the government and interest organizations has changed somewhat. For example, some laws have been passed without having been prepared by corporatist committees. Instead, interest organizations have resorted to directly lobbying civil servants and politicians in their attempts to influence policies. This has also been the case with a number of larger companies, such as A.P. Møller Mærsk and Novo Nordisk.

The current government has also preferred to initiate dialogues by using a series of meetings, for example, with groups of citizens, representatives from business and experts. Although, to some degree, this practice has opened up the policy-making process, the fact remains that the administration needs external input in the process of preparing legislation.

This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

Contact

Andrea Kuhn, Dr. Leonard Novy, Daniel Schraad-Tischler

Bertelsmann Stiftung

Carl-Bertelsmann-Straße 256

33311 Gütersloh

www.bertelsmann-stiftung.de