# **Denmark Report**

**Sustainable Governance Indicators 2024** 

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# **Executive Summary**

Denmark's democracy is robust and is characterized by a high level of political stability. Elections are conducted in an open and democratic manner, and anti-democratic movements remain fringe phenomena. Although political polarization has been increasing from a relatively low base, it has not yet disrupted parliamentary work. This stability is partly due to Denmark's institutional setup and its long historical tradition of consensus-driven policies and cooperation among political parties to pass legislation. While political parties maintain their ideologies, they are also pragmatic, ensuring the core objectives remain stable. Clientelism does not influence the policies enacted.

The media in Denmark are free and independent, offering a wide array of news diversity. However, a concern is the shrinking number of newspapers, which reduces media pluralism. The Danish Broadcasting Company, publicly funded but perceived as independent from the state, provides unbiased news.

Denmark is a transparent democracy. Citizens have access to information, and several independent offices audit the government and bureaucracy. Civil society actively participates in the policymaking process, and social partners and interest organizations remain strong. Corruption cases are very rare, and the rule of law prevails.

Policymaking is horizontally coordinated through various internal government committees, the most critical being the Coordination Committee, chaired by the prime minister, and the Committee of the Economy, chaired by the minister of finance. These committees effectively function as inner cabinets. Vertical coordination also occurs in Denmark. While there is decentralization within the public sector to regions and municipalities, there is tension between promoting local autonomy and the welfare state objective of providing equal opportunities for all citizens.

Denmark has a tradition of independent commissions preparing and investigating solutions to major political issues and reforms, ensuring that scientific knowledge is part of the decision-making process. These commissions are typically chaired by prominent academics and have their own secretariats, ensuring independence from bureaucracies.

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Denmark's economic performance has been strong for several years. The labor market is flexible, the exchange rate peg has strong credibility, and public finances are sound. A series of reforms have ensured that fiscal policy remains sustainable, even against the backdrop of an aging population. However, the labor force is expected to remain roughly constant in the coming years, while the public sector's need for labor is increasing due to the aging population. This is becoming a growing concern. Reforms to address the problem are being discussed, including recruiting employees from outside the EU and adopting a more liberal stance on labor migration. Denmark is also socially sustainable. The biggest current concerns are related to healthcare, as the universal healthcare system faces a double challenge: increasing public expectations and demands for welfare services, while the necessary workforce is increasingly unavailable.

The Climate Law, enacted in 2020 and updated in 2021 with a short-term emission reduction target for 2025 , sets ambitious goals for environmental policy and provides a path to achieve the targets set in the Paris Agreement. According to the law, Denmark aims to reduce its emissions by 70% using 1990 emission levels as a baseline by 2030. By 2050, Denmark is expected to be climate neutral. The law formulates five-year targets for greenhouse gas emissions and requires the formation of a Climate Council, responsible for monitoring government policy and voicing concerns if targets are not being met. Currently, the Climate Council finds it very uncertain that the target for 2025 will be met, partly due to the lack of political agreement on regulating emissions from agriculture.

# Key Challenges

Denmark is a well-functioning democracy with a comprehensive welfare state and strong economic performance. The country enjoys high average income and relatively low levels of income inequality. Looking ahead, Denmark is well-prepared to cope with its aging population, thanks to a financially robust pension system. A tradition of open dialogue, cooperation, and broad-based reform goals contributes to the country's adaptability. Trust between different actors and societal groups, often referred to as social capital, has also been an important factor. However, to remain among the leading industrialized nations, Denmark must continue to monitor its policies and institutions, necessitating additional changes and reforms.

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#### Key challenges include:

Shifting geopolitics have affected political discourse, leading to initiatives including increased military spending and discussions on protecting supply chains and enhancing resilience to international hazards. Denmark's territory also includes the Faroe Islands and Greenland, adding developments in the Arctic to these challenges.

Climate and environmental policy frameworks are in place, but a significant gap remains between policy objectives and projected developments. While current policies are based on the assumption that targets can be met without significant changes to the country's economic structure, this ambition's feasibility is questionable, particularly concerning the relatively large agricultural sector.

Technological developments, including AI, could have wide-ranging implications for the country' economy and society. Given the ambitions of the welfare state, it is crucial to maintain high employment rates and relatively low levels of income inequality. Failure to meet these conditions could jeopardize the financial viability of the welfare state and lead to political repercussions due to societal fragmentation.

Although there have been improvements in recent years, integrating immigrants into the labor market remains a challenge. Despite significant efforts, many young adults are neither employed nor in education. A key question in this debate is whether the education system is adequately equipped to provide the type and quality of education and skills needed by employers in both the private and public sectors. Population forecasts suggest that the size of the labor force will remain relatively constant over the next couple of decades, exacerbating labor market challenges.

A sequence of reforms has ensured that the welfare state can cope with an aging population and that fiscal policy is sustainable. However, several challenges remain. Expectations and demands for welfare services, particularly healthcare, are likely to increase, while working hours may decrease, reducing tax revenue. Designing welfare policies requires balancing concerns for equality and social insurance with incentives for education and work. The hallmark of Danish society has been its ability to reconcile low levels of inequality and an extensive public sector with a well-functioning and sound economy that supports high income levels. Balancing these objectives remains an ongoing challenge.

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### **Democratic Government**

## I. Vertical Accountability

#### **Elections**

Free and Fair Political Competition Score: 9 The basic rule for candidacy procedures is laid out in Article 30 of the Danish constitution: "Any person who is entitled to vote at general (parliamentary) elections shall be eligible for membership of the Folketinget, unless he has been convicted of an act which in the eyes of the public makes him unworthy to be a member of the Folketinget." It is the unicameral parliament (Folketinget) itself that ultimately decides whether a conviction renders someone unworthy of membership. Since the 1953 constitution, only twice have elected members been found unworthy to take office. Such a decision applies only to one electoral term, allowing the candidate to present themself in the next election. This occurred in 1987 when parliamentarian Mogens Glistrup was found worthy of taking office after serving a prison sentence for tax avoidance, which had rendered him unworthy after the 1982 election.

Political parties play a crucial role in selecting candidates for elections (Zahle 2005). Although it is possible to run in an election as an independent candidate, it is extremely difficult to win in that capacity. Given the relatively high number of political parties, it is reasonably easy to become a candidate for a party. There is also the option of forming a new party. To participate in general elections, a new party must collect at least 20,000 voter declarations, which are then verified and approved by the Ministry of the Interior and Health. Parties typically need at least 2% of the votes to gain representation in parliament. This threshold corresponds to four seats. If a party fails to secure enough votes to enter parliament, those votes are effectively lost.

At the regional and municipal level, access to the ballot is more lenient. To be on the ballot in a regional or municipal election, candidates have to secure 25

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signatures from voters living in the municipality or region. Consequently, local lists and individuals are elected locally (Ministry of the Interior and Health 2024).

Parties are generously funded in Denmark. Currently, they receive DKK 37 per vote gained in the preceding national election, DKK 8.25 per vote obtained in a municipal election and DKK 5.25 per vote gained in a regional election (Ministry of the Interior and Health 2024b).

Party financing is relatively transparent in Denmark. According to the law, donations above DKK 25,000 cannot be made anonymously. There are press reports that donors partition their contributions into amounts lower than DKK 25,000 to avoid having to reveal their identities publicly. Another loophole exists in the form of party clubs, where donors pay a membership fee to gain access to top parliamentarians. These clubs are being discussed, but according to most press accounts, amounts flowing into parties are limited, probably due to the generous public funding of parties (Puguntke et al. 2016).

The Danish media landscape is dominated by the Danish Broadcasting Company (DR), which is publicly funded. Albæk et al. find that the reporting in DR is politically unbiased (Albæk et al. 2010). The print press is largely privately owned, and according to some commentators, these media lean to the right, with the exception of the daily Politiken, which self-declares as a center-left newspaper (Winter 2023). Even if the media coverage of electoral campaigns is not subject to strict regulations – for instance, in terms of equitable access – the coverage of issues and candidates before the 2022 general elections was "comprehensive and meaningful" (Office for Democratic Institutions and Human Rights, 2023, p. 9).

Free and Fair Elections Score: 10 All Danish citizens aged 18 or older can vote in national elections. It is very difficult to revoke the right to vote, and this only happens if a judge finds that a citizen is incapable of protecting their personal interests (Danish Institute for Human Rights 2018). This disempowerment happens only in cases of severe cognitive impairment and occurs only rarely. Since voting is centrally planned and information about citizens comes from national registries, there are very few instances where voters are denied the right to vote. When such cases arise, it is due to a lag in bureaucratic processes.

A general election must be held at least every four years, but the prime minister can call for a general election at any time. This should give the prime minister a strategic advantage, although the evidence on whether this advantage translates reliably into electoral wins is unclear. The number of polling stations has been decreasing, which has marginally reduced turnout

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rates (Hansen 2019). However, turnout rates overall remain high in Denmark, with a recorded turnout rate of 84.2% in the 2022 election.

Elections at the regional and municipal levels run on a four-year interval and take place on the third Tuesday in November of the election year (Ministry of the Interior and Health 2024). The last municipal and regional elections occurred in 2021.

Election results are almost never contested, and reports of violence or harassment at polling stations are very rare. There are no observations of irregularities in vote counting or the withholding of information concerning elections. There has never been a dispute over national election results. At the municipal level, recounts have occurred when controls did not match preliminary results, but there has never been a recount of votes after results have been made public.

Early voting is available in municipal offices that handle various citizen requests, as well as in hospitals, elder-care facilities and prisons. A resident must provide valid identification in order to vote (Ministry of the Interior and Health 2024). One notable issue in Danish democracy is the participation rates of immigrants, which are consistently and significantly lower than those of native Danes (Bhatti 2018).

Since 2018, citizens have had the power to send so-called citizens' initiatives (borgerforslag) to parliament. These initiatives are posted on borgerforslag.dk, where other citizens can choose to support them. If at least 50,000 citizens support an initiative, it is forwarded to parliament, and political parties may decide to present it as a proposal for parliamentary resolution. However, citizens' initiatives are not automatically presented in parliament even when they reach the 50,000-supporter threshold.

#### **Quality of Parties and Candidates**

Socially Rooted Party System Score: 9 Denmark employs a proportional electoral formula for elections at all levels of governance, ensuring that most societal interests can obtain representation. Consequently, it is rare for social movements unaffiliated with political parties to gain representation. Following the latest municipal election, Elklit and Kjær (2021) argued that some imbalances in the current electoral formula need to be addressed. These imbalances arise because political parties have the right to form electoral alliances, based on which seats are distributed. Without this right, the electoral system would be more proportional. According to Elklit and Kjær, the primary issue is that the ability to form pre-electoral coalitions

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distorts results, giving the biggest party in the coalition an advantage by awarding it more seats relative to the number of votes it has received.

Political parties are well represented across Denmark, with active local branches. Most parties also have youth organizations. There are some differences among parties regarding how independently local branches can nominate candidates without interference from national offices. Generally, the newer the party, the less autonomy local branches have in selecting candidates to run for office (Kosiara-Pedersen and Harre 2017).

A recent analysis of local party manifestos from the 2021 election shows that political parties offer policies adjusted to the local political environment without losing sight of their ideological outlook (Schrøder et al. 2021). Hence, political parties at the national and local levels are programmatic in their approach to policy. While parties have distinct political profiles, ideological distances between parties are relatively small in Denmark, with no evidence of strong positional polarization (Green-Pedersen and Kosiara-Pedersen 2020).

Party manifestos are publicly available at national, regional and municipal elections for most parties.

Effective Cross-Party Cooperation Score: 9

Denmark's democracy is very stable and enjoys strong legitimacy among all parties. Anti-democratic movements remain on the fringe in Denmark. Thus, all major parties support the constitution, and there have been no signs that political parties are willing to change the fundamentals of liberal democracy.

Polarization is on the rise in Denmark, as in most European countries. This does not affect the levels of cooperation in the Danish parliament, where legislation is still passed with overwhelming majorities, a trend observed since the introduction of the 1953 constitution. Denmark is typically governed by minority governments, which requires cross-party cooperation to reach compromises (Green-Pedersen and Sjæveland 2020, Hansen 2003). Surprisingly, the current majority government has passed most of its significant legislation using supermajorities, as has been the norm in the Danish parliament.

While the system is stable and there is a strong consensus tradition in Danish politics, members of parliament frequently shift parties, and new parties are often formed. In the recent general election in 2023, three new parties with roots in other parties were on the ballot: the Independent Greens (Frie Grønne), formed by legislators who had left the Alternative (Alternativet); The Moderates (Moderaterne), headed by the former prime minister Lars Løkke Rasmussen (then representing the Liberals (Venstre)); and the Danish

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Democrats (Danmarksdemokraterne), headed by Inger Støjberg, a former minister (then representing the Liberals (Venstre)).

Since anti-democratic forces are only a tiny fringe group, democracy has not come under threat.

#### Access to Official Information

Transparent Government Score: 10 The Access to Public Administration Files Act (1985) stipulates that "any person may demand that he be apprised of documents received or issued by an administration authority in the course of its activity." However, there are exemptions, including matters of criminal justice, access to an authority's internal case material, and material gathered for the purpose of public statistics or scientific research. The law further stipulates that access "may be subject to limitations" for information related to state security, defense of the realm, and the protection of Danish foreign policy and Danish external economic interests. The act requires that requests be dealt with quickly. If no decision has been made within 10 days, authorities must inform inquiring parties why their request has been delayed and when they can expect a decision. De facto, the rules are respected.

The parliamentary ombudsman can review decisions by administrative authorities regarding the disclosure of information. Although the ombudsman cannot change decisions, they can make recommendations, which authorities usually follow. If a ministry or municipality does not comply with the rules, the ombudsman can also take up the case.

The revised Access to Public Administration Act 2014, approved by a broad majority in parliament, has been criticized for reducing access to documents prepared by government officials in the process of developing new government policy (Krunke 2017).

# II. Diagonal Accountability

#### Media Freedom and Pluralism

Free Media Score: 10 Denmark is a liberal democracy, and Article 77 of the constitution protects the freedom of speech: "Any person shall be at liberty to publish his ideas in print, in writing and in speech, subject to his being held responsible in a court of

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law. Censorship and other preventive measures shall never again be introduced." Freedom of speech includes freedom of the press.

The penal code sets two limits to the freedom of speech: libel and racism. Independent courts interpret the boundaries of these exceptions. In December 2023, the Danish parliament endorsed a law to prevent the burning of religious texts, including the Quran (Bologna 2023). Technically, the law was enacted as an amendment to the penal code (Straffeloven 2023). The debate surrounding the enactment of the law has been intense because the law stipulates that it extends to artistic products. The law is so new that there is no information on how the legal system interprets potential transgressions.

Denmark was ranked third out of 180 countries in the Global Press Freedom Index for 2023. A recent report from Roskilde University found that a strong norm of noninterference and acceptance of media independence supports media freedom in Denmark (Schrøder et al. 2021).

There have been various reports indicating harassment of journalists, but self-censorship has not been identified as an issue. Furthermore, the Danish press holds both nationally and locally elected politicians and civil servants accountable.

Pluralism of Opinions Score: 9

Denmark has roughly 35 daily newspapers. This includes six national dailies (Politiken, Jyllands-Posten, Berlingske, Børsen, Kristeligt Dagblad and Information), two main tabloids (BT and Ekstra Bladet), several smaller regional newspapers and an increasing number of online news sites. The dailies Jyllands-Posten (right-wing/liberal) and Politiken (social democratic/liberal) are managed by the same publishing house, but maintain independent editorial policies and are owned by separate foundations. Only one local paper, Skive Folkeblad, is owned by a political party, the Social Liberal Party.

Most newspapers tend to be either conservative or liberal in their political philosophies. Left-wing views are often underrepresented on editorial pages. Additionally, newspapers are facing financial pressure due to declines both in advertisements and paying subscriptions. It is also challenging to convince users to pay for news published online. As some newspapers disappear, the media landscape is becoming more concentrated. However, in practice, Danish newspapers maintain a high degree of pluralism in opinions. In their news reporting, most newspapers deliver fairly wide-ranging, balanced and diverse coverage. Private media, including the main newspapers, are open to all parties and candidates, regularly including letters to the editor that do not reflect the paper's own views. A vibrant civil society contributes to this.

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Public media outlets – Denmark's Radio and TV2 – are independent, have editorial freedom, and are required by law to meet diversity and fairness criteria in their programming. All political parties planning to take part in elections have the right to equal programming time on radio and television. Satellite and cable TV are increasingly creating more competition for public media. Additionally, a number of locally oriented radio channels exist.

Internet access is widespread and not restricted. With 98.8% of individuals in Denmark having internet access in 2023, the country ranks among the European nations with the highest share of connected households (Eurostat, 2024). All newspapers are active online and are increasingly moving toward paid content. Danes are increasingly getting their information digitally via social media platforms such as Facebook, Instagram, Twitter and Snapchat. Specific interest groups are also producing their own online outlets. Although print media readership has declined substantially in recent years, these media and TV still play an important role in public debate and serve as a check on elected officials and authorities.

The legal framework surrounding media is rather vague and is based on two laws: the law on Radio and TV (Lov om Radio- og Fjernsynsvirksomhed) and the law on media subsidies (Lov om Mediestøtte). The first law sets the framework for TV, while the second law regulates media subsidies.

The Radio and TV law stipulates that the Danish Broadcasting Company has full independence and is run by a board to which political parties appoint members. The law on media subsidies requires that to obtain subsidies, media organizations must have their own editor in chief and permanent staff equivalent to at least three full-time positions annually. Additionally, the media must provide news to a broad, nonspecialized audience and cannot be owned by trade associations or political parties. Finally, the media must release a product to the market at least 10 times per year.

#### **Civil Society**

Free Civil Society Score: 9 Civil society organizations have a strong presence in Denmark. The country has a long tradition of voluntary groups, including social organizations, that pursue specific interests and objectives. Most Danes are members of one or several such organizations, including unions and various other associations. Contributions and donations to charitable associations are tax-deductible up to a total cap of DKK 17,700 in 2023. Municipalities are required to support associations financially by providing meeting rooms and other resources.

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One explanation for Denmark's comparatively rich associational life is the historical fact that the country's major political parties have long been connected to civil society organizations (Pedersen 1989). Although the strong formal ties between these organizations and political parties have weakened substantially, civil organizations remain influential. Many still have a clear voice in the political process.

There are two major sources of bias in associational life in Denmark. First, citizens with low socioeconomic status are considerably less likely to be part of civil society organizations, probably due to costs. Second, immigrants participate in associations less frequently than do native Danes (Medborgerskabsundersøgelsen 2023).

Effective Civil Society Organizations (Capital and Labor) Score: 9 In a comparative perspective, with a trade union density of nearly 65% in 2021, the degree of unionization in Denmark is very high (Statistics Denmark, 2021). There is a long tradition of involving economic and social actors at all stages of the policy cycle, sometimes even in the implementation phase. Both formally and informally, there are valuable contacts between the government and main interest organizations (e.g., trade unions, employers, various business organizations and NGOs) as well as heads of major companies. Interest organizations provide important information for politicians and civil servants. Corporatism still plays a role, although its nature has changed over the years. Danish governments gain information and create legitimacy for adopted policies through the tripartite negotiations.

Tripartite negotiations between social partners (employee and employer organizations) are frequently used to settle labor market issues. This was most recently evident during the COVID-19 crisis, where a large number of tripartite agreements demonstrated the system's flexibility and adaptability. Other examples of recent tripartite cooperation include initiatives to improve immigrant integration into the labor market and expand lifelong learning programs.

The cooperative approach is also formalized through the Economic Council, established in 1962, which includes representatives from large organizations, the administration, the central bank and independent experts. The Council operates independently, continuously analyzing and commenting on economic developments, economic policies and structural issues in specific policy areas.

Union membership is voluntary (fees are tax-deductible up to a cap, which in 2023 was DKK 6.000) and is not required for unemployment insurance. While membership has been on a declining trend over the long term, there has

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recently been a small rise. Collective agreements cover most of the labor market and thus also include workers who are not union members.

Effective Civil Society Organizations (Social Welfare) Score: 8 Since the welfare state is responsible for providing most welfare services – including child care, education, healthcare and old-age care – the role of associations is to represent citizens and voice their needs and demands. For instance, there are nationwide associations like Ældre Sagen (association for seniors) and associations for specific groups of patients with particular illnesses. These associations are generally quite visible in public debates, and actively propose policies and participate in the policy formulation process.

Nevertheless, there is increasing attention being paid to co-creation and coproduction of social welfare, prompted by concerns that a small workforce, along with rising demand for social welfare, will strain the welfare state (Andersen et al. 2020). Additionally, worries about the welfare state's future capacity to manage an increasing number of older people have sparked a debate on whether civil society can assume greater responsibility, allowing professionals more time to focus on core activities.

Effective Civil Society Organizations (Environment) Score: 8

There is an increasing number of NGOs and associations dealing with environmental issues. Naturfredningsforeningen (The Danish Society for Nature Conservation) has a long tradition and has in recent years become more vocal on environmental issues. Eighteen green organizations have formed a forum – det grønne kontakudvalg – which coordinates and cooperates on environmental issues and participates in the debate and political process. CONCITO – the green think tank – aims to provide information on climate and policies to accelerate the green transition.

In the tradition of tripartite negotiations, the government recently initiated "green" tripartite negotiations to identify broad-based long-term solutions that would allow for the achievement of climate goals and the green transition while maintaining a competitive food-producing sector.

As part of the Economics Council, there is also the Environmental Economic Council (since 2007), which has 24 members representing the chairmanship (an independent group of academics), unions, employers, NGOs, the Danish government and independent economic experts. The members of the Environmental Economic Council meet once a year to discuss a report prepared by the chairmanship.

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### III. Horizontal Accountability

#### **Independent Supervisory Bodies**

Effective Public Auditing Score: 10 There are two main independent audit functions in Denmark: the institution of the ombudsman and the National Audit Office (Rigsrevisionen).

In 1955, Denmark became the third country in the world, after Sweden and Finland, to introduce the institution of the ombudsman. The ombudsman is appointed by parliament, and the office operates as an independent institution. Distinguished law professors have often held the position, especially in the early years. The ombudsman office audits bureaucracies to ensure they follow the law and defends citizens' rights vis-à-vis the bureaucracy. The ombudsman can decide to take up a case on its own or, more commonly, based on a complaint from a citizen. In 2021, the ombudsman handled 5,272 cases, of which 148 were initiated by the office (Ombudsman 2022). Criticisms from the ombudsman normally lead to a change in practice or policy.

The National Audit Office is an independent institution under the authority of parliament and employs approximately 300 academically trained staff. The National Audit Office assists the parliamentary Public Accounts Committee in processing public accounts and supports Danish parliament members in their assessment of these accounts. The office issues independent audit opinions at the ministry level and provides opinions on the overall Danish public accounts. Additionally, the National Audit Office undertakes major studies of specific policy areas, with the results reported to the Public Accounts Committee.

The National Audit Office's work is highly respected and can lead to policy action. This was seen recently, for instance, in the case of a report on the security surrounding critical IT infrastructure. The National Audit Office found that seven out of 12 systems were insufficiently secure (Rigsrevisionen 2023), which led the government to propose increased funding to enhance the security of these systems.

Effective Data Protection Score: 9 Denmark has an independent authority, the Danish Data Protection Agency (Datatilsynet), which monitors the implementation and enforcement of data protection rules. The agency is led by a chairman and six other members appointed by the minister of justice, and its task is to supervise compliance with personal data protection rules. It also provides guidance and advice, handles complaints, and conducts inspections.

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The agency primarily addresses cases of principal importance concerning personal data and the laws governing public institutions' treatment of personal information. It can sanction companies and bureaucracies with fines or demand the cessation of specific programs. For instance, it intervened when a municipality provided insufficiently secure Chromebooks to primary school students (Datatilsynet 2022).

Major recent issues concern the implementation of General Data Protection Regulation (GDPR).

The agency participates in international cooperative efforts, including within the European Union, and oversees data handling in relation to Schengen and Europol cooperation. Since 25 May 2018, when the European Union's GDPR went into effect, the agency's director has represented Denmark on the new European Data Protection Board (EDPB).

#### Rule of Law

Effective Judicial Oversight Score: 10 The Danish constitution (articles 3, 62 and 64) states that "judicial authority shall be vested in the courts of justice ... the administration of justice shall always remain independent of executive authority ... [and] judges shall be governed solely by the law. Judges shall not be dismissed except by judgment, nor shall they be transferred against their will, except in such cases where a rearrangement of the courts of justice is made."

Formally, the monarch appoints judges, following a recommendation from the minister of justice on the advice of the Judicial Appointments Council (since 1999), with the goal being to broaden the recruitment of judges, enhance transparency and safeguard organizational independence (Courts of Denmark (2020)). In the case of the Supreme Court, a nominated judge first has to take part in four trial votes in which all Supreme Court judges take part, before he or she can be confirmed as a judge.

The judicial system is organized around a three-tier court system: 24 district courts, two high courts and the Supreme Court. Lower-level judgments can be appealed to high courts and eventually to the Supreme Court. Administrative decisions can normally be appealed to higher administrative bodies first, and after exhaustion of these possibilities, to the courts (Danish Court Administration, 2021).

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Denmark does not have a dedicated constitutional court. The Supreme Court functions as a civil and criminal appellate court for cases from subordinate courts.

There is judicial review in Denmark. The courts can review executive action. According to the constitution, "The courts of justice shall be empowered to decide on any question relating to the scope of the executive's authority." The judiciary is independent even though the government appoints judges

Governments have always complied with Supreme Court rulings. Even though the Supreme Court has the right to initiate cases on its own initiative against the state, it exercises this power very rarely.

Universal Civil Rights Score: 9 According to section 29 of the Danish constitution, "Any Danish subject who is permanently domiciled in the realm and who meets the age qualification for suffrage as provided for in subsection 2 of this section shall have the right to vote in Folketing elections, provided that he has not been declared incapable of conducting his own affairs."

According to section 31 of the Danish constitution, "The members of the Folketinget shall be elected by general and direct ballot." More specific rules are laid down in the election act. The election act stipulates that "franchise for the Folketinget is held by every person of Danish nationality who is above 18 years of age and permanently resident in the realm, unless such person has been declared legally incompetent." The rule on legal competence applies to the Folketing (section 29 of the constitution), but – according to a decision made by parliament in 2016 – not to local, regional or European Parliament elections. Any person above the age of 18 (since 1978) and "permanently resident in the realm" is thus entitled to vote.

Denmark is traditionally an open and liberal society, and has been at the forefront in ensuring the rights of sexual minorities. Basic rights are ensured by the constitution and supplemented with additional laws focused on specific areas, including ethnicity and the labor market. Citizens can file complaints concerning issues of discrimination to the Board of Equal Treatment or bring discrimination cases before the courts.

Discrimination can take various forms and can be perceived differently depending on position, history and social context. Gender-based discrimination in the labor market relates primarily to wages, but also to hiring and career options.

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Indirect discrimination can take various forms, notably in rules and regulations. While rules and regulations are general and apply to all citizens, they can effectively target particular groups. For example, Denmark's requirement of residency for social assistance (which, if not fulfilled, lowers the amount of assistance) is offered to immigrants from outside the European Union. Although it formally treats all immigrants equally, the scheme de facto impacts immigrants from low-income countries with a low employment rate in particular.

Immigration laws have been tightened several times since 2001. While previous parliaments were often split on these changes, recent parliamentary majorities have supported a tightening of immigration policy. Consequently, the recent shift in the position of the Social Democratic Party is significant. The current coalition government has sought to maintain strict immigration policies.

Effective Corruption Prevention Score: 10 Denmark is among the least corrupt countries in the world and ranks first (followed by Finland and New Zealand) on Transparency International's Corruption Perceptions Index 2023. Norms against corruption are strong and the risk of media exposure is high. In the past, there were occasional cases of a local government official accepting "services" from business in exchange for contracts with the municipality, but such cases are rare. There have also occasionally been cases of criticism against local officials for overspending on hospitality (e.g., meals) and gifts to external contacts. Again, such cases are rare. As an example that corruption can happen in Denmark, Transparency International still refers to a court case in 2017 that led to the conviction of several employees of IT vendor Atea A/S for bribery and embezzlement. The employees had offered electronic devices to government employees, some of whom were convicted for accepting these devices.

#### Legislature

Sufficient Legislative Resources Score: 9 Work in the Danish parliament is organized in committees structured to mirror the line ministries. The Danish legislature is strong compared to other parliaments and is consistently ranked as the most powerful in Western Europe (Binderkrantz 2015). This power partly explains why minority governments are comparatively common, as opposition parties can expect to secure policy concessions even if they are not formally part of the government (Strøm 2022).

There are three readings of a proposal in committees, during which the committee can request information and summon expert opinions to clarify any

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unclear issues. Furthermore, according to the Standing Orders of the Danish parliament, at least 30 days must pass from the time a law is proposed until it is passed. This measure is intended to give parliament time to scrutinize the proposal. Thus, committees effectively serve as a monitoring mechanism that allows opposition parties to scrutinize government proposals.

The Danish parliamentary groups (parties) are well funded. A parliamentary group, defined as a group containing four or more members, receives DKK 4.1 million per year. Additionally, the group is allocated DKK 1.5 million annually for expert advice. Each member of parliament is provided approximately DKK 850,000 each year to seek individual advice (Danish Parliament 2023). Moreover, members of parliament earn the right to pay for further education that might help them in their parliamentary career or if they are not reelected.

Effective Legislative Oversight Score: 9 Parliament is entitled to access most government documents. However, some internal ministry documents are not made available. This practice is occasionally criticized by some politicians, especially from the opposition. Nevertheless, ministers and ministries understand the political importance of responding to parliamentary requests. While some documents may be stamped confidential, most committee documents are generally publicly available.

Committees regularly summon ministers for meetings called consultations (samråd). These meetings are key elements of the Danish parliamentary system. Consultations play an important role in the legislative process for members of parliament while also allowing them to exercise control over the government.

Most committee meetings occur behind closed doors. However, committees can choose to hold open meetings – including those without the minister present – and invite external experts, civil servants and representatives from interest organizations to explore and discuss issues. These meetings are also open to the press.

Committees may also decide to conduct larger hearings, occasionally in cooperation with other organizations. These hearings usually take place in the room where the former second chamber of the Danish parliament, the Landsting, met until it was abolished by the new constitution in 1953. To learn more about the issues they legislate, members of parliament also go on study trips and participate in conferences.

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Effective Legislative Investigations Score: 9

The Danish parliament has several instruments by which to hold individual ministers and the government accountable. First, parliament can give a minister a warning if it finds that the minister has not provided correct or sufficient information to parliament (Ministeransvarsloven). Parliament can also express a vote of no confidence in a minister. If the vote passes, the minister has to resign. It is very rare for a minister to face such a vote, because ministers typically resign if it is clear that there is a majority behind any such motion of distrust. Finally, parliament can express a lack of confidence in the prime minister, and consequently the government. If such a motion passes, the government has to resign, although it does not necessarily mean that an election will be called. In recent history, the small minority government led by the Liberal Party resigned in 1975 because the Social Democratic Party proposed a vote of no confidence. The government resigned before the vote. Parliament can also impeach a minister. Impeachment processes have to be backed by a majority in parliament. The impeachment process is headed by the president of the Supreme Court and can include up to 15 Supreme Court judges and an equal number of members appointed by parties in parliament. Impeachments are very rare, but in 2021, Inger Støjberg was convicted and sentenced to 60 days in prison because she unlawfully separated immigrant couples. These instruments are based in the Danish constitution and the Ministerial Accountability Act (Ministeransvarlighedsloven).

Parliament has other instruments it can use. In 2021, a law was passed giving parliament the right to initiate a "granskningskommision." This type of commission is chaired by a judge from the High Court and must report its findings within 12 months. The commission is formulated by parliament and is independent of the Ministry of Justice.

This type of investigation was recently used in a case against Prime Minister Mette Frederiksen, investigating whether she knowingly ordered all minks euthanized despite the lack of a clear mandate for such action in the law. Commissions of this type cannot express a verdict; only parliament can do that. This instrument is based on the Act on Commissions of Inquiry Lov om Undersøgelseskommisioner)

Legislative Capacity for Guiding Policy Score: 9 Government policies have traditionally been consensus-driven. This applies both to parliament, as most governments have been minority governments, and to negotiations involving organizations and the political system, most notably concerning labor market issues.

The committee structure largely corresponds to the structure of ministries. The Ministry of Social Affairs, for instance, corresponds to the social affairs committee in the parliament (Folketinget). The Ministry of Taxation

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corresponds to the fiscal affairs committee in the assembly. Other committees, for instance, deal with the topics of energy, defense, culture, environment, healthcare and education, and have strong ties to the applicable minister.

A few committees, such as the European Affairs Committee, do not have a direct parallel. Although the Ministry of Foreign Affairs is responsible for coordinating EU policy, the European Affairs Committee engages in consultations (samråd) with all ministers who take part in European Council meetings, and seeks a mandate for upcoming negotiations in the council. This may create internal coordination problems in parliament between the European Affairs Committee and the committees handling the substance of EU legislation (fagudvalg).

Committees in the Danish parliament typically have 29 members. The Finance Committee, however, has fewer members, at just 17. Membership of the committees follows a proportional allocation procedure among members of parliament. Traditionally, the parties in parliament form two coalitions across which committee memberships are assigned. Given that Denmark frequently has minority governments, it is not uncommon to have committee chairs who are not members of the governing parties (Green-Pedersen et al. 2022).

Committees meet weekly when the parliament is in session, and meeting dates are published on the website of the Danish parliament.

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# Governing with Foresight

#### I. Coordination

#### **Quality of Horizontal Coordination**

Effective Coordination Mechanisms of the GO/PMO Score: 9 The Social Democratic prime minister during the review period, Mette Frederiksen, has argued that the Prime Minister's Office is too weak compared to the Ministry of Finance and the line ministries. Since first taking office in 2019, she has increased the number of employees dramatically, adding approximately 20 full-time staff and expanding the ministry's size from 84 to 104 full-time academic employees.

Prime Minister Frederiksen also established the Political Secretariat to ensure better coordination among ministers and to monitor whether ministries are following legislative plans. This move was criticized by the opposition, which argued that there is no tradition in Denmark for political appointees taking on significant posts in ministries. However, it was defended by the prime minister, who contended that the posts would ensure that the government's policy line would be respected. The official description of the Political Secretariat on the PMO's website states that it has "a special focus on the government's priority projects and policy development, and is working to strengthen the strategic direction of the government and increase internal coordination between ministers and special advisers."

The government in power during the review period was composed of the Social Democratic Party, the Liberal Party (Venstre) and the Moderates (Moderaterne). The Liberals and Social Democrats have historically been political rivals. Consequently, when the government formed, it also created the Committee for Government Management. The three party leaders from the governing parties are members of this committee, as are the minister of finance and the minister of economic affairs (Regeringsgrundlag 2022).

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Internal government coordination of policy takes place in two central committees that in practice serve as inner cabinets. The first committee is called the Economic Committee (økonomi udvalget) and the second is the Coordination Committee (koordinationsudvalget). The number of members in these committees varies according to the number of parties in the government. The Economic Committee is always chaired by the minister of finance and, under the current government, has eight members: three Social Democrats, three from the Liberal Party and two from the Moderates.

Finally, since the enactment of the Climate Law in 2020, the government has been required to form a Green Committee. This committee, consisting of six members, is chaired by the minister of finance and is required to follow cross-ministerial environmental policies. The committee meets weekly.

Effective Coordination Mechanisms within the Ministerial Bureaucracy Score: 8 There is a strong tradition of so-called ministerial rule (ministerstyre). Each minister is in charge of a specific area, but the cabinet operates as a collective unit, and is expected to maintain a single policy focus, directed by the prime minister.

Overall responsibility is coordinated through special committees. The most important is the government coordination committee, which meets weekly and plays a crucial role, especially for coalition governments. Other committees include the committee on economic affairs, the security committee and the appointments committee. There is also a tradition of two-day government seminars once or twice per year where important government issues are discussed. Finally, ad hoc committees are routinely formed within ministries when new legislation is being prepared.

To become the permanent secretary, the highest civil servant in a ministry, candidates are now required to have leadership experience from an agency within a different ministry. This relatively new requirement is intended to ensure that top civil servants possess broad knowledge of the public sector. Moreover, it is believed to improve the understanding of implementation issues among the upper levels of ministerial hierarchies.

Complementary Informal Coordination Score: 8

Given that Danish governments are typically either minority or coalition governments (or both), informal contact and coordination are important. The country's consensus-driven political tradition means this also applies to contacts with opposition parties and interest groups, particularly employer and employee organizations that play an important role in shaping labor market and collective bargaining issues. Tripartite agreements are frequent in this context.

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Informal mechanisms can enhance the efficiency of formal meetings; however, crucial decisions must be confirmed in more formal settings. At the political level, informal mechanisms are likely more important than formal ones (Christiansen et al 2022).

Furthermore, there is an exchange of employees between ministries, trade associations and municipalities, ensuring that informal networks are formed (VIVE 2022). However, recent work also suggests that leaders are more likely to change sectors than to change levels of government, for instance by moving from a leadership position in a municipality to taking a job in a ministry.

#### **Quality of Vertical Coordination**

Effectively Setting and Monitoring National (Minimum) Standards Score: 8 Article 82 of the Danish constitution stipulates requires delegation to local units in Denmark, and further states: "The right of municipalities to manage their own affairs independently, under state supervision, shall be laid down by statute." This creates a tension between municipalities' rights to deliver policies adjusted to local circumstances and the welfare state objective of ensuring the same standard for everyone. Media reports highlighting different levels of service in key policy areas across municipalities have drawn particular attention.

National laws set standards with varying degrees of discretion for local authorities. The central government can supervise whether standards are met through benchmarks and tests, and can require the publication of performance indicators such as hospital waiting list outcomes and school performance results. The country's active press plays a role in exposing problems. The central government — which bears ultimate political responsibility — can intervene by setting stricter standards or by transferring extra funds to certain activities.

Rhetorical action, such as shaming underachievers, is also sometimes part of the strategy. A recent example includes proposals to introduce minimum standards for various public services. This aims to reduce variation across the municipalities.

The Danish government has a reasonably good track record in terms of implementing its agenda. Budget arrangements – including the Budget Law – lay out a clear framework for how regions and municipalities operate in this regard.

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Since regional and municipal governments interact directly with citizens, they must also manage public expectations regarding the level and quality of services, despite often having limited scope for action. The degree of autonomy afforded to municipalities has fluctuated over the years. Some have suggested that regions, which are primarily responsible for healthcare services, should be eliminated, with their responsibilities taken over directly by the central government.

Until recently, there has been discussion about setting national minimum standards in key welfare areas like daycare and old-age care. However, a recent government initiative aims to provide more decentralized choice and responsibility, anticipating that this will lead to greater efficiency and a better ability to meet citizen demands.

Effective Multilevel Cooperation Score: 8 Cooperation between the state, regions and municipalities has been highly institutionalized since the 1970s, and two budgetary mechanisms ensure that regions and municipalities can deliver the services required. Reforms have also reduced the number of municipalities and counties/regions.

As part of preparing the fiscal bill, representatives from the Ministry of Finance meet each spring with representatives from municipalities in the Association of Municipalities (Kommunernes Landsforening) and representatives of the Danish regions (Danske Region). In these negotiations, target service levels are set in accordance with the law. The negotiations also cover taxation levels in the municipalities. Finally, the negotiations are used to signal to regions and municipalities which issues should be given political priority (Finansministeriet n.d.).

Second, a balancing principle ensures that transfers are adjusted when new legislation is passed. The idea is that lower levels of government should be compensated when service portfolios change. Hence, if new services are added, lower levels of government receive a greater volume of transfers, while a reduction in services results in transfer cuts (Finansministeriet, 2007).

While these budgetary mechanisms have proven robust, there is nevertheless a predictable and observed blame game between municipalities and the state whenever problems arise in the delivery of services. Very often, the press reports that mayors blame the state for not providing sufficient funds for the services that must be delivered. Thus, there is an inherent tension and potential conflict between mayors from the opposition party and the prime minister and, by extension, the government.

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### II. Consensus-Building

#### Recourse to Scientific Knowledge

Harnessing Scientific Knowledge Effectively Score: 8 Major reforms in Denmark are typically prepared via committees or commissions established to produce reports outlining issues and options. In recent years, commissions have played an essential role in policymaking.

The formation includes several commissions: the process Strukturkommissionen (infrastructure commission), the Velfærdskommissionen commission), (welfare the Arbeidsmarkedskommissionen (labor market commission), the Skattekommissionen (tax commission), the Produktivitetskommissionen (productivity commission), the Dagpengekommissionen (unemployment insurance commission) and the Reformkommissionen (the reform committee). Each of these commissions has been chaired by highly respected university professors, and most have had independent secretariats to ensure their independence.

The current government, which took office in 2022, has proposed the creation of 12 new commissions to prepare reports on a wide variety of issues, such as the future of welfare institutions, and child and youth life (Regeringsgrundlag 2022). These committees will be independent of the government, and they are likely to be chaired by respected academics.

The political administration is highly professional and includes in-house expertise, such as individuals with PhDs. However, for most policy areas, policymakers rely on advisory councils or expert committees as part of a consensus tradition.

On a more permanent basis, the Danish Economic Council plays an important role as an independent institution, as politicians heed its recommendations. Since 2007, the number of chairpersons (independent experts) of the Economic Council has increased from three to four, and the responsibilities of the Council have expanded. Such figures now also head the Environmental Economic Council and the Productivity Council (meeting EU requirements) and act as the fiscal watchdog (related to the Budget Law). The chairs prepare reports that members representing unions, employers, independent experts, the

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central bank and the government then discuss. The reports typically garner media attention. The chairs are nonpartisan positions, typically held by university professors who usually serve for several years.

#### Involvement of Civil Society in Policy Development

Effective Involvement of Civil Society Organizations (Capital and Labor) Score: 9 Denmark has a long-standing tradition of including trade unions and business organizations in the policy process, particularly through tripartite negotiations. During the legislative process, these social partners are routinely consulted and invited to provide information on proposals. More broadly, interest organizations also offer valuable information to politicians and civil servants. This practice is formalized through the Economic Council, where major organizations are represented.

Tripartite negotiations are likely the most important venue for exchanging information and developing policy involving trade unions and employer organizations. These negotiations are informal, as they are not regulated by law. This informality means there is no set schedule for when negotiations should occur; the government decides when to call them. Despite their informal nature, these negotiations are crucial and have been used to agree on issues such as wage compensation during the pandemic. They address various labor market issues, ranging from sexual harassment to long-term investment in lifelong learning and education (Ministry of Employment 2023).

The tripartite negotiations secure information flows between major stakeholders in the Danish labor market, both private and public, and ensure a high degree of legitimacy for proposals that the government can then turn into legislation or adopt in collective agreements. Some observers find that the tripartite negotiations are opaque and lack transparency. Nevertheless, these negotiations have proven useful in avoiding conflict between workers and employers and in securing stability in the Danish labor market.

Effective Involvement of Civil Society Organizations (Social Welfare) Score: 8 In Denmark, the inclusion of civil organizations related to social welfare in policymaking processes is very common. Organizations in this policy area have the same access to the legislative process as other organized interests. These organizations are consulted and provide information to the legislative process, making the consultation ongoing and frequent. The same applies at the municipal level, which is responsible for implementing large parts of social welfare policies. Local branches of the major peak organizations are included in decisions made by the city council. At this level of government, the consultation is also frequent and ongoing.

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In many areas of social welfare, regulation and initiatives originate from tripartite negotiations involving the state, unions and relevant employers' organizations. These negotiations are informal, but their results are often converted into law when required or adopted in collective agreements.

This process is rather inclusive, but there is a bias toward larger organizations having easier access to the decision-making process, partly because they represent broader constituencies and partly because they provide more legitimacy to the process. Consequently, some areas in which the level of organization is low and in which the users of social services are socially weak do not have the same access to decision-makers. One example of such an area is the topic of homeless, for which few organizations exist (Christiansen et al. 2022).

Effective Involvement of Civil Society Organizations (Environment) Score: 8 The increasing focus on climate and environmental challenges has boosted the profile of a number of civil organizations, including established ones like the Danish Society for Nature Conservation and Greenpeace Denmark, as well as various grassroots organizations.

The traditions in this area are not as strong as in other policy areas, but organizations are routinely listened to when environmental policies are prepared. They also play an important role in agenda setting. Organizations representing agriculture have been very active and vocal, since environmental and climate policies may have significant implications for the sector.

The Ministry of the Environment routinely incorporates these organizations into hearing processes related to environmental policy (Ministry of the Environment 2023).

#### **Openness of Government**

Open
Government
Score: 8

The Agency for Digital Government (Digitaliseringsstyrelsen) is responsible for ensuring that data standards are met, data storage is secure and IT systems are protected from cyberattacks. Numerous open data portals are available to Danes. Most notably, Statistics Denmark has an API and a data portal through which citizens and companies can retrieve data. The Danish parliament has also developed an API through which minutes from meetings can be accessed.

In line with the long tradition of open and transparent governance, the Danish government makes data available in a user-friendly manner. Currently, the largest obstacle to data access is that some citizens lack the IT skills to access the data.

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Furthermore, Danish government agencies consistently measure their user-friendliness and publish these data.

## III. Sensemaking

#### **Preparedness**

Capacity for Strategic Foresight and Anticipatory Innovation Score: 9 For several years, Denmark's fiscal policy has been rule-based, prioritizing medium-term and long-term issues and the sustainability of public finances. The Ministry of Finance plays a central role in initiating and coordinating strategic planning. This role is most evident in the formulation of overarching strategic policy plans, typically with a horizon of about 10 years, such as the government's 2010, 2015, 2020 and most recently, 2025 plans (Andersen 2024).

A common theme in the plans is the financial sustainability of public finances, and thus the welfare model, under the influence of an aging population. Current policies meet the criterion of fiscal sustainability, a distinction held by few countries. A primary focus of the medium-term plans is to ensure that public expenditures and revenues are on a path consistent with fiscal sustainability. Increasingly, environmental policies are included in strategic planning to ensure the targets set in the Climate Law are met.

The plans typically include various possible "what if" paths for economic development as a means of discussing potential future trajectories, as well as policies intended to influence how the economy evolves.

An agency under the Ministry of Finance, the Agency for Public Finance and Management, is responsible for developing methods and providing cross-ministry networks that serve as meeting points for information sharing. It has also served as a vehicle for rolling out new assessment tools throughout the public sector. At times, this has led to public criticism of the agency. Additionally, it is quite common to appoint expert groups to prepare inputs for important policy discussions and reforms. The members of these groups can be experts, representatives of organizations or civil servants.

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#### **Analytical Competence**

Effective Regulatory Impact Assessment Score: 9 For all proposed legislation and administrative regulations, there is an explicit requirement that impact assessments be carried out to determine the economic and administrative consequences for state and local governments, the effects on businesses, and the environmental impact. The relation to EU legislation must also be assessed.

Consideration of consequences begins during the initial review of a new law or regulation (screening stage), and continues as the content and scope of the new measures are evaluated (scoping stage). A detailed RIA is then developed during the final stage (assessment stage).

When new legislation is based on EU legislation, the impact assessment will be included in the document (samlenotat) that goes to the European Affairs Committee in the parliament. According to a rough estimate, about 40% of new Danish legislation is based on or related to EU regulations. In recent years, more emphasis has been placed on evidence-based policies in areas such as labor market and social policies, for example. Evaluations have been explicitly integrated into policy formulation processes and, in the case of labor market policies, some experimental studies regarding activation programs have been drawn upon.

Following the long tradition of an open public sector, RIAs are publicly available, and when they suggest that a given policy is not providing the expected results, a policy change often follows. However, the speed of this change depends to some extent on the level of public attention the issue attracts.

There is a long tradition of quantifying both short-run and long-run effects of economic policies, and numerous models have been developed for this purpose. These include the Annual Danish Aggregate Model (ADAM) model used by the Ministry of Finance and the Simulation Model of the Economic Council (SMEC) model used by the Council of Economic Advisers. Over the years, these models have been refined and updated. Although the two models are not drastically different, their use has fostered an environment of openness and transparency in the quantitative assessments of fiscal policy effects.

A newly developed model, MAKRO, will soon be used by the Ministry of Finance. Among the key features of this dynamic model is its ability to merge short-term effects with long-term structural aspects. Additionally, there is a Green Reform model to quantify the effects of environmental and climate policies (see Kirk et al., 2024).

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Effective Sustainability Checks Score: 8 When RIAs are conducted, they must cover all positive or negative consequences of an economic, administrative or environmental nature that are likely to affect the state, municipalities, regions, business, citizens or relations with the European Union. This includes questions of sustainability. Sustainability is a central concern in government policy and includes economic, fiscal and environmental sustainability.

Since the enactment of the Climate Law, the Climate Council has produced a yearly report assessing whether current policies are sufficient to meet the emission goals set in the law. The council is independent from ministries and has its own secretariat. Although these reports are not part of formal RIAs, they significantly inform policy because they receive considerable attention in cases when they suggest that it is very unlikely that the government will meet its own goals.

Effective Ex Post Evaluation Score: 8 There are no legal requirements for ex post evaluations of public policies, although these evaluations occur through various formal and informal channels. For economic policies, the Economic Council regularly conducts evaluations, which are also performed in relation to medium-term planning and other policy work. These evaluations provide citizens with more information via media outlets and enable policy entrepreneurs to advocate for policy reforms. Think tanks such as the Economic Council of the Labor Movement (Arbejdsderbevægelsens Erhvervsråd), CEPOS (a liberal think tank) and Concito (a green think tank) also regularly comment on the ex post effects of policy initiatives as part of ongoing policy discussions. Many interest organizations have secretariats and regular publications that may include such evaluations. Recent examples show that explicit ex post evaluations, conducted by independent researchers, have been part of labor market interventions.

Expert committees are often appointed to analyze issues. Significant policies are regularly debated, and policy reforms are common. The preparation of the annual budget is one occasion for evaluating policies. The parliament's Auditor General (Rigsrevision) also issues an annual report, which may lead to policy reforms. In some cases, an assessment is made an explicit part of a political agreement (e.g., labor market policy).

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# Sustainable Policymaking

# I. Economic Sustainability

#### Circular Economy

Circular Economy Policy Efforts and Commitment Score: 7 The Danish government has an ambitious plan to reduce emissions by 70% from 1990 levels by 2030, as codified in the Climate Law. According to the European Commission, Denmark is a leader in the circular economy in the category of eco-innovation, but the country is relatively weak with regard to changing societal behaviors.

Danish governments have increasingly focused on circular economy initiatives. In 2021, the government published a national plan aiming at the development of a more circular economy (Handlingsplan for cirkulær økonomi). While the plan primarily outlines visions and aims for transforming the Danish economy, some political agreements have been reached. The European Commission notes that most plans are voluntary and suggests that this approach might be insufficient to meet the targets set in the 2021 strategy (European Commission 2022).

The plan has resulted in two political agreements with broad support in the Danish parliament. The first plan concerns waste. According to the plan, 80% of all plastic is to be removed from waste that is burned by 2030 (Political Agreement for Waste Sector). The second plan makes producers of goods economically responsible for their packaging when it is turned into waste. This law is a consequence of EU-initiated regulations and therefore cannot be attributed solely to the Danish government.

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Plans are currently being negotiated for the transportation sector and agriculture, but the country has yet to pass a plan that sets clear targets for these sectors.

#### **Viable Critical Infrastructure**

Policy Efforts and Commitment to a Resilient Critical Infrastructure Score: 8 The changed geopolitical situation, including the explosion of Nord stream II just outside Danish territory, has further increased attention to the topic of critical infrastructure in Denmark.

Denmark has a highly digitized public sector and a citizenry that, on average, is very IT literate. Danes interact with all public bureaucracy through a national identification system called MitID. Consequently, Denmark is vulnerable to potential cyberattacks. Furthermore, given the high levels of political and interpersonal trust in Denmark, the state is somewhat vulnerable to cyberattacks due to insufficiently tight security.

In 2021 the Danish government published a comprehensive plan to enhance cybersecurity (Cybersecurity plan 2021). The plan sets standards for security levels in ministries as well as security standards for contracts between state actors and private companies. Additionally, the plan requires all public entities to adhere to a specified set of technical standards. The plan indicated that 46% of the IT infrastructure in the state was inadequately protected (Cybersecurity plan p. 20). Furthermore, the plan showed that more than 65% of IT systems used by the state did not meet the technical minimum standards expected.

The plan proposes 34 measures for implementation. The most important measures are the establishment of a central unit to oversee the implementation of cybersecurity measures and the creation of a body to continuously monitor the development of cybercrime in order to develop counterstrategies. These two functions will be placed in the Danish Agency for Digital Government (Digitaliseringsstyrelsen) and the Danish Security and Intelligence Service (PET), the internal security police. The plan was scheduled to be updated in 2024, following an evaluation of the current status.

The Center for Cyber Security (CFCS) serves as the national IT security authority. The Center advises Danish public authorities and private companies that support functions vital to society on preventing, countering and protecting against cyberattacks.

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#### **Decarbonized Energy System**

Policy Efforts and Commitment to Achieving a Decarbonized Energy System by 2050 Score: 8 In 2020, the Danish government passed a Climate Law that set a target in which Denmark is to cut emissions by 70% relative to the 1990 level by 2025, and attain climate neutrality by 2050. The law requires the minister of environment to review the plan every five years and propose a new target to be reached in the coming five years. The new plan cannot be less ambitious than the preceding one, according to the law. Additionally, the law stipulates that: "The achievement of Denmark's climate goals must be as cost-effective as possible, taking into account both the long-term green transition, sustainable business development and Danish competitiveness, healthy public finances and employment, and that Danish business life must be developed and not wound down."

The Danish energy sector is moving toward decarbonization. The Agency for Energy monitors energy production and consumption in Denmark and publishes monthly and yearly reports. According to the agency, Denmark is among the world leaders in using and implementing decarbonization technologies.

As part of the Climate Law, an independent climate council has been set up to monitor policy and provide recommendations to the government. The council consists of climate experts and has its own secretariat. The council produces a yearly report that reviews various climate initiatives and assesses the progress made. The report is required to be sector-specific and offer recommendations to policymakers.

The Climate Council finds it unlikely that the target for reductions by 2025 can be achieved. The most recent report suggests two main obstacles to meeting the targets set out in the Climate Law. The first is the absence of a plan for carbon and climate reductions in the agricultural sector. According to the Climate Council, agricultural production should be subject to a climate tax. The Climate Council also argues that such a tax might conflict with the terms of the law, and notes considerable risks that the targets will not be met if the tax is not introduced. Additionally, the Climate Council expresses concern that the text on industrial production is insufficient due to changes in the overall taxation of companies.

Finally, it should be noted that the consequences of failing to meet the targets set in the Climate Law are unclear, as is the responsibility for such failures.

The government has faced criticism for not taking sufficient action to meet the targets outlined in the Climate Law. In 2022, a broad political compromise

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was reached to introduce a CO2 tax for all firms, excluding those in the agricultural sector. This tax – differentiated based on whether companies are within the EU Emissions Trading System or not – will take effect in 2030. An expert committee is currently analyzing the feasibility of a CO2 tax for the agricultural sector.

#### **Adaptive Labor Markets**

Policies Targeting an Adaptive Labor Market Score: 9

The Danish labor market has proven to be adaptive. Unemployment rates, including long-term unemployment, have consistently been among the lowest in the EU. Unemployment spells are generally short, and the levels of job inflows and outflows are typically high.

These features are generally attributed to the so-called flexicurity model, which comprises flexible hiring and firing rules for employers, a generous social safety net, and active labor market policies focused on returning the unemployed to work. There has been a long list of reforms over the years adapting the system to developments in the labor market (Andersen (2023)). The unemployment benefit cannot exceed 90% of the previous wage and is capped, making the compensation rate higher for low-income groups than for high-income groups. The average compensation rate is about 60% for a skilled average worker during the first three months of unemployment, after which it declines (Ministry of Employment 2021). Unemployment insurance is voluntary and tied to insurance contributions. Those who are not insured must resort to social assistance.

The Danish labor market offers extensive opportunities for acquiring jobrelevant education. It is required that the unemployed actively apply for jobs or participate in educational programs. Failure to meet these requirements results in a sanction (Kreiner and Svarer 2022). Educational activities are typically determined through negotiations among labor unions, employer associations and the state in tripartite agreements. The most recent of these agreements emphasizes the need to develop skills related to the green transition and increasing IT demands.

Projections indicate that the labor force will remain roughly constant over the next couple of decades, raising concerns about a labor shortage, particularly within the public sector due to increasing needs from an aging population. Meanwhile, there is ongoing debate about how the labor market will be impacted by AI and robotics. Mismatch problems between demand and supply – in terms of both quantity and quality (qualifications) – are likely to develop.

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The government has proposed various initiatives intended to influence educational choices, including IT skills, and to facilitate reeducation for sector shifts. The recent tripartite agreement also notes that university education will become available to students without a conventional educational background, such as a high school diploma (Trepartsaftale 2023). Additionally, following a cross-party reform compromise passed in 2023, 10% of master's degree programs at Danish universities will be restructured from two years to one year and three months (i.e., 120 to 75 ECTS). Furthermore, the reform incorporated a more direct focus on labor market demands by introducing new part-time master's programs that expect students to combine employment and studies.

Labor immigration has been a contested issue in Denmark, but views have recently changed. Migrant workers have contributed significantly to the increase in employment in recent years. Initiatives have been launched to recruit workers from outside the EU for so-called welfare professions and in crafts. There is a concern that the country may be facing a labor shortage.

Policies Targeting an Inclusive Labor Market Score: 9 There is currently near-full employment in Denmark, and employment levels exceed those before the pandemic. The Ministry of Employment finds that more individuals who have previously experienced long-term unemployment are today able to find jobs. Consequently, groups that have traditionally had difficulties securing stable employment now have better chances of finding a job. A key driver behind the increase in employment is higher employment rates among those aged 60-65 and immigrant workers.

The issue of young individuals not being in employment or education remains a significant challenge. Despite policy initiatives aimed at addressing the problem, more than 6% of youth between 15 and 24 years old are neither in education nor employment.

Employment rates among immigrants have also increased. The Economic Council of the Labor Movement (2023) estimates that the labor market participation rate among omen with a non-Western background is now 7.4 percentage points higher than prior to the pandemic. The independent Economic Council also agrees that the Danish labor market is close to being at full capacity. The council has warned that the pressure on the labor market could have inflationary effects (Economic Council 2023). While labor market attachments have increased significantly in recent years, a gap of approximately 20 percentage points remains between ethnic Danes and immigrants with a non-Western background. This gap is partly explained by different levels of education between the two groups, but it might also be due to discrimination (Economic Council of the Labor Movement 2023).

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Policies Targeting Labor Market Risks Score: 9 The social safety net is relatively tight in Denmark, and the unemployed are either covered by unemployment insurance (voluntary) or social assistance. Kreiner and Svarer (2022) estimate that the net replacement rate is 83% at the lower level of the income distribution for the first three months. After the first two years of unemployment, the net income compensation rate drops to 57% for the lower parts of the income distribution.

Workers in nonstandard jobs may be more exposed, as they are seldom members of an unemployment insurance fund, are not protected against layoff to the same extent as workers covered by collective agreements and often do not contribute to pension schemes.

#### Sustainable Taxation

Policies
Targeting
Adequate Tax
Revenue
Score: 8

It is a consequence of an extended welfare state that total tax revenue as a share of GDP is high. However, a series of tax reforms over the years have aimed to reduce tax distortions by broadening the tax base and lowering marginal tax rates. Recent initiatives include earned-income taxes and favorable taxation – and subsidies – for individuals who postpone retirement. A recent reform aimed at strengthening work incentives also includes a higher marginal tax rate for the very rich.

While the administration of the tax system in general is very efficient and IT-based, operating smoothly and automatically for most households, there have been recent cases of malfunctioning systems and tax evasion. These issues have raised questions about the system's efficiency and adequacy. In particular, a new property tax system has been controversial, especially regarding the valuation of property, which constitutes the basis of the tax.

The overall tax structure is decided by the state. While a component of income taxation is municipal, the degree of freedom for municipalities in setting the tax rate is restricted by a municipal "tax stop." This effectively implies that one municipality can only raise its tax rate if another municipality reduces its tax rate. Municipalities have some leverage over the land tax (grundskyld).

The overall structure is adequate for financing the public sector even given the demands of an aging population.

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Policies
Targeting Tax
Equity
Score: 9

Denmark is among the most equal countries in the world, due to its highly redistributive and progressive tax system. In 2022, the Gini coefficient was estimated by Statistics Denmark to be 30. Although the Gini coefficient has been slightly increasing over the past 15 years, it remains low in international comparisons. Relative poverty rates are also low in Denmark. According to Statistics Denmark, 3.7% of the population has a net income below 50% of the median income (Statistics Denmark 2023).

The Economic Council of the Labor Movement argues that inequality will increase slightly as a consequence of the 2023 tax reform. However, it also contends that this tax reform is the most balanced in terms of equity in the past 20 years (Economic Council of the Labor Movement 2023).

Policies Aimed at Minimizing Compliance Costs Score: 8 For the average person, the tax system is straightforward, requiring minimal individual action. Various controls ensure the accuracy of tax records, relying largely on the automatic registration of most economic flows.

However, the tax system is complex, making it difficult for individuals to understand all its rules and regulations. This raises both a democratic issue regarding citizens' ability to comprehend the system and concerns related to behavioral responses to incentives that are imperfectly understood. Despite recent difficulties with tax collection and the system's complex nature, it still maintains a high degree of legitimacy.

Taxation of companies is also complex, and employer organizations representing Danish companies and industry have consistently argued that the tax code should be simplified (Danish Industry 2023). While the costs of developing new IT systems to collect debt and to collect new housing taxes have been somewhat unsuccessful, the Danish tax system is generally perceived as effective.

Policies Aimed at Internalizing Negative and Positive Externalities Score: 7

Subsidies and deductibles are used to internalize both positive and negative externalities. One example of the former is the large deductible offered to firms innovating technologies to become more energy efficient. An example of the latter is the deductible offered for transportation to and from work. This transportation deductible aims to maintain population levels in low-density areas, but works against the sustainability targets set in the 2020 Climate Law.

Regarding environmental and climate issues, there is room for improvement with regard to internalizing externalities. The CO2 tax is a step in that direction, but it has not been fully implemented yet.

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The Danish tax system has been criticized for being too complex and for offering too many deductions. This complexity can result in offsetting deductions, which means that policy goals are not met.

### Sustainable Budgeting

Sustainable Budgeting Policies Score: 9 For some years, economic policy has focused on long-term issues arising from an aging population. Governments have regularly published long-term plans, typically with a 10-year horizon, to assess the sustainability of public finances. As a result, a number of reforms — particularly focused on increasing employment rates and postponing retirement — have fulfilled criteria for fiscal sustainability (Ministry of Finance 2023, Economic Council 2023). However, the budget profile implies that a sequence of years with surpluses will follow due to the phasing in of higher retirement ages, which means it will take some time to catch up with increases in longevity. Governments have ensured their own fiscal flexibility, allowing freedom to act in case of crises. This was evident during the COVID-19 crisis, when a number of initiatives were taken that contributed to making the drop in activity only temporary.

The long-term focus in fiscal policy was formalized in the budgetary law passed in 2012 and took effect as of 2014. The law was a response to earlier developments and complied with the European Union's fiscal pact. Originally, the law stipulated that the structural deficit could not exceed 0.5% of GDP. This has recently been changed to 1% of GDP, which is still in accordance with EU rules, since the country's overall debt level is low. The law covers spending at the state, regional and municipal levels (Budgetloven 2012). In times of crisis, such as during the recent pandemic, exceptions are made so that exceptional spending can be allowed if "exceptional circumstances" are present. This right is granted in §§2.5 and 2.6.

The law has three main parts. The first part stipulates that the minister of finance sets caps on spending for the state and negotiates spending caps for the regions and municipalities with representatives from these entities. If these spending caps are exceeded, the Ministry of Finance withholds transfers to the regions and municipalities. The sanction mechanism works such that 40% of the excess spending must be covered by all municipalities and regions jointly, while the remaining 60% is paid by the transgressing municipalities and regions.

Finally, the Economic Council was assigned a formal role as an independent watchdog, which it has effectively carried out since its establishment in 1962. The council publishes two reports each year, and in the autumn report, it

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assesses whether government spending is within the spending caps and if such spending is leading to medium- and long-term debt beyond the accepted level. Furthermore, the council must assess the extent to which the spending can be justified under the "exceptional circumstances" measure mentioned above. If the council finds that the government is engaging in debt-producing spending beyond the agreed target, or if it proposes that fiscal policy should be tightened, the minister of finance must explain to the council why the recommendation is not being followed.

In a recent evaluation, the Ministry of Finance found that the law has been effective in securing financial discipline compared to the period from 1993 to 2010 (Ministry of Finance 2022).

The budgetary process is relatively open. Denmark has mostly been governed by minority coalition governments, meaning economic policies, including the budget, are the outcome of broad compromises involving multiple parties. This consensus tradition supports consistency in policies, as leading political parties tend to alternate between being part of the government and the opposition. However, it also makes it difficult for voters to assess who is responsible for specific policies (Hobolt et al. 2013).

The regions are responsible for healthcare and regional development. They have few budgetary freedoms since their overall budget is determined by the state. Hence, the regions' main activity is administering the healthcare system.

The municipalities are responsible for key welfare areas such as childcare, education and old-age care. The municipal tax is not sufficient to finance these activities. Funding from the state is provided (bloktilskud), and an equalization arrangement reallocates funds from richer to poorer municipalities.

While the Budget Law sets clear targets for the evolution of spending and debt in the medium and long term, it does not provide any direction regarding sustainable development goals. These goals are perceived to be a political discussion that political parties need to formulate.

### Sustainability-oriented Research and Innovation

Research and Innovation Policy Score: 8 In 2020 the Danish government published a national strategy concerning green research and innovation (Ministry of Higher Education and Science 2020). The strategy aims to help Denmark meet the goals set in the Climate Law, mentioned above. It identifies four "missions" intended to assist Denmark in reaching its climate targets.

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First, more research and innovation are needed to develop technologies that can capture CO2. Second, more research and innovation are required to develop green fuel and power-to-X technologies. Third, the strategy emphasizes the need for research in climate-friendly food production and agriculture. Finally, more research is necessary in the area of recycling.

To enhance research and innovation on climate issues, the government has increased funding for a special research fund named Research for Green Transition (Forskning i grøn omstilling). This initiative is provided with approximately DKK 100 million in yearly funding. To further promote cooperation between universities and private companies, the government has allocated funds to "grand solutions" programs. These programs target research aligned with the four missions outlined in the strategy. This initiative is furnished with DKK 1 billion in funding (Innovation Fund 2023).

Finally, the 2020 strategy introduced Denmark's Green Future Fund, which allocates DKK 25 billion for research and innovation aimed at enhancing the creation of green markets, particularly in middle-income and developing countries (Denmark's Green Future Fund).

Despite the aforementioned initiatives, the strategy for research and innovation to support the transition to a sustainable economy and society is largely driven from the bottom up, with research institutes and companies expected to take the lead in this area.

### Stable Global Financial System

Global Financial Policies Score: 9 Denmark is tightly integrated into global financial markets. Monetary policy aims to support the Danish exchange rate peg, which enjoys high credibility and broad political backing. Regulation of the financial sector is continuously updated in accordance with EU rules so as to increase resilience and reduce the risk of public bailouts of financial institutions. Systemically important financial institutions must meet specific requirements.

In the aftermath of the financial crises in 2007 – 2008, the Danish government established the System Risk Assessment Council in 2012. The council monitors risks to the Danish financial system stemming from national and global policies and developments. It also assesses the effects of international regulations and their impact on the Danish financial system.

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The council can issue an observation indicating it has detected a development that could become a systemic risk. It can also issue a warning if it finds clear signs of systemic risk. The recipient of such a warning must respond by explaining what actions will be taken. Finally, the council can issue a firm recommendation that action must be taken. If the recipient of a recommendation does not follow the advice, an explanation must be provided as to why not.

The council has 10 members, including the permanent secretaries of all economic ministries, the director of the national bank, three independent members and an independent secretariat.

The question of Denmark's participation in the European banking union remains open. If it does participate, the larger (systemic) financial institutions will fall under the European Central Bank's supervision.

The previous government believed Denmark should join the banking union, but the leader of the Social Democrats, Mette Frederiksen, proposed a referendum on the issue. This promise has been reaffirmed by the new government led by Frederiksen. While Denmark is not today part of the banking union, the Danish currency is pegged to the euro.

The credibility of national financial institutions has deteriorated due to an aggressive interpretation of tax rules and the whitewashing of money by major Danish banks such as Nordea and Danske Bank.

# II. Social Sustainability

### Sustainable Education System

Policies Targeting Quality Education Score: 8 Education is generally tax-financed, and public educational expenditures as a share of GDP are among the highest in the OECD (OECD 2023). Study grants and borrowing facilities are some of the most generous in the OECD. While the educational level is high, there is increasing concern that too few students choose vocational training tracks relevant either to the private sector or to welfare jobs in the public sector.

There is an extensive training system that allows employees to update their education, and collective agreements generally ensure opportunities for lifelong learning.

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The Danish educational system is currently undergoing a transition. A vast majority in parliament is concerned that too many young people are drawn to university programs. Consequently, a reform of university education has been passed. First, some master's programs will be shortened to durations of 1.25 years from two years. Second, the reform will tighten access to university education, with stricter admissions criteria. To ensure there is sufficient human capital with a university degree, an MA council has been created. The council is responsible for monitoring labor market demands and offering recommendations on the number of students needed in different fields. Additionally, the reform stipulates that the revenue saved from reduced university spending will be invested in crafts training, education for nurses and other education linked to the so-called welfare state professions (Ministry of Higher Education and Science 2023).

The reform is largely initiated in response to changes in the demographic composition of the Danish population.

Policies Targeting Equitable Access to Education Score: 9 The Danish educational system is largely publicly funded and freely available. This can help explain why social mobility is high in Denmark compared to other wealthy countries (Heckman and Landersø 2021). Despite this, Heckman and Landersø also find that social mobility is decreasing and social reproduction is increasing. They also observe that it is unclear exactly what the policy response should be, given that the Danish educational system is relatively well funded. Recently, the Rockwool Foundation, an independent research institute, has suggested that it is early in the educational system that children are sorted into different paths, given access to different types of jobs and hence different levels of income.

### Sustainable Institutions Supporting Basic Human Needs

Policies Targeting Equal Access to Essential Services and Basic Income Support Score: 9 The welfare state offers a relatively generous social safety net, evidenced by very low poverty rates and low levels of income inequality when compared internationally. Social assistance serves as the support of last resort; it is a needs- and means-tested system that includes both basic transfers and various supplements, such as housing assistance. Additionally, the welfare state provides free access to education, healthcare and old-age care, implying that there are few economic barriers to access.

Most social transfer programs have recently been reformed with a greater focus on employment. These reforms aim to strengthen the incentive to work, though this may result in poverty for those failing or unable to respond to these incentives. The reform of the disability pension scheme means that individuals

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below the age of 40 cannot be granted a disability pension, except in cases of severe or permanent loss of work capability. Instead, the focus has shifted to using and developing an individual's remaining work capabilities. Similarly, the social assistance scheme has been reformed with a particular focus on improving the educational attainment of young workers (people below the age of 30). For other age groups, the system now offers more flexibility and individualized solutions.

Eligibility for social assistance depends both on a residence requirement (with immigrants needing to have been residents in Denmark for nine out of the last 10 years) and a work requirement (2.5 years of full-time employment within the last 10 years). Moreover, there is an upper cap on total support (social assistance, housing supplement, child supplement). Immigrants who do not meet the residence requirement receive the lower so-called introduction benefit.

According to Danish law, municipalities are responsible for welfare state functions, including informing citizens about their rights and providing the aid they need. This information is easily accessible, and citizens can apply for support via online systems. Municipalities are responsible for all labor market transfers and must monitor that recipients of these transfers meet requirements, such as actively searching for and applying for jobs.

There are ongoing discussions regarding the design of the social safety net and the precision of its targeting. Based on recommendations from expert groups (Transfer Commission 2021), a number of changes have been made to simplify the system and improve targeting, particularly for families with children.

Policies
Targeting Quality
of Essential
Services and
Basic Income
Support
Score: 9

The Danish welfare state is comprehensive and offers support through income and in-kind transfers such as housing and healthcare, providing what can be called a dignified human life. There are extensive programs in place that ensure every citizen attains an acceptable material living standard. The share of the population falling below the poverty line is small, and income inequality rates are relatively low in international comparison. According to Statistics Denmark, about 3.7% of the population lives under conditions that qualify as relative poverty. Relative poverty is defined as having a net income below 50% of the median income (Statistics Denmark 2023).

Municipalities and other public institutions provide assistance to elderly citizens in learning how to access municipal and public services through the online system MitID, the portal for contacting the welfare state. Computers are

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available at all municipal libraries. Students and pensioners receive subsidies for public transportation, resulting in very low rates for monthly passes.

Despite the comprehensive welfare state, some cracks are visible. Denmark has a liberal view of individual autonomy and freedom, meaning the state cannot force individuals to accept housing, for example. Homelessness, particularly among individuals with psychiatric diagnoses, is a problem. VIVE, an independent research institution, estimated in 2015 that 80% of all homeless people in Denmark had a psychiatric diagnosis (VIVE 2015). There is a continuing debate on how best to address this problem.

### Sustainable Health System

Policies Targeting Health System Resilience Score: 8 There is a universal entitlement to healthcare for all citizens, regardless of economic circumstance. Services are offered "free of charge," and elected regional councils have governed the sector since 2007.

The establishment of large centralized hospitals, as opposed to those administered regionally, has faced considerable contention. Issues such as unresolved problems with electronic patient records persist. The debate about bringing basic healthcare activities closer to the population through local healthcare centers is ongoing, and the government has taken steps in this direction.

Recently, there has been considerable public debate about the quality of hospital services. Rising medicine prices are putting pressure on the financing of healthcare. One recent priority has been cancer treatment, an area in which Denmark has been lagging behind comparable countries. The Commission on the Healthcare System in Denmark argues that the healthcare system faces three major challenges.

First, the system is confronting an aging population at the same time that the labor force is shrinking. This is expected to lead to a shortage of personnel at all levels in healthcare provision. Second, the commission argues there is insufficient communication across administrative levels responsible for care. When a patient leaves specialized treatment in a hospital, which is under the responsibility of the regions, information and care are lost in the handover to the municipalities. This is partly due to incompatible IT systems. Thus, the commission recommends that the system should be unified. Third, the commission finds significant differences in healthcare provision across regions, linked to the pattern that doctors are unwilling to settle in areas outside the bigger cities and towns (Commission of the Healthcare System in Denmark 2023).

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Policies Targeting High-Quality Healthcare Score: 8 The Ministry of the Interior and Health (2023) reports that hospitals face serious challenges in meeting legally required treatment guarantees, which means healthcare may not be provided in a timely fashion. This is partly due to the structure of the healthcare system. Regions are responsible for hospitals and specialized care, while municipalities handle post-hospitalization care. This division leads to budgetary disputes over who should bear the cost of treatment.

To enhance the quality of treatment, the recent government has pursued a strategy of consolidating care into fewer so-called super-hospitals. The main idea behind this consolidation is that some treatments require a high degree of specialization and expertise that cannot be obtained in smaller units. However, creating super-hospitals has significantly increased the distance to a hospital in some parts of the country.

Recently, a scandal at several hospitals regarding the treatment of cancer patients revealed that hospitals are strained and unable to treat patients promptly (Danish Broadcasting System 2023). This scandal has sparked a debate over whether the legally guaranteed treatment times should be abolished. Some medical experts argue that these treatment guarantees make the healthcare system inflexible and shift the focus from treating the patients most in need to treating patients merely to avoid breaching the treatment guarantees.

The current government has passed several so-called prevention packages, ranging from a plan to reduce the overconsumption of alcohol by Danish teenagers and the provision of healthy school meals to better psychiatric treatment in general (Ministry of the Interior and Health 2023).

Policies Targeting Equitable Access To Healthcare Score: 7 The Danish healthcare system is universal and provides healthcare to all citizens. The system is based on the premise of equity in healthcare provision. Essential healthcare is available in all regions of the country, but the Ministry of the Interior and Healthcare is concerned that doctors and other healthcare staff cannot be recruited in the low-population parts of the country (Ministry of the Interior and Healthcare 2023).

The lack of trained personnel has the potential to create unequal access to healthcare across different regions.

Several governments have pursued a strategy of consolidating treatments in so-called super-hospitals to offer specialized care that requires high levels of expertise. The cost of this consolidation is that distances to hospitals have SGI 2024 | 46 Denmark Report

increased significantly in parts of the country. To remedy this issue, the current government has proposed establishing 21 hospitals that offer fewer treatments than the super-hospitals, but are closer to local communities. According to the plan, these hospitals will be built starting in 2024. The staff-shortage problems are not alleviated by building more hospitals, however.

### **Gender Equality**

Policy Efforts and Commitment to Achieving Gender Equality Score: 9 Denmark is one of the most gender-equal countries in the world. Gender-based discrimination can take various forms and be perceived differently depending on position, history and social context. Although employment rates for men and women are high, there is a clear gender division both horizontally and vertically. Women are overrepresented in welfare jobs in the public sector, and underrepresented among leaders in various fields.

The debate on gender-based discrimination in the labor market primarily focuses on wages, but it also encompasses hiring and career options. While a significant portion of the pay disparities between genders can be attributed to these factors, a pay difference of 1% - 3% persists, which may be attributed to other factors, including gender. Rules for parental leave have been expanded to extend the right and duty of fathers to take paternity leave. Since 2006, all employers have been required to contribute to the financing of parental leave schemes. A recent law changes how parents can split the leave, in an effort to encourage men to expand their share.

The Ministry of Digital Government and Gender Equality is responsible for proposing policies that enhance gender equality and for monitoring their development.

The share of women parliamentarians has been increasing since 1987; currently, 43% of legislators are women. In the present government, 35% of the ministers are women (Statistics Denmark 2023). At the municipal level, 36% of elected city counselors are women, and approximately 22% of mayors are women (Statistics Denmark 2021). The private sector lags somewhat behind these numbers. Approximately 15% of companies with more than 50 employees have a woman CEO, according to Danish Industry (2021). There is significant variation across sectors with regard to the share of women CEOs.

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### **Strong Families**

Family Policies Score: 9 By international comparison, Denmark excels in its family policy. Daycare centers, preschools and kindergartens offer parents the flexibility needed to work. In fact, the female employment rate in Denmark is among the OECD's highest. Comparative research indicates that Danish men do more household work than their counterparts in many other countries. Danes view daycare and preschool facilities as essential public services, and recent debates have raised questions about whether work-life balance can be improved.

The system of parental leave in connection with childbirth is relatively generous. Men also have parental leave rights. Municipalities are responsible for daycare facilities, which can be either public or private. These facilities contribute to improving the work-life balance. Social parties and businesses also play a role in this field. The government has sought to increase the number of employees per child for such facilities, resulting in a proposal that increases spending by DKK 1.4 billion through 2024.

The great majority of children attend daycare facilities in Denmark. In 2022, about 70% of children aged two and under were in daycare, the highest such rate in the OECD. Approximately 95% of children aged three to five attended some kind of preschool institution (Statistics Denmark 2023). There is a user payment for daycare – means tested – but it does not cover the full cost, so the system is tax-subsidized. There are substantial differences in the fees paid to have a child in kindergarten across municipalities.

### Sustainable Pension System

Policies Aimed at Old-Age Poverty Prevention Score: 9 The Danish pension system is well-structured in accordance with the World Bank's three-pillar conceptual framework. The first pillar is a tax-financed universal base pension with means-tested supplements. This pillar includes Denmark's ATP pension scheme, which is a mandatory-funded defined benefits scheme. The second pillar comprises occupational pensions agreed as part of collective agreements and firm-specific pension schemes. These are contribution-based programs. Contribution rates are in the range of 12% to 18% for most employees. The third pillar involves tax-subsidized pension arrangements (with funds unavailable until retirement) offered by insurance companies, pension funds and banks as well as other forms of savings (for most households in the form of housing wealth). The combination of the different pillars of the pension scheme ensures protection against low income for the elderly (distributional objective) as well as a pension which is reasonable in relation to the income earned when the pensioner was active in

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the labor market (high replacement rates) (OECD 2023). The Danish pension scheme has for several years ranked in the top of the Melbourne Mercer Global Pension Index. The main challenges involve the complexity of the system, the possible disincentive effects on savings and retirement arising from the means testing of public pensions, and the problem of citizens outside the mandatory labor market pensions (the "residual" pension group).

Statutory ages in the pension system (in public pensions for early retirement and age limits for payment of funds from pension schemes) are established by legislation. Recent reforms – the 2006 welfare reform and the 2011 retirement reform – increased these ages considerably to cope with the aging population. First, the retirement age (early retirement and pensions) has been gradually increased and the early retirement period reduced from five to three years. Second, the statutory pension/retirement age is linked (indexed) to developments in life expectancy at the age of 60 such that the expected pension period will become 14.5 years (17.5 including early retirement) over the long run (currently, the expected pension period is between 18.5 and 23.5 years). The statutory retirement age is increased every fifth year (with a 15 years lead time). The latest increase in 2021 (applying from 2035) implies a statutory pension age of 70. A particular challenge involves how to allow people to opt out of the labor market if their health or ability to work makes it impossible to postpone retirement in concert with the general upward trend in the pension age. There are three options: The first involves taking early retirement, which is a contribution-based system allowing the eligible person to retire within a window of three years prior to the statutory pension age; the second involves receiving a senior pension, which depends on the assessed work capability; and the third involves receiving an early pension, which was recently introduced and allows those with a long career behind them the option of retiring one to three years earlier.

Policies
Targeting
Intergenerational
Equity
Score: 9

One challenge in the Danish system is that means testing of public pension protection leads to a lower level of income for all pensioners. This implies that the economic gain from postponing retirement may be low for groups affected by means testing. To address this problem, recent reforms of the tax system have strengthened incentives to save and postpone retirement. Retirement ages remain significantly influenced by the statutory retirement age, which has been increased incrementally and is now indexed to longevity developments.

There is an ongoing discussion about whether indexation based on an absolute target of 14.5 years in retirement (excluding early retirement) is too strict, and whether it should be replaced by a relative target (an extra expected life-year being split between a fraction of 0.8 in work and 0.2 in retirement). Indexation of retirement is a crucial reason why fiscal policy in Denmark is sustainable.

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Recent initiatives have strengthened the incentive to postpone retirement through senior premiums for individuals working beyond the statutory retirement age, revisions to the means testing of pensions to make them less dependent on partner income and an earned-income tax credit for seniors.

The Danish pension system stands out by preventing poverty among pensioners while also ensuring high replacement rates for a large part of the population.

### Sustainable Inclusion of Migrants

Integration Policy Score: 8

On 1 July 2020, approximately 814,000 immigrants and descendants of immigrants lived in Denmark, accounting for 13.8% of the population (9% immigrants, 5% descendants). Roughly two-thirds of these immigrants were from non-Western countries.

Immigration rules have tightened since 2002, including the family reunification rule introduced in 2004. Since peaking in 2015, immigration from countries outside the European Union has fallen, while immigration from within the European Union for work remains significant. The employment rate among immigrants and their descendants aged 16 to 64 is low compared to other groups, though it has been increasing in recent years. Consequently, there is a substantial employment gap when considering age distribution and qualifications.

Immigrants from non-Western countries had an employment rate 22% lower than that of ethnic Danes in 2020 (for descendants, the gap is 16%). The gap is higher for women (24%) than for men (19%). For immigrants from Western countries, the gap is about 11% (for descendants, about 6%). These gaps in employment rates should be viewed in light of Denmark's high employment rates for both men and women, the high qualification requirements for securing a job and the high minimum wage.

The inclusion of immigrants in the labor market has improved somewhat because the Danish labor market has proven very strong, attracting a large inflow of migrant workers. However, a concern remains that if the economy slows down, the first to lose their jobs would likely be non-Western immigrants (Statistics Denmark 2023).

An increasing share of immigrants report feeling more integrated and having more Danish friends, with fewer experiencing discrimination. Additionally, SGI 2024 | 50 Denmark Report

more immigrants than ever before now speak Danish. Within three years of arrival, half of all male refugees are employed, and the children of refugees are integrating into Danish schools faster than in the past.

Concerning educational achievements, immigrants and their descendants – especially girls – are making progress. Among those aged 25 to 34, 80% of women with Danish ethnicity and 67% of women with a foreign background have completed secondary education. For men, the figures are 73% with Danish ethnicity and 49% with a foreign background.

There is broad political support for tight immigration policies, and various measures have been introduced in recent years to reduce immigration, including family unification. The conditions of temporary residency permits are being reassessed, and discussions are ongoing about the scope allowed to temporary residents to return to their home countries. These measures should be viewed alongside changes to the social safety net and reduced transfers to immigrants.

Denmark has stopped receiving quota refugees through the United Nations, even though some municipalities had indicated they were ready to accept more. The Social Democratic Party has committed to a strict immigration policy, which allowed it to capture votes from the Danish People's Party. However, other parties in the "red" block, especially the Social Liberals, favor a more liberal immigration policy.

### Effective Capacity-Building for Global Poverty Reduction

Management of Development Cooperation by Partner Country Score: 8 Assisting developing countries has broad support among Danish voters. Denmark is one of only five countries in the world that meet the UN target of 0.7% of gross national income (GNI) for development assistance, although it has fallen slightly behind this target in recent years. Some of the funds have been redirected to address the increasing inflow of asylum-seekers.

Denmark is increasing its focus on regions in the Middle East and Africa where many refugees originate. The country is not planning to reduce its humanitarian aid. In May 2016, 40% of Danes felt it was very important to help people in developing countries, and 49% felt it was fairly important. During the great influx of refugees in September 2015, 30% of the Danish population supported giving more development aid, 35% supported providing the same amount and 28% supported giving less. Overall, there is relatively strong support for development aid in Denmark.

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The government's 2021 strategy for development cooperation – the World We Share – outlines the priorities in Danish development policy for the period 2021 – 2025 (Ministry of Foreign Affairs, 2021). The strategy emphasizes an increased focus on environmental issues and migration, including returning illegal migrants to their home countries; mobilizing private capital to increase development aid; and increasing support for multilateral efforts targeting women and girls' sexual and reproductive health and rights.

About 70% of Denmark's official development aid (ODA) is bilateral, while the remaining 30% is multilateral. Development policy is not a high priority in policy debates.

## III. Environmental Sustainability

### **Effective Climate Action**

Policy Efforts and Commitment to Achieving Climate Neutrality by 2050 Score: 8 With the enactment of the Climate Law in 2020, the Danish government sent a strong signal that it is committed to meeting the criteria and goals formulated in the Paris Agreement. The law set the target for Denmark to cut its emissions of greenhouse gases by 70%, using emissions in 1990 as the baseline. It further stipulates that Denmark should be climate neutral by 2050. The law is built on four premises, which are:

- 1. Climate challenges are global;
- 2. Danish industry must be part of the solution to climate challenges, and should not be dismantled;
- 3. Meeting Climate Law goals, cannot have social costs; and
- 4. In meeting the goals, Denmark cannot simply transfer greenhouse gas emissions outside its borders.

There is a potential inherent tension in the law depending on how criterion 2 is interpreted.

To achieve these goals, the government has set five-year milestones, the first of which is in 2025. Furthermore, the government has created an independent body, the Climate Council, which is tasked with reporting on the progress being made and the likelihood of meeting the goals outlined in the law. In its most recent report, the Climate Council finds that there is considerable

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uncertainty as to whether the goals for 2025 will be met. There is currently a debate concerning the extent to which the Danish state can be held legally accountable if the 2025 target is not met.

To coordinate policy, the government has created a new internal committee chaired by the minister of finance, with six members. This committee is responsible for coordinating policy across all areas, lending credibility to its role due to the minister of finance's leadership. The committee meets weekly.

The government has been criticized for not taking sufficient action to reach these goals and for relying too much on technologies that are still being developed in order to reach the target. Critics question whether this approach is feasible without structural changes, including in the agricultural sector.

#### **Effective Environmental Health Protection**

Policy Efforts and Commitment to Minimizing Environmental Health Risks Score: 8 Danish legislation has always been strict regarding pollution-associated health risks. Additionally, Danish environmental protection measures have been comparatively stringent. Consequently, there is a robust legal framework in place to address health issues arising from increased pollution levels. According to a special report from the European Environmental Agency, average Danish life expectancies are not affected by pollution (Environmental Agency 2023).

There is a concern that air pollution is causing excessive deaths in the five major cities. Consequently, these municipalities have been given the right to forbid older diesel cars and trucks from entering their cities.

One issue currently attracting political attention is the pollution stemming from agricultural production. Excessive nutrients are finding their way into lakes, fjords and coastal waters, adversely affecting fishing stocks. This also threatens the water supply. Consequently, there is strong monitoring of pollution levels in groundwater quality, and several plans have been enacted. The Environmental Agency is responsible for monitoring groundwater quality. The agency is also tasked with mapping water resources and implementing various policies to protect the water supply. The guiding principle in water supply protection is to prevent pollution of the supply rather than having to clean and process water before distributing it for consumption (Environmental Agency 2023).

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### **Effective Ecosystem and Biodiversity Preservation**

Policy Efforts and Commitment to Preserving Ecosystems and Protecting Biodiversity Score: 7 The issue of biodiversity has recently gained importance in policy debates and is now attracting increased attention.

Denmark has a biodiversity strategy based on its participation in the EU biodiversity strategy. According to this strategy, member countries commit to protecting 30% of their territory (land and sea) as protected areas. A third of this area should be strictly protected in order to sustain bird and insect life (Environmental Agency 2023).

The Environmental Agency is responsible for implementing and monitoring progress on the quality of ecosystems and biodiversity. One potential concern regarding the success of the strategy is that Danish municipalities are partly responsible for its implementation. Since the municipalities are independent political entities, there is a risk that the strategy will be implemented differently across the territory. Additionally, the quality of monitoring can vary depending on the municipality. In cases where implementation has been lacking and control is lax, the state intervenes. Such interventions are typically based on cases brought to the attention of the city council.

### **Effective Contributions to Global Environmental Protection**

Policy Efforts and Commitment to a Global Environmental Policy Score: 8 As Denmark is a small economy, the question of what difference national policies can make is frequently debated, and issues such as the costs of being a front-runner with regard to loss of competitiveness have been raised. However, a strong argument in the debate is that there is a responsibility to take action, and that being a front-runner can set an example, and even be an economic advantage in the medium term.

The Danish government has decided that foreign aid will be directed toward projects that promote the green transition. In its strategy for the 2022 - 2025 period, the government focuses on promoting the green transition in developing countries (DANIDA 2021). The government aims to achieve this by supporting projects that sustainably build local markets. Specifically, the government plans to focus on projects related to sustainable water supply systems and the development of sustainable energy systems.

Furthermore, the strategy commits the Danish government to using 0.7% of GDP on foreign aid.

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