

PUBLIC GOVERNANCE IN DENMARK

NEVER REST ON YOUR LAURALS



By

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Outline



- 1. The institutional context**
- 2. The political context**
- 3. Governance indicators for Denmark**
- 4. Recent initiatives**
- 5. The Future challenge**

1. The institutional context



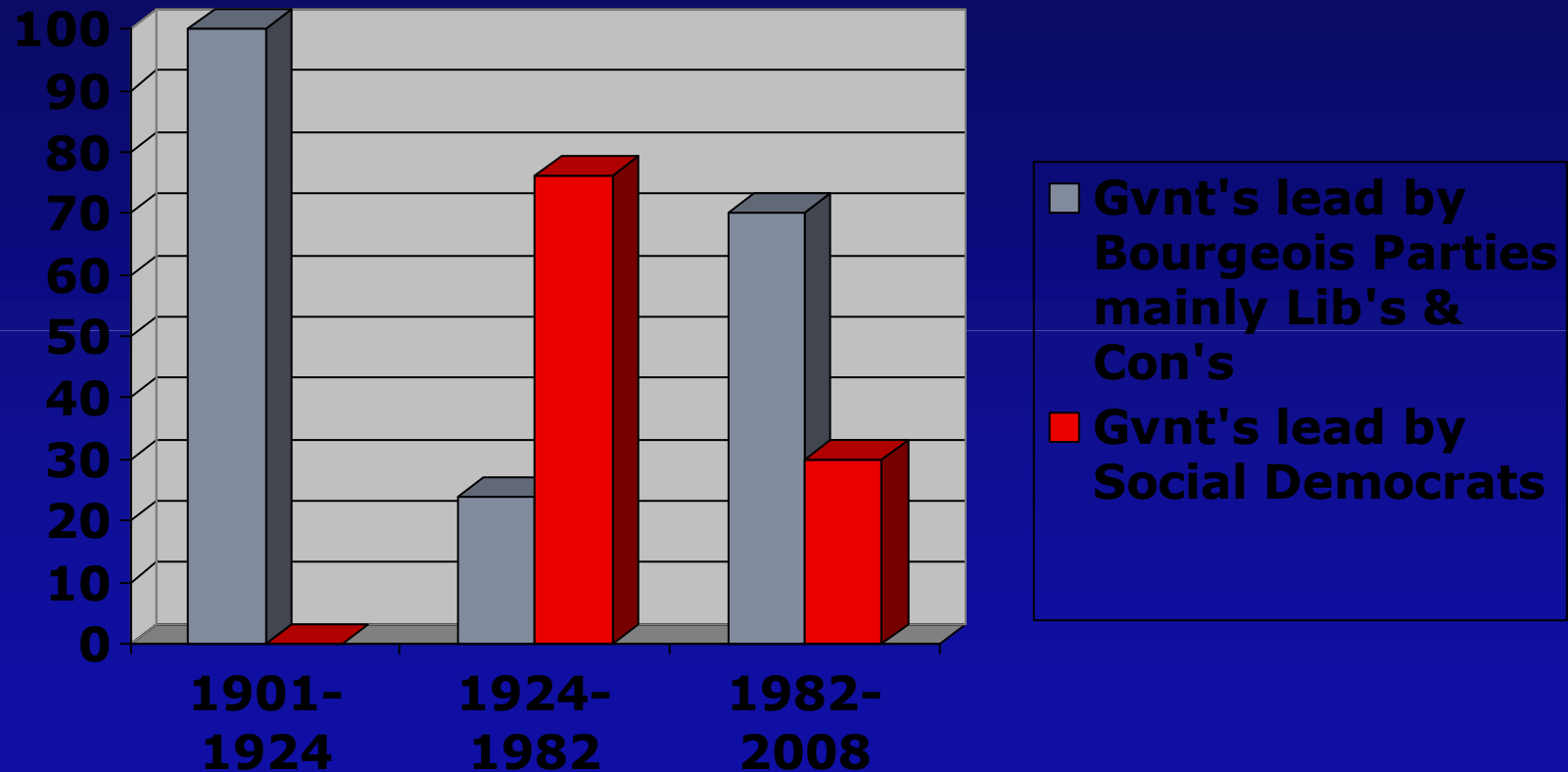
- Constitutional Monarchy
- First democratic constitution 1849
 - A gradual democratization process
- Parliamentary system since 1901
 - Unicameral since 1953
- Strong tradition of decentralization

2. The political context



- **1901-1924:** Bourgeois Parties dominant.
Especially the Liberal Party
- **1924-1982:** Social Democratic Party dominant.
But never had absolute majority.
- **1982-Present:** Liberals and Conservatives more competitive.
2001: Liberals become largest party
- Often minority government. But firm agreements,
with certain “supporting parties”.

2-1. Political Parties Leading Government



- Percentage of a period in which main political parties lead government

The 1980's: A transformational decade



Denmark in serious economic trouble in early 1980's:

- Unemployment: 10%
- Inflation: 11%
- Foreign debt: 20 → 40 % of GNP in 6 years
- Balance of payments deficit: 5-6 % of GNP
- Public debt: 80% of GNP and increasing rapidly



The economic crisis → political watershed

The Social Democratic Minister of Finance :

“Denmark is on the brink of the abyss.”

In 1982:

- The Social Democratic government gave up. Couldn't agree on effective measures.
- The Conservatives, Liberals and Social Liberals took over.

The new government carried out comprehensive, painful reforms



- Reduced the value of tax deductions for interests paid:
70% → 30%.
- Eliminated automatic indexation of salaries etc.
- Adopted at stable currency policy. No more devaluations.

The iron law of innovation



The voters accepted this painful cure.

Why?

- There was a **strong perception of crisis.**
- The draconian measures showed results after just a few years.
- To the great surprise of many:
The government stayed on for 11 years.

The Social democrats returned to power in 1991 and basically continued the policies of the previous government.



In 2001 the Liberals and Conservatives won the election. They have stayed in power since then. They have carried out several reforms.

The results of a **consistent effort** spanning a quarter century:

Today:

- The public debt has been paid back: The public sector a net creditor.
- Unemployment has effectively disappeared:
Less than 4%. The lowest in Europe.
- Foreign debt has been eliminated.



General Lessons:

1. A strong **perception of crisis** inspires people to accept sacrifices, to be more adventurous. This in turn often leads to **innovation**.
2. Good public governance must be based on sound economic policies. A **necessary**, but **not a sufficient** condition.

3. Governance indicators for Denmark



The general picture:

Denmark has very high scores on most indicators. [\[1\]](#)

And all but one of the scores has improved over the last decade. Government reforms have had the desired effect.

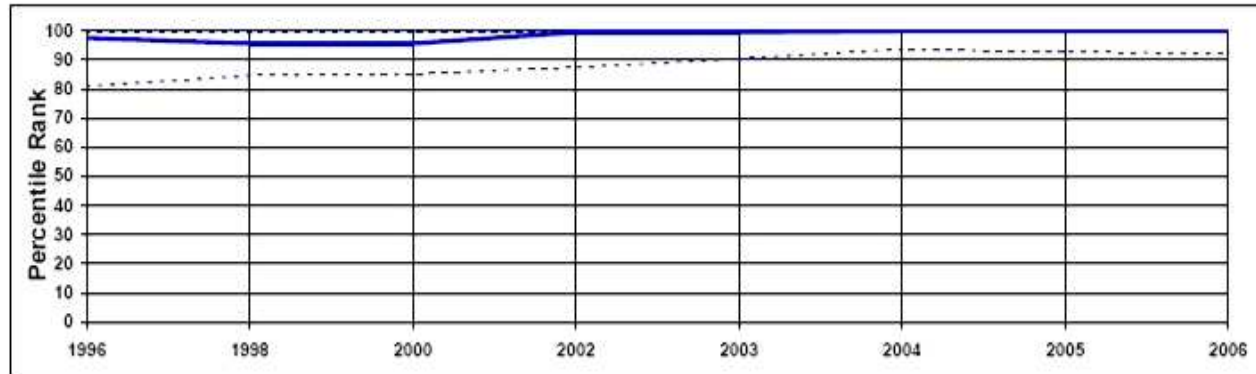
The exception: Political Stability and Absence of Violence.

[\[1\]](#) World Bank Institute, Worldwide Governance Indicators 1996 – 2006



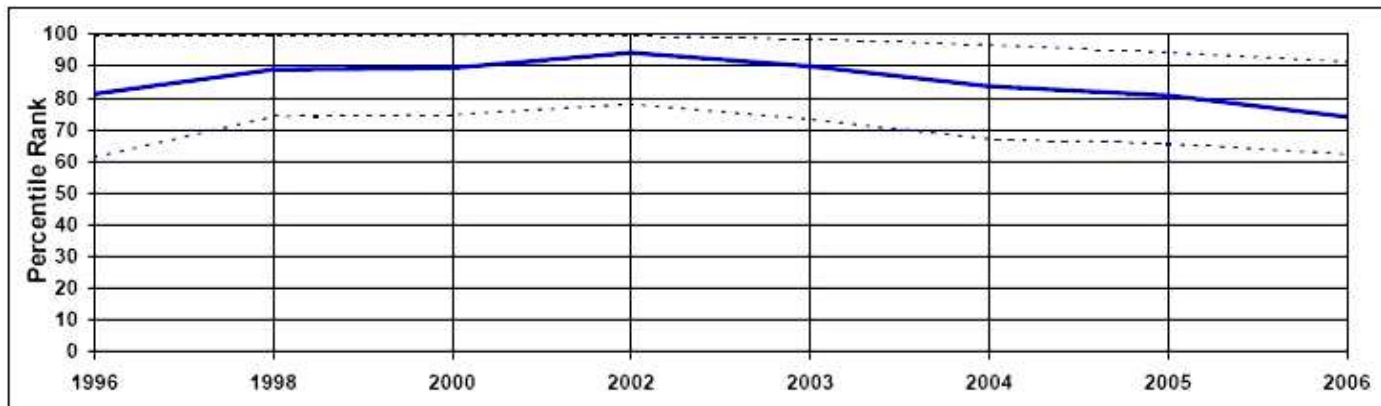
DENMARK, 1996-2006

Aggregate Indicator: Voice & Accountability



DENMARK, 1996-2006

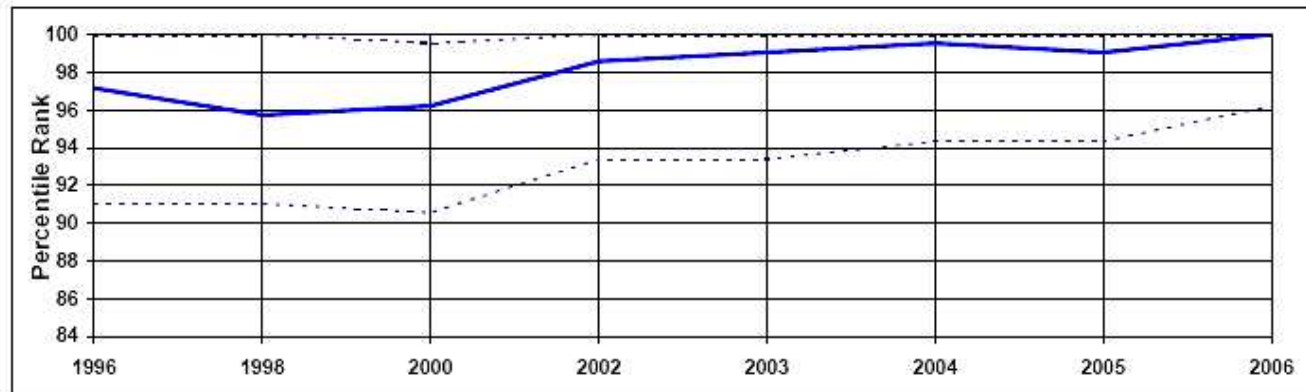
Aggregate Indicator: Political Stability and Absence of Violence





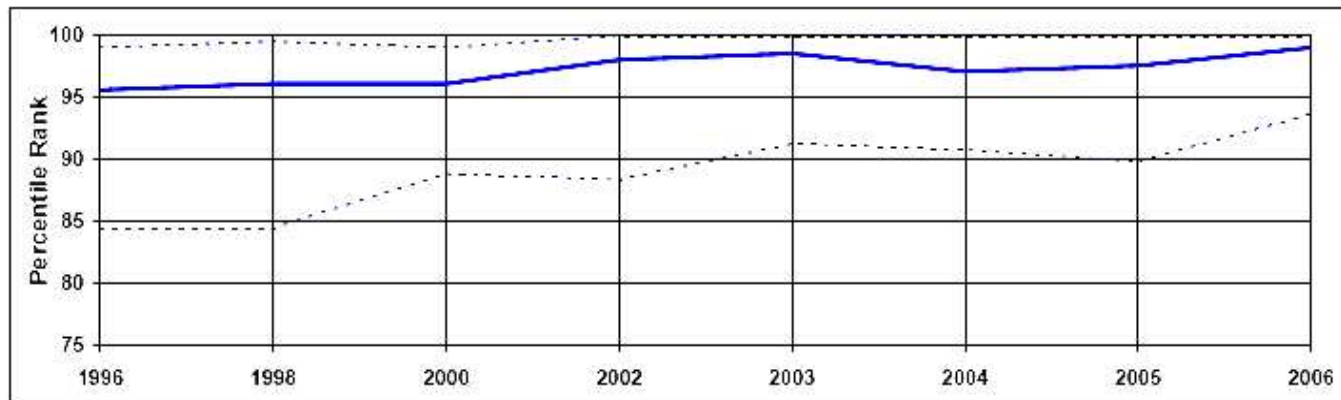
DENMARK, 1996-2006

Aggregate Indicator: Government Effectiveness



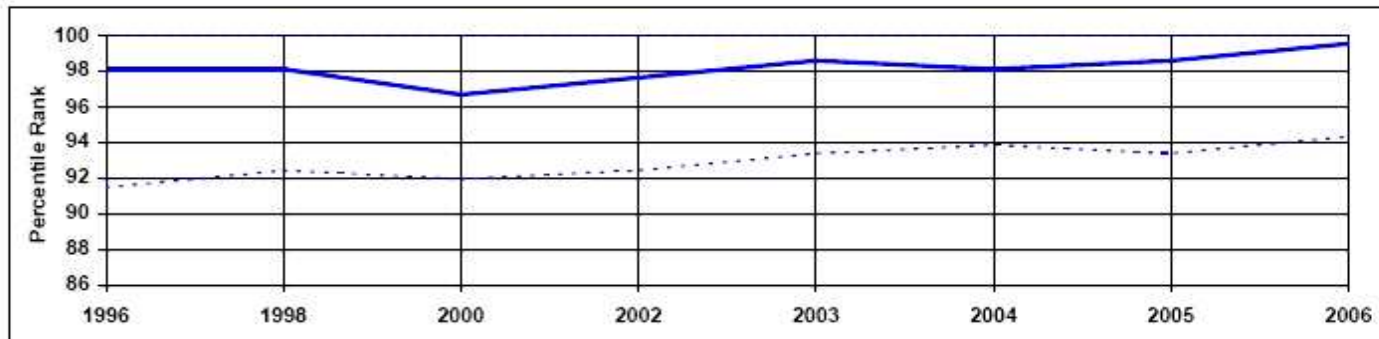
DENMARK, 1996-2006

Aggregate Indicator: Regulatory Quality

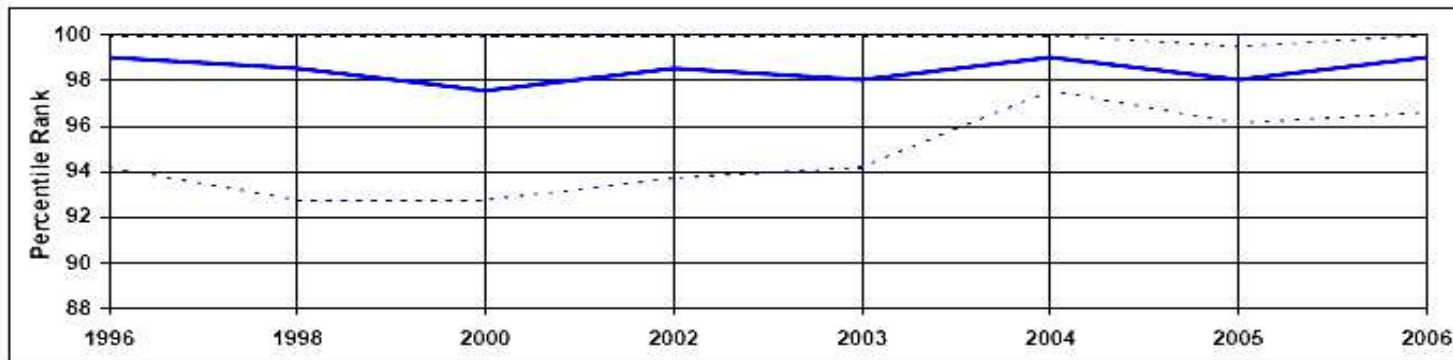




DENMARK, 1996-2006
Aggregate Indicator: Rule of Law



DENMARK, 1996-2006
Aggregate Indicator: Control of Corruption



Recently the UN concluded that Denmark was second in the world on E-Government. Sweden was first.

4. Recent Initiatives



The last two governments have stayed the reform course.

They have **increased the supply of labor**. (Demographic challenges, labor shortages)

- By strengthened incentives for postponing retirement.
- Shortened the average length of unemployment.
- Further increased labor market mobility. Denmark has one of the most flexible labor markets in the world.
- Strengthening incentives for the integration of immigrants into the labor market.
E.g. through wage subsidies. (Also part of an active integration policy)

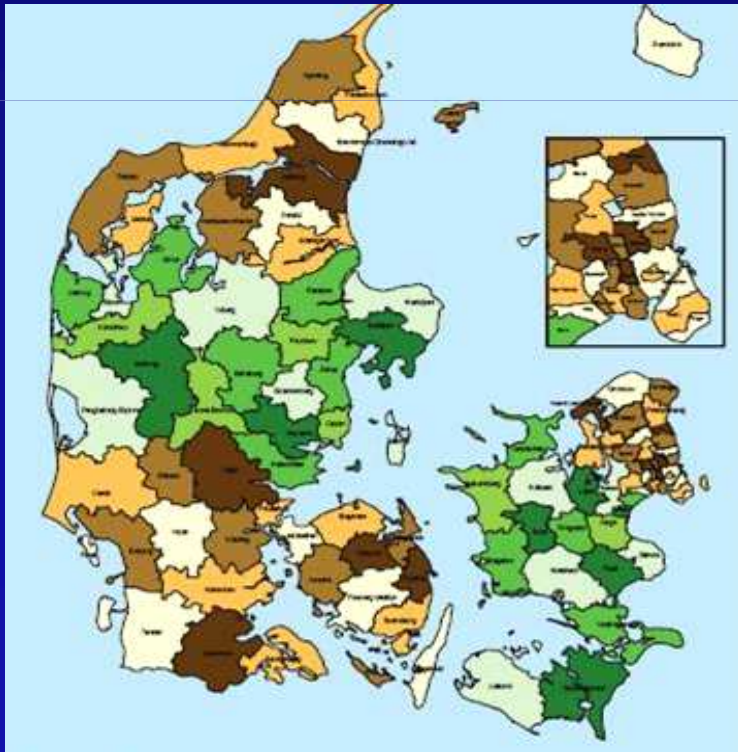
Today Denmark has the highest labor market participation in the world.

4. Recent Initiatives



Other reforms:

- The current government has also reduced **administrative burdens for businesses** by some 10 % since 2001. They are the lowest in Europe.
- In 2007 a new **structural reform** was carried out. The number of municipalities was reduced from 275 to 98. The 14 counties were eliminated and replaced by five regions.





Responsibilities of the Municipalities after 1 January 2007:

- Social services: Total responsibility for financing, supply and authority
- Child care
- Primary school, including any special education and special pedagogical assistance for small children
- Special education for adults
- Care for the elderly
- Health care: Preventive treatment, care and rehabilitation that do not take place during hospitalisation, treatment of alcohol and drug abuse, home care, local dental care, special dental care and social psychiatry
- Activation and employment projects for the unemployed without insurance in job centres run jointly with the state (10 pilot municipalities undertake the task for the unemployed with insurance on behalf of the state)
- Integration and language education for immigrants
- Citizen service regarding taxation and collection in cooperation with state tax centres
- Supplies and emergency preparedness
- Nature, environment and planning: E.g. specific authority and citizen-related tasks, preparation of local plans and plans regarding waste water, waste and water supply
- Local business service and promotion of tourism
- Participation in regional transport companies
- The local road network
- Libraries, schools of music, local sports facilities and culture



Responsibilities of the Regions after 1 January 2007:

- Hospital service, including hospitals, psychiatry and health insurance as well as general practitioners and specialists
- Regional development, i.e. nature, environment, business, tourism, employment, education and culture as well as development in the fringe areas of the regions and in the rural districts. Secretarial service for the regional growth fora.
- Soil pollution
- Raw material mapping and planning
- Operation of a number of institutions for exposed groups and groups with special needs for social services and special education
- Establishment of transport companies throughout Denmark



Responsibilities of the State after 1 January 2007:

- Police, defence, legal system
- Foreign service, Official Development Assistance
- General planning within the health care sector
- Education and research except primary school and special education
- Activation of the unemployed with insurance in joint job centres with the municipalities, unemployment insurance, working environment and overall employment policy
- Taxation and collection of debt to the public authorities
- Social services: National knowledge and special counselling organisation (VISO)
- The general road network and the state railway
- General nature, environmental and planning tasks
- Certain cultural measures
- Business economy subsidies
- Reception of asylum applicants



- The Government has invested heavily in **improving medical services**. Patients have been guaranteed that they will be treated quickly for serious illnesses. Surveys show that the public is more satisfied than it was five years ago.

- Citizens are enjoying increased **freedom of choice** of public services. Schools, hospitals, kindergartens etc.

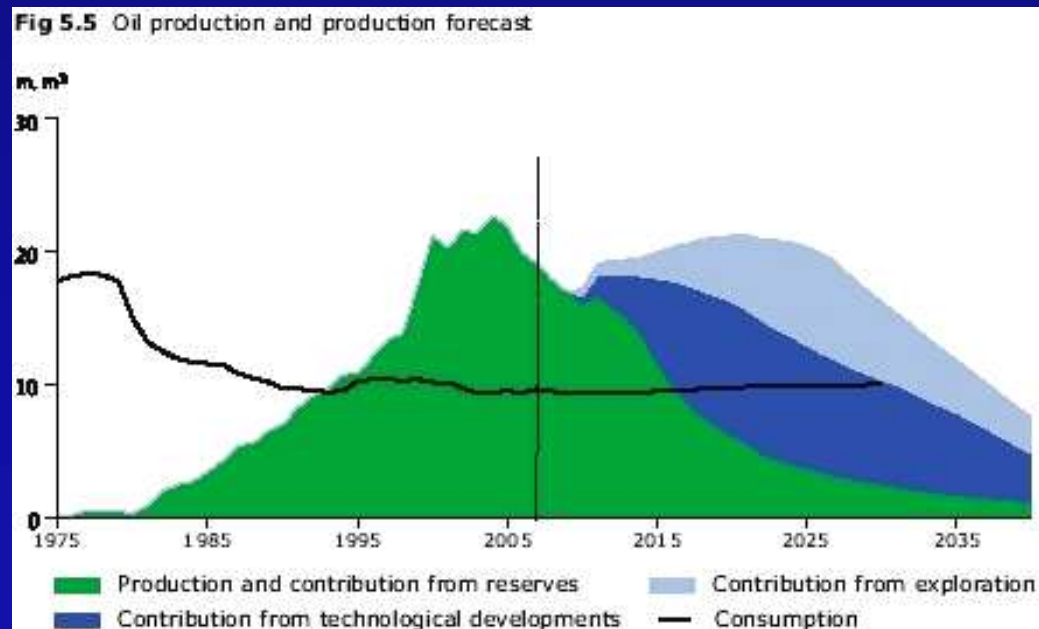
- Administrative burdens for businesses have been reduced by some 10 % since 2001. They are the lowest in Europe.

- A globalization council was set up to assess the challenges and opportunities of globalization. As a result a **Globalization Fund** of 2 Bill. US. \$ was established. It will support research, development, education, entrepreneurship etc. The Danes have the **most positive attitude to globalization** of all European peoples.

5. The Future challenge



- Demographic trends.
- Size of the public sector.
- Levels of taxation.
- Ever increasing demand for public services.
- Antiglobalization → ↑ protectionism.
- When the oil runs out.



5. The Future challenge



- A global recession?
- Dealing with immigrants from unfamiliar cultures.

Recent governments have attempted to address many of these issues.

But do the measures match the challenges? Are they sufficient?

5. The Future challenge



To revert to the introduction:

- Are we going to rest on our laurels?
- Are we still committed to constantly strive for excellence?
- Will we relax, and grow content with our accomplishments over the last 25 years?
- Are we going to make the mistake so often seen:
When times are good we lose our taste for profound reform?
- Will we make the mistake of the 1980's:
Only when there is a widespread perception of crisis, we will mobilize the will to act decisively?
- Who do we benchmark against when you are among the best?
- Against an ideal perhaps?