



DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT **B** STRUCTURAL AND COHESION POLICIES



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ECONOMIC, SOCIAL AND TERRITORIAL SITUATION OF DENMARK

NOTE



**DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

REGIONAL DEVELOPMENT

ECONOMIC, SOCIAL AND TERRITORIAL SITUATION OF DENMARK

NOTE

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Abstract

This Note provides an overview of the Danish economic, political and administrative framework for EU Cohesion policy, as well as its National Strategic Reference Framework for the period 2007-2013.

The paper gives also an insight into the Danish position on the future of Cohesion policy and the priorities of the EU Presidency from 1 January - 30 June 2012.

The Note has been prepared in the context of the Committee on Regional Development's delegation to Denmark, March 2012.

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LIST OF ABBREVIATIONS

DEACA	Danish Enterprise and Construction Authority
DG ECFIN	Directorate-General for Economic and Financial Affairs, European Commission
DG REGIO	Directorate-General for Regional Policy, European Commission
DRK	Danish Krone
ERDF	European Regional Development Fund
ESF	European Social Fund
EUR	Euro
ICT	Information and Communication Technology
IT	Information Technology
LAU	Local Administrative Unit
LGDK	Local Government Denmark
MFF	Multiannual Financial Framework
NDS	National Development Strategy
NMS	New Member State
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Territorial Units for Statistics
ROP	Regional Operational Programme
SME	Small and medium enterprises

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1. KEY FACTS AND FIGURES

Figure 1: Map of Denmark



Source: Eurostat

Denmark is located in Northern Europe. In the south, Denmark has a 68 km long border with Germany. In the west, north and east it is limited by the North and Baltic Sea. What is more, the eastern part of Denmark has also a bridge connection with Sweden.

Most of the country (70% of its superficies) is located on the Jutland Peninsula and the rest of the territory on 406 islands, 78 of which are inhabited. The total of the coast line is 7,314 km long. The highest point is 170 m above sea level.

With the population of 5.56 million citizens, Denmark is the sixteenth biggest country in the European Union.

The Kingdom of Denmark also encompasses the autonomous regions of Greenland and the Faroe Islands in the North Atlantic. Both regions have high levels of autonomy as the Faroe Islands and Greenland gained extensive self-government in 1949 and 2009, respectively.

Upon the Danish accession to the European Communities in 1973, the Faroe Islands opted out, while Greenland initially joined it but later left the Communities in 1985. Today these territories are not members of the EU. Denmark, Greenland and the Faroe Islands altogether form the Unity of the Realm.

Figure 2: Key Data

Area	43 075 km ²
Population	5 560 628
Population density (per km ²)	129
Official language	Danish
Currency	Danish krone (1 euro = 7.44 krone)
GDP per capita (PPS)	127
Growth rate	1.2%
Unemployment rate	7.6%
Inflation rate	2.7%
Public deficit	2.2%*
Public debt	43.7% of GDP*

Source: Eurostat for 2011, *Eurostat for 2010

1.1. Political and governmental structures

The Kingdom of Denmark is a **constitutional monarchy**. Queen Margrethe II has mainly a representative role. The main power belongs to the parliament: the Folketing (*Folketinget*) and the government.

The Danish parliamentary system dates back to 1848 when the first liberal constitution introduced the bicameral system of Rigstag (*Rigsdagen*) with the lower chamber Folketing and the upper chamber Landsting (*Landstinget*). However, formally both chambers had equal rights. In 1915, women were granted the right to vote in the Danish parliamentary elections.

The constitution from 1953 has abolished the Landsting and today the Folketing is the only chamber of the parliament. The election period is four years, but the Prime Minister may call an early election at any time. If the Folketing passes a vote of no confidence for the government, the Prime Minister must resign or call new elections.

Folketing has 179 members of which 175 are elected in Denmark, two in Greenland and two in the Faroe Islands.

Parliamentary elections are organized by proportional representation. 135 seats are allocated to 10 constituencies, with an even distribution across the country and a small advantage to sparsely populated areas. Additional 40 seats are distributed on the national level to ensure that parties with support dispersed all over the country, but without a particularly strong position in any of the regions, have a chance of being elected. Such a party has to obtain a minimum 2% of the total votes in the country. This percentage is low in comparison to other European countries.

As the minimum for being represented in the Parliament is relatively low, many parties usually have its representatives (currently 12 parties are represented in the Folketing).

As a result, it is very difficult to gain a majority government. Hence, centre-right or centre-left coalitions are usually formed. Since 1909, no party has won an absolute majority in the Folketing.

In Denmark, in opposition to the majority of the EU Member States the government does not have to get the vote of confidence from the Parliament. It is enough to not lose the vote of no confidence. As a consequence, governments with the minority support can work efficiently as long as they respect the opinion of the other members of the Parliament. That makes the legislation focused on the compromise with the opposition and guarantees the stability of the legislation independently of the results of the following elections.

The last elections took place in September 2011. Currently, the Danish government is created by the left-centre coalition of Social Democrats, the Socialist People's Party and the centrist Social Liberal Party. The Prime Minister is Helle Thorning-Schmidt. She is the first woman to become Prime Minister of Denmark.

At present, the following 12 political parties are represented in the Danish Parliament:

- Venstre (The Liberal Party) - 47 members.
- Socialdemokratiet (The Social Democratic Party) - 44 members.
- Dansk Folkeparti (The Danish People's Party) - 22 members.
- Radikale Venstre (The Social Liberal Party) - 17 members.
- Socialistisk Folkeparti (The Socialist People's Party) - 16 members.
- Enhedslisten (The Unity List) - 12 members.
- Liberal Alliance (Liberal Alliance) - 9 members.
- Det Konservative Folkeparti (The Conservative Party) - 8 members.
- Inuit Ataqatigiit (Greenland) - 1 member.
- Siumut (Greenland) - 1 member.
- Sambandsflokkurin (The Faroe Islands) - 1 member.
- Javnaðarflokkurin (The Faroe Islands) - 1 member.

The current **three-party coalition lacks an overall majority in the Parliament** and the government needs the support of the far-left Unity List or individual members of other opposition parties. The centre-left government will probably seek to fund higher public spending by raising indirect taxes. The Social Liberals will presumably try to limit tax increases for business.

As far as foreign policy is concerned, the Danish long-standing strategy focuses on active membership in the EU, a close transatlantic relationship and membership in NATO and the UN. Since 2009, former Danish Prime Minister and leader of the Liberal Party, Anders Fogh Rasmussen, has been the NATO Secretary General.

Denmark strongly supports economic cooperation in Europe but is more reluctant to political integration. As a result, since the Treaty of Maastricht in 1992 Denmark has had four **opt-outs from the important European common policies**: European Economic and Monetary Union (end EURO), the defence political cooperation, an extension of the legal cooperation and union citizenship.

The new government is considering to remove from the opt-outs in the fields of the Common Foreign and Security Policy and the Justice and Home Affairs. The question of membership in the EURO zone is currently out of the public discussion.

1.2. The economy

In 2010, the Danish gross domestic product per capita was EUR 42 500, which places Denmark in second place in the EU just behind Luxembourg¹.

The Danish economy started slowing down in 2007 as a result of the correction in the real estate market which caused also banking problems. Amplified by the international **economic crisis**, the Danish recession was severe, with the GDP decrease of almost 8% between the autumn of 2007 and the spring of 2009, and strong impact on the budgetary, monetary and employment situation.

Traditionally, Denmark had a healthy public finances sometimes also with the budgetary surplus. However, due to the economic crisis, in 2012 the budget deficit is expected to widen to close to 6% of GDP, from an estimated 3.7% of GDP in 2011. The deficit should decline from 2013 as public investment begins to fall back and indirect taxes are increased. Government debt is forecast to increase from about 43% of GDP in 2010 to close to 60% by 2016, which would still be moderate by west European standards².

The recovery from the recession of 2008-09 remains fragile. Real GDP growth is forecast to stay below 1% in 2012, recovering moderately thereafter.

Denmark is **not a member of the EURO zone** and its central bank (called *Nationalbank*) can make its independent interest rates policy. However, the primary aim of the monetary policy is to support the Danish krone's (Dkr) peg to the EURO. The krone is pegged to the EURO at a central rate of around Dkr 7.46:1, within a band of $\pm 2.25\%$. As a result, the Danish central bank usually follows the interest rate decisions of the European Central Bank.

At the end of 2011 the Danish currency was appreciated as a result of the debt crises in the EURO zone. In reply the Nationalbank reduced its interest rates in November and December 2011 and is likely to cut interest rates further in 2012. The second move was in particular designed to reduce pressure on the krone's peg to the euro³.

Traditionally Denmark had a low inflation rate. However, in 2008 it increased up to the level of 3.8%. Overall, inflation is forecast to fall from an average 2.7% in 2011 to about 2.2% in 2012.

Historically Denmark had a very strong agriculture sector. Its production largely exceeds the Danish needs and until the mid sixties agriculture products were the most important category of the Danish export.

However, the rapid industrial development in the XX century has changed this situation. In 2010 agriculture, fisheries, and extractive industries were responsible for the creation of 4.5% of GDP. The main agriculture products are meat, milk, grains, seeds, and fish.

The Danish industry is responsible for 19% of GDP. The most important sectors are industrial and construction equipment, food processing, electronics, chemicals, pharmaceuticals, furniture, textiles, windmills and ships.

Denmark has relatively poor natural resources. Only limited oil and gas reserves on the North Sea were discovered in the nineteen sixties.

In 2010 Danish **exports** reached EUR 73.6 billion and were higher by 9.4% than in the crisis year 2009, when it fell by 15.3%. It was still about 7% lower than in 2008. Danish **imports** for 2010 (valued at EUR 64.2 billion) increased by 8.3% compared to 2009.

¹ Eurostat - GDP and main components - Current prices for 2010.

² After "Country Report. Denmark", Economist Intelligence Unit, January 2012.

³ Ibidem.

However, this level was about 13.6 % lower than in the year 2008. Denmark has a trade surplus that in 2010 reached EUR 9.4 billion⁴.

From the mid sixties Danish industrial export exceeds agriculture export. In 2010 the most important Danish export goods were: industrial production/manufactured goods 73.3% (of which machinery and instruments were 21.4%, and fuels, chemicals, etc. 26%); agricultural products and others for consumption 18.7% (in 2009 meat and meat products were 5.5% of total export; fish and fish products 2.9%). For imports the most important products were: raw materials and semi-manufactures 37.4%, consumer goods 17.9%, capital equipment 21.7%, transport equipment 9.7% and fuels 8.0%⁵.

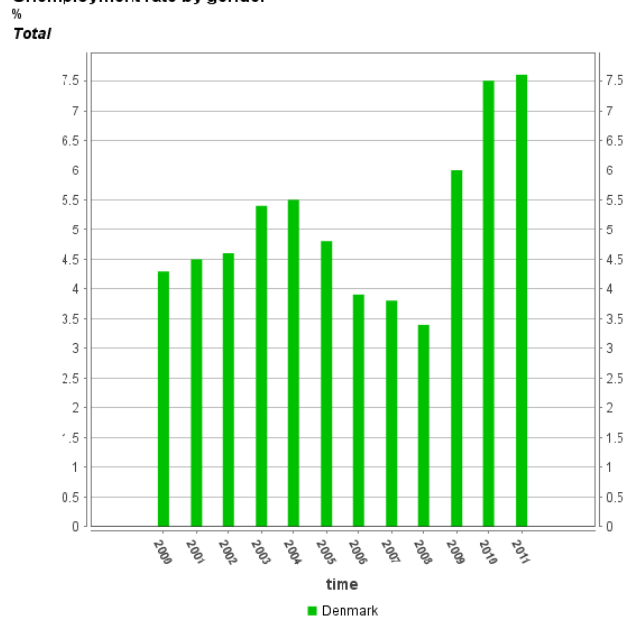
The Danish leading markets are Germany 16.8%, Sweden 13.4%, U.K. 8%, U.S. 6.1% and Norway 5.9%. Germany is Denmark's leading supplier (20.7%), along with Sweden 13.3%, Holland 7.2% and U.K. 6%⁶.

The most well-known Danish companies are LEGO (Toys), Danfoss (thermostats), Grundfos (pumps) and A.P. Møller-Mærsk (maritime transport).

Denmark has an **unemployment** rate below the EU average. Until 2008 it was below 4%. Unfortunately, due to the economic crisis it increased up to the 7.6% in 2011. In general, there is a similar level of unemployment of men and women. The employment rate dropped from 79.8% in 2008 to 76.1% in 2010, affecting young people in particular⁷. The youth unemployment rate (less than 25) increased from 7.5% up to 14.2% in 2011.

Figure 3: Unemployment rate in Denmark

Unemployment rate by gender



Source: Eurostat

Denmark is proud of its labour market regulation system called: **Flexicurity**. Danish employers can dismiss employees at very short notice but the State offers them very good support (training and unemployment allowance). This flexibility encourages the employers to hire new staff when only it can support the development of the companies and secure its competitiveness.

⁴ Eurostat for 2010.

⁵ US Department of State.

⁶ Eurostat for 2010.

⁷ After DG REGIO.

2. INSTITUTIONAL AND ADMINISTRATIVE FRAMEWORK FOR EU COHESION POLICY

2.1. Administrative Division of Denmark⁸

Denmark is a unitary state with three levels of Administration. Denmark is divided into **5 regions** (*regioner*) and a total of **98 municipalities** (*kommuner*). This structure was introduced by the so-called **Structural Reform** from 2007. This reform introduced a new division of regions and municipalities, a new distribution of tasks between municipalities, regions and the state and a new financing system.

Figure 3: Danish regions



Source: "The Regions in Brief", Danish Regions, 2012

The Structural Reform replaced the major part of the reimbursement schemes by the general state grants – the so-called **block grants** – and financial equalisation schemes between the rich and the poor municipalities were expanded. The number of taxation levels was reduced from three to two. The regions have lost their right to impose taxes and therefore they are financed partly by the municipalities and partly by the state⁹.

The 5 new regions were created on 1 January 2007 and replaced the old 13 counties (*amter*). The rules concerning its governments are laid down in the **Regional Government Act**.

⁸ This chapter is based mainly on the information from the webpage of the Danish Regions organisation and the webpage of the Danish Ministry of Health.

⁹ After: <http://www.im.dk/English/Municipalities-regions/Structural-reform.aspx>

Danish regions, corresponding to NUTS 2 level, differ in relation to their physical geography, areas and populations. For example, more than 30 per cent of the inhabitants of Denmark live in the Capital Region of Denmark, which at the same time is the smallest region in terms of its area.

Table 1: Areas and populations of the Danish regions, April 2011

Region	Population	Area in km ²	Inhabitants per km ²
Capital (<i>Hovedstaden</i>)	1,702,388	2,561	665
Zealand (<i>Sjælland</i>)	819,071	7,273	113
Southern Denmark (<i>Syddanmark</i>)	1,200,858	12,191	99
Central Jutland (<i>Midtjylland</i>)	1,262,115	13,142	96
Northern Jutland (<i>Nordjylland</i>)	579,787	7,931	73
Total	5,564,219	43,098	129

Source: "The Regions in Brief", Danish Regions, 2012

The Danish regions are governed by the regional councils (*regionsråd*). Each regional council is composed of 41 members elected for a four year period in general regional elections. These are held on the same day as the local government elections. The regional councils choose from its members the chairperson. The regional councils have a large freedom in designing the regional administration. However, they are obliged to elect their Business Committees with 11-19 members. These committees are responsible for administration of the regions' economy and staff as well as preparation of the draft of the regional budget.

The regional councils are obliged to establish also a Contact Committees consisting of the chairperson of the regional council and the mayors of the municipalities in these regions. The chairperson of the regional council executes the function of the chairperson of the Contact Committee.

The five regions are primarily responsible for the **health care system**. Regions are also responsible for a variety of specifically defined tasks, which are most appropriately solved at the regional level. These include tasks related to the regional development and growth, as well as tasks related to specialised educational and social institutions.

The regions have no right to impose their taxes. Instead, a special financing system has been established with the financial contribution of the State and the municipalities. Most of the budget of the regions is allocated to the national health service. It is financed by a national tax (that the regions can not influence) combined with additional funds from both the government and municipalities.

In 2007, smaller municipalities (*kommuner*) were merged into larger units, cutting the number of municipalities from 271 to 98. These new communes are corresponding to LAU 1 level (former NUTS 4). Only the municipalities are considered to be **local authorities**. Most municipalities have a population of at least 20,000 people. This gives them financial and professional sustainability.

The rules concerning local government are laid down in the **Local Government Act**. Municipalities are led by the local councils elected for four year periods in local government elections. Municipalities are obliged to appoint a Finance Committees, and other standing committees if needed. These committees are responsible for the preparation and implementation of the council decisions, and for the administration of local authority functions. They also make decisions on behalf of the council. The local council may set up advisory committees¹⁰.

The head of the local authority is the mayor, who chairs the council and the Finance Committee. The mayor is elected by the council from amongst its members for a term of four years. The mayor has the responsibility of day-to-day management of the council's administration. He/she executes also certain state functions, for example, for civil marriages.

The municipality council has large freedom for the organisation of its administration and can decide what kind of management structure is preferred, which functions should be allocated to the individual departments, and how individual units should be organised.

Not all responsibilities of local authorities are specified by law. Some tasks are based on the **municipal authority rules** that constitute a set of unwritten principles on the non-statutory responsibilities of local authorities. The rules stipulate that tasks that are handled or supported by the local authorities must be of a certain benefit to the local citizens. The local authorities must not handle tasks that have been transferred to other authorities and the support must not be given to individuals or individual enterprises. A classic example of a task to be handled by a local authority under the municipal authority rules are initiatives related to recreational, cultural and sports activities¹¹.

The municipalities are responsible for most of the welfare related tasks. They have become the citizens' main access point to the public sector. Responsibilities of the municipalities include preventative health care, social services, collective transport & roads, and employment.

On the national and European level Danish municipalities and regions are represented by their own organisations: municipalities by Local Government Denmark - LGDK (*Kommunernes Landsforening*) and regions by Danish Regions (*Danske Regioner*). These organisations delegate their representatives to the EU's **Committee of the Regions**. LGDK has 6 members representing Danish municipalities and Danish Regions has 3 members of the Committee of the Regions.

Table 2: Distribution of competences

Level of governance	Responsibilities
Region (<i>regioner</i>)	Operation of hospitals, organisation of in-service training sectors, regional development, special institutions and special education, psychiatric services, public transport planning, clearing up soil pollution and the development of tourism
Municipalities (<i>kommuner</i>)	Environmental planning, public roads and transport, waste management, schools and care for the elderly, employment, business and regional policy, culture, social affairs, responsibility for prevention and rehabilitation

Source: "The Committee of the Regions and the Danish Presidency of the Council of the European Union", Committee of the Regions, February 2012

¹⁰ After: <http://www.im.dk/English/Municipalities-regions.aspx>

¹¹ After: <http://www.im.dk/English/Municipalities-regions/Municipal-authority-rules.aspx>

A state administration office (*statsforvaltning*) exists in each of the 5 Danish regions. It is not subordinate to the regional councils. These offices supervise the daily activities of municipalities and regions, and function as a body of appeal for citizens who wish to complain over the decision of the municipality or region. The supervision of the local and regional governments is performed only from a legal point of view. They do not consider if the decisions of the local or regional bodies are just and right as long as they comply with the law.

2.2. Structural Funds Management

After the Structural Reform of 2007 the Danish system for managing the Structural funds is **relatively centralised**. The authority with overall responsibility for cohesion policy is the Danish Enterprise and Construction Authority - DEACA (*Om Erhvervs- og Byggestyrelsen*), which is controlled by the Ministry of Economic and Business Affairs.

However, the whole process of the preparation of the strategic documents necessary for the Structural Funds management is based on the partnership with the local and regional partners. DEACA cooperates with the 6 regional growth forums. These forums are created by Danish regions and include representatives from local and regional authorities, industry, social partners and education. Regional growth forums are the regional stakeholders for the Structural Funds empowered to making recommendations concerning the use of these funds.

Each year the 6 regional growth forums prioritise projects and activities for about EUR 65 million from both ERDF and ESF funds. These funds are spent according to the business development strategy of each region¹².

Centrally, EU structural funds actions are coordinated by the national Growth Council (*Om Danmarks Vækstråd*). This body promotes coordination between the national growth strategy and the regional business development strategies set by the regional growth forums.

¹² Danish Regions - <http://www.regioner.dk/>

3. EU COHESION POLICY IN DENMARK 2007-2013

3.1. Objectives and Funds

For the period 2007-13, Denmark has been allocated an amount of **€613 million**¹³ of Cohesion Policy funding:

- **EUR 510 million under the Regional Competitiveness and Employment Objective**
- **EUR 103 million under the European Territorial Co-operation Objective**

To complement the EU investment under the National Strategic Reference Framework (NSRF), the national Danish contribution is expected to reach the amount of EUR 327 million of public funding and EUR 183 million of private funding. That brings the total amount available for Cohesion Policy activities to almost EUR 1.2 billion.

Denmark has translated the broad priorities from the NSRF into **2 Operational Programmes (OPs)**:

- **Innovation and Knowledge** (EUR 255 million, ERDF);
- **More and Better Jobs** (EUR 255 million, ESF).

Table 3: Structural funds for Denmark in EUR million 2007-2013

Objective	Fund	EU	National Public	National Private	Total
Regional Competitiveness and Employment	ERDF	255	157	98	510
	ESF	255	170	85	510
Total Regional Competitiveness and Employment		510			
Total European Territorial Cooperation ¹⁴	ERDF	103	-	-	103
Total		613	327	183	1123

Source: European Commission, DG REGIO

In the programming period 2007-2013 all Danish regions are eligible under the Regional Competitiveness and Employment Objective.

¹³ Unless otherwise indicated, all figures in this section are from the website of DG REGIO.

¹⁴ Each Territorial Cooperation Programme includes a minimum of 15% co-financing from each participating Member State.

Figure 4: Regional Competitiveness and Employment Objective regions in Denmark, 2007-2013



Source: European Commission, DG REGIO

3.2. NSRF and Operational Programmes¹⁵

As laid down in the Danish **National Strategic Reference Framework**, the EU funding will be invested in four strategic growth drivers:

- **Human resources** –focused on developing the country’s human resources. Actions aim at upgrading the qualifications of the workforce and developing managerial skills (through trainings, reinforcing innovation in enterprises and promoting better use of new technologies) and increasing employment and self-employment (by enhancing skills, supporting entrepreneurship, and promoting "active ageing" and flexible forms of working);
- **Innovation** – focused on supporting the conditions for market-based sustainable innovation. Actions include reinforcing the collaboration between enterprises and knowledge institutions, building cluster-based competency and strengthening the capacity of enterprises to exploit new knowledge.
- **Use of new technology** – focused on improving the use of, transfer of, access to and exchange of new technology. Actions include creation of the Information and Communication Technology (ICT) infrastructure, digitalisation of the services of the public sector, and increase of the use of ICT in educational institutions.

¹⁵ Unless otherwise indicated, this chapter is based on the information from the website of DG REGIO.

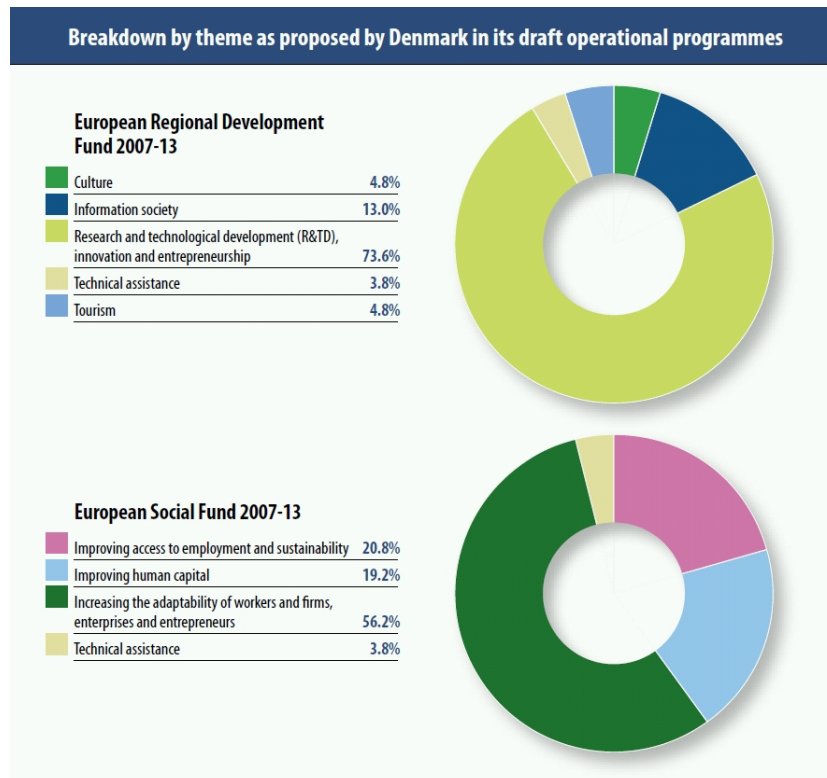
- **Entrepreneurship** – focused on supporting new enterprises. Actions include specialist advice, access to the capital, creation of networks and development of entrepreneurial skills.

Danish NSRF includes a significant commitment to the Lisbon Strategy for jobs and growth, as it is allocating a substantial share (92%) of its investment directly to elements of the Lisbon Strategy.

To measure the impact of the EU Cohesion Policy, Denmark has set several targets for its NSFR to be achieved by 2013:

- The employment rate should be 72.7% (compared to 72.6% in 2005);
- 30% of people aged 25-64 should take part in training activities within four weeks prior to the date of registration (approximately 27% in 2005);
- 45% of unskilled workers aged 25-64 should take part in training activities within one year prior to the date of registration (approximately 41% in 2005);
- At least half of Danish enterprises are expected to be innovative (an increase of 10% compared to 2000);
- Denmark should be among the five most innovative countries in the EU (compared to 9th place now);
- The penetration rate of ICT in Danish companies should be at least 75% (56% in 2005).

Figure 5: Structural Funds for the period 2007-2013. Breakdown by theme as proposed by Denmark in its draft operational programmes



Source: European Commission, DG REGIO

3.3. European Social Fund - OP "More and better job"¹⁶

Denmark has the lowest ESF funding per capita in the European Union and the fourth lowest global ESF budget after Luxemburg, Malta and Cyprus. Denmark's OP for ESF "More and better job" is focused on developing more and better-qualified workers for Danish enterprises. Its aim is to make Denmark a country of world-class education, a leading knowledge society, and an innovative and entrepreneurial society. Within this wider framework, the OP "More and better job" concentrates on improving human capital as a driver of growth and takes an enterprise-based approach. It has 2 major priorities:

Priority 1: **A qualified workforce (better jobs)**

The aim of this priority is to improve the qualifications of the Danish workers both employed and unemployed. The goals are:

- To upgrade workforce qualifications and make professional management skills more accessible to enterprises;
- To reinforce innovative efforts of Danish enterprises through, for example, enterprise-knowledge institution collaboration, cluster-based competency building, and actions to enhance the capacity of enterprises to exploit new knowledge;
- To better use the new technologies by the public- and private-sector workforces. ESF funding supports workforce IT skills necessary for the enterprises and administrations to realise the full benefits of the IT investments.

Priority 2: **Expansion of the workforce (more jobs)**

The aim of this priority is to bring more people into work. It aims to pull down barriers to workforce participation, for example, among older workers, immigrants and the disabled persons. The goals are:

- A larger workforce - by introduction of more flexible working practices and better use of existing competencies, as well as developing new ones (e.g. language lessons for immigrants);
- Encouraging entrepreneurship - by promoting entrepreneurship and supporting entrepreneurial, innovative start-ups through, for example, regional networks or specialised advisory services;
- More new technology for more jobs - by supporting the utilisation of new technologies in education, in-house training programmes and in recruitment processes in particular in areas facing structural difficulties.

¹⁶ Unless otherwise indicated, this chapter is based on the information from the webpage of the "ESF in Member States - Denmark": <http://ec.europa.eu/esf/main.jsp?catId=376&langId=en>

Table 4: ESF Fund in Denmark 2007-2013

Priority axis	Community funding	National contribution	Total funding
A qualified workforce (Better jobs)	178 911569	178 911569	357 823 138
Expansion of the workforce (More jobs)	66 172 772	66 172 772	132 345 544
Technical assistance	9 704 278	9 704 278	19 408 556
TOTAL	254 788 619	254 788 619	509 577 238

Source: European Commission, DG REGIO

3.4. European Regional Development Fund - OP "Innovation and Knowledge"

The main part of the European Regional Development Fund in Denmark is allocated through the OP "Innovation and Knowledge". While the social fund activities focus on 2 priorities, the Regional Fund activities center on 1 unique priority - **innovation and knowledge**. Its aim is to ensure that Danish enterprises have good framework conditions as far as entrepreneurship, innovation and use of new technology are concerned.

The Structural Funds resources are allocated to the six regional growth forums in accordance with the following allocation key:

- 90% of the resources (excl. technical assistance) are allocated as a fixed amount to the six growth forums on the basis of the following socio-economic criteria:
 - The region's share of the total population of Denmark's peripheral areas (45% weighting);
 - The region's share of the total population of Denmark (40% weighting);
 - The region's share of the total number of unemployed persons in Denmark (10% weighting);
 - The region's share of the total number of persons who have not undergone vocational training for a particular job in Denmark (5% weighting);
- 10% of the resources (excl. technical assistance) are allocated to the growth forums on a competitive basis.

This 10% of the resources which are allocated to the growth forums on a competitive basis will – in common with the remaining 90% – be allocated at the recommendation of the regional growth forums.

OP "Innovation and Knowledge" targets 3 of the Growth Drivers identified in the NSFR that are particularly relevant for the ERDF Fund context:

- Innovation, knowledge sharing and knowledge building;
- Establishment and development of new enterprises;
- Use of new technology.

Table 5: ERDF Fund in Denmark 2007-2013

Priority axis	Community funding	National contribution	Total funding
Innovation and Knowledge	245 084 342	245 084 342	490 168 684
Technical assistance	9 704 278	9 704 278	19 408 556
TOTAL	254 788 620	254 788 620	509 577 240

Source: European Commission, DG REGIO

3.5. European Territorial Cooperation

The ERDF also contributes towards financing of the European Territorial Cooperation objective consisting of three strands: cross-border, trans-national and interregional. Denmark takes part in the 10 territorial cooperation programmes:

- Four **cross-border programmes** with other EU Member States:
 - "Öresund, Kattegatt, Skagerrak" (with Sweden and Norway),
 - "Syddanmark-Schleswig-K.E.R.N." (with Germany),
 - "Fehmarnbeltregion (Sjælland-Ostholstein-Lübeck-Plön)" (with Germany)
 - "South Baltic" (with Germany, Sweden, Lithuania and Poland);
- Two **transnational programmes** which cover larger areas of Cooperation:
 - "North Sea";
 - "Baltic Sea";
- Four **interregional cooperation programmes**: INTERACT II, URBACT II, ESPON and INTERREG IVC (total budget for all the 27 EU Member States: €443 million).

For these activities, during the period 2007-2013, Denmark will receive EUR 103 million.

4. DANISH PRESIDENCY AND COHESION POLICY

4.1. Programme of the Danish presidency

During the first semester of 2012 Denmark holds the Presidency of the Council of the European Union. It is already the seventh time Denmark holds the EU Presidency since joining the European Community in 1973. Denmark has taken this role after two New Member States (NMS) - Hungary and Poland, and will be replaced by another NMS - Cyprus.

The Danish Presidency takes place in the time of the second wave of the financial crisis and the crisis of the public finances of several EU Member States. Issues related to the restoring of public finances, the new fiscal pact and the economic recovery and growth are the central points of the political discussion.

The programme of the Danish presidency covers four fundamental priorities:

- A responsible Europe;
- A dynamic Europe;
- A green Europe;
- A safe Europe.

The **responsible Europe** priority focuses on the issues related to the current financial and fiscal crisis. The strengthening of the fiscal discipline in the EU is very high on the Danish Presidency agenda. Negotiations on the **Fiscal Pact**, started by the Polish Presidency, were continued and concluded during the EU summit on 1-2 March 2012. Another important element of this priority is the creation of the **European Stability Mechanism** that will provide financial support to the EU countries in serious financial difficulties. This instrument will replace the already existing European Financial Stabilisation Mechanism and European Financial Stability Mechanism.

Also important, however less visible (because of the high priority of the fiscal issues and Greek crisis) are the negotiations on the future EU **Multiannual Financial Framework** (MFF) 2014-2020. It is considered to be unrealistic to complete the negotiations during the first 6 months of the year 2012, but the Danish Presidency strives to bring the negotiations as far forward as possible.

Another important action being the response for the economic crisis is the strengthening of the regulations and supervision of the financial markets including the revision of capital and liquidity requirements for credit institutions, which translates the Basel III standards into EU legislation.

The **dynamic Europe** priority focuses on the further development of the **Single Market** in order to achieve its full growth potential. The Danish Presidency continues the work towards reforming the common European patent system, which is considered to be essential for European competitiveness and growth, as well as places focus on the following key areas:

- A digital single market;
- The social dimension of the Single Market;
- Public procurement;

- Effective standardisation;
- Better framework conditions for companies and consumers;
- An internal market for energy.

Danish Presidency considers as an important element of this priority the strengthening of the **competitive single market for knowledge**. The Presidency works to push forward the negotiations on the next generation of programmes within education, research and innovation to enhance the interconnection between these areas. Denmark actively supports preparations for the implementation of the new framework programme for research and innovation: "Horizon 2020".

Under this priority Danish Presidency also promotes **sustainable growth and development** supported by the Cohesion Policy, support for **the labour market**, health and "labour market in need of everyone" that will guarantee the necessary qualified labour force for the European economy (including the integration of immigrants) and support for the **common trade policy** to create better conditions for the European Business. These activities should strengthen the position of the European enterprises on the internal and external markets as well as give the benefits of the growth to the citizens.

The **green Europe** priority focuses on the promotion of the sustainable growth. This requires the adoption of the resource-efficient production methods, adoption of environmentally friendly and resource-efficient alternatives as well as development of the well-connected transport systems that will reduce the pollutions.

Under this priority important is the support for the higher energy efficiency and **future energy and climate policy**. The Danish Presidency engages in efforts for reduction of greenhouse gas emissions, where the energy efficiency directive is a key priority. It is considered to be important to secure investments in energy efficient technologies and the expansion of renewable energy production. The Presidency works towards promoting a well-functioning **internal market for energy** through expansion of the European energy infrastructure. This will contribute to promoting competition, give consumers and companies lower electricity prices and make it easier and cheaper to integrate increasing quantities of renewable energy into the energy network.

The **safe Europe** priority focuses on the strengthening cooperation between the Member States regarding the security of citizens. This includes the threat of cross-border crime and terrorism.

Under this priority the Danish Presidency supports the activities related to the management of the **immigration policy** and the creation of the Common European Asylum System. The Presidency supports the European Asylum Support Office and the border agency, Frontex, and also supports cooperation between these agencies. Simultaneously, the Presidency contributes to implementing a responsible **enlargement policy** based on the Copenhagen criteria. Furthermore, the Presidency also focuses on the implementation of the revised **Neighbourhood Strategy**.

4.2. The Danish Presidency priorities in the field of Cohesion Policy

In the programme of the Danish Presidency the Cohesion Policy is less visible than it was in the programme of the Polish Presidency. Denmark has described the **sustainable growth and development throughout the EU** as one of the elements of the second priority: "Dynamic Europe". The Presidency considers the negotiations on the future Cohesion Policy as part of the overall complex negotiations on the future MFF 2014-2020. The goal of the Danish government is to advance the negotiations as much as possible with the aim to finalise the negotiations during the Cyprus Presidency.

In the opinion of the Presidency, the future Cohesion Policy must support the Europe 2020 priorities with the aim of strengthening employment and promoting intelligent, sustainable and inclusive economic growth.

Moreover, the Presidency makes a special effort to promote transport infrastructure projects of a transnational nature under the Connecting Europe Facility. At the same time, the Cohesion Policy should build further on the results already achieved, so as to facilitate even greater effect and stronger sustainable growth in Europe. This will take place e.g. through stronger results orientation with focus on initiatives that make the greatest difference and through targeted conditionality, which aims to ensure that the national frameworks are in place in order to reap the benefits of the efforts.

Danish Presidency is favourable to support the synergies between the Cohesion Policy and other related EU policies as well the common regulation for the structural funds.

5. EU COHESION POLICY AFTER 2013: DANISH POSITION

Denmark is one of the net contributors to the EU budget. At the same time, it is one of the countries with the lowest structural funds allocation per capita and in total budget. Thus a very important aspect of the current and future Cohesion Policy is to enhance the European Added Value of the Cohesion Policy.

Denmark agrees with the conclusion of the fifth cohesion report¹⁷ that the European Cohesion Policy can have a very positive influence on the economic and social situation of the recipient regions. Denmark supports also findings of the report that "Cohesion Policy needs to cultivate a focus on performance".

Denmark believes that the **Europe 2020 Strategy** should be an important guide for the content of the future Cohesion Policy as the correct answer to the economic challenges of Europe is to focus on smart, sustainable and inclusive growth. With its aim at furthering long term economic growth and employment, the Cohesion Policy can be a natural contributor to the implementation of the Europe 2020 strategy. However, bearing in mind the specific convergence objective, EU 2020 Strategy should guide how the structural and cohesion funds are spent, but not how they are distributed among regions and countries. The latter should continue to depend in the opinion of the Danish government primarily on GDP-levels.

Denmark draws the attention on the importance of combating and adapting to the **climate change**. Actions related to this topic will not only help to avoid the future costs but can also be a further growth factor.

In the opinion of the Danish government, the future competency of the European Commission and Member States in the area of the Cohesion Policy should be determined as precisely as possible in the main regulation. That should guarantee the legal certainty for all the actors and beneficiaries of the Cohesion Policy. Denmark can also accept to authorise the Commission to reinforce its assessments of larger programmes by the use of professional consultants.

Denmark believes that the Cohesion Policy can become more result oriented – and thereby more efficient – by clearly defining the economic and social aims and aspirations of any cohesion programme, based on a needs analysis of the recipient region. This should be based on the tangible **success indicators**, both programme specific and from a common list of core indicators. The success or failure of each programme should be continuously monitored in comparison with the agreed indicators. Denmark considers that for this purpose general priorities are of smaller importance than the priorities of a given programmes.

Denmark understands the importance of the urban areas and territories with special features for the overall growth of the whole EU area. For this reason, Denmark supports the inclusion of urban questions in the framework of the future Cohesion Policy. However, Danish experience shows that support of selected sub areas in a given region should be avoided. Consequently, Denmark is not in favour of ring-fencing or earmarking additional means for urban purposes. If necessary, already current regulations allow Member States to place specific actions related to the urban areas.

¹⁷ "Investing in Europe's future - Fifth Report on Economic, Social and Territorial Cohesion", European Commission, November 2010.

Denmark considers the idea of **partnership** between the European Commission, Member States, regional, local and social partners as a very positive way of organising the Cohesion Policy. However, in the opinion of the Danish government, this can already be very well organised under the current regulations.

In such a partnership the specific situation, interests and capacity of the various partners have to be taken into account. A standardised involvement of a certain number of local, regional, social and economic partners implies a risk of weakening the concept of focus. Consequently, a standardised approach towards stakeholders and partners is unwanted by the Danish government.

Denmark supports an increase of efficiency of the audit and control of the Cohesion Policy. To achieve it, verification resources should be concentrated in the areas where the biggest improvement can be achieved. This implies that priority should be given to the largest programmes and such programmes and regions where problems have occurred previously. In addition, Denmark supports the idea of strengthening the capacity of national audit and managing authorities by the cohesion funding.

Denmark supports the **simplification** in the Cohesion Policy rules. In the opinion of the Danish government, administrative rules and guidelines should be defined sufficiently broad, that they can be applied by all programmes, including programmes of territorial co-operation. At the same time, these changes should be kept to the necessary minimum in order to provide a basis of continuity and applying lessons learned.

Denmark supports the introduction of the single regulation for all the structural funds. That includes also the Rural Development Fund currently being part of the Common Agriculture Policy.

In the opinion of the Danish government, the EU Cohesion Policy should **focus on the least developed regions and member states** to a larger degree than today. Support to regions that do not qualify for convergence support can be reduced. Denmark understands the need for limited transitional aid for regions moving from a high to a low support regime within the Cohesion Policy, however, this should be limited in time and resources.

The Cohesion Policy should continue to be the main instrument which promotes the overall harmonious development and convergence within the EU, notably by supporting the economic and social development in the Member States lagging behind.

CONCLUSIONS

Denmark is the sixteenth largest Member State of the European Union. It is one of the smallest recipients of the Structural Funds in the programming period 2007-2013.

Denmark is governed by a left-centre coalition with minority support in the Parliament. This coalition, formed after the elections from September 2011 needs to cooperate with the representatives of the opposition. It is worth mentioning that the Danish have a long tradition of such parliamentary collaboration and the consensus based legislation.

Denmark is a unitary state and all the rights of the local governments have its source in the decision of the Danish Parliament. Danish territorial administration is organised in 5 regions and 98 communes. Their councils are elected in general elections for the period of four years. Contrary to the communes, regions do not have their own taxes and are dependent on the special financing system based on the contribution from the State and communes.

The international economic crisis has had a big impact on the Danish economy. Danish recession was severe, with the GDP decrease of almost 8% between the autumn of 2007 and the spring of 2009. It had a strong impact on the budgetary, monetary and employment situation. The traditionally well balanced budget of Denmark was impacted by high expenditures for the stimulation of the economy and in 2012 the budgetary deficit is expected to reach 6% of GDP. The state debt has increased from 27.5% of the GDP in 2007 to 43% in 2010 and is expected to reach 60% in 2016. The unemployment rate has growth from 3.8% in 2007 up to the 7.6% in 2011 with a particularly high level for young people that reached 14.2%. The recovery from the recession of 2008-09 remains fragile. Real GDP growth is forecast to stay below 1% in 2012, recovering moderately thereafter.

For 2007–2013, Denmark has been allocated a total of EUR 613 million of Cohesion Policy funding: EUR 510 million under the Regional Competitiveness and Employment Objective and EUR 103 million under the European Territorial Co-operation Objective. The whole territory of Denmark is eligible under the Regional Competitiveness and Employment Objective. The use of these funds is planned in the two operational programmes: "Innovation and Knowledge" (EUR 255 million, ERDF) and "More and Better Jobs" (EUR 255 million, ESF).

The activities of the Danish Presidency are focused on four priorities: responsible Europe, dynamic Europe, green Europe and safe Europe. However, due to the financial crisis in Europe and debt crisis in several EU Member States, the activities related to the restoring of the public finances, fiscal pact, economic recovery, improvements to the Single Market and new regulations of the financial markets play a dominant role. What is more, the negotiations related to the future Multiannual Financial Framework are a high priority for the Danish Presidency.

The Danish Presidency devotes relatively less attention to the future of the Cohesion Policy than it was in the case of the Polish Presidency. Negotiations on the proposal of the Commission are connected to the negotiations on the MFF 2014-2020. In the opinion of the Presidency, the future Cohesion Policy should support the implementation of the strategy Europe 2020. The Cohesion Policy should focus on the least developed regions and member states to a larger degree than today. Its main modifications should be focused on the improvements of its performance.

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