DENMARK

Overview

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| Population *(specify date)* and territory | 5,932,654 (01/01/2023), 42,951 km2 |
| Administrative structure *(unitary/federal)* | Unitary |
| Regional or state-level governments *(number)* | 5 regioner (regions) |
| Intermediate-level governments *(number)* |  |
| Municipal-level governments *(number)* | 98 kommuner (municipalities) |
| Share of subnational government in total expenditure/revenues | Danish subnational governments generally enjoy high levels of fiscal decentralisation regarding expenditures, but their autonomy is much more limited when it comes to revenue. Municipalities are the only subnational level to raise tax revenues, as opposed to regions who have no taxation powers.  Subnational government expenditure amounted to 61.4 % of total goverment expenditure in 2020. Subnational government revenue accounted for 64.6 % of total government revenue in 2020. |
| Key regional development challenges | Regional urbanization: an increasing part of the population lives in or close to the major cities which results in local schools and stores closing in rural areas continuously and reducing the job supply. |
| Objectives of regional policy | Improving the cohesion between rural and urban areas by evening out economic, financial and demographic differences to address the depopulation of rural and remote areas.  In 2021, the Danish government set up seven regional teams with the objective of recommending ways to cultivate regional business strengths. The growth teams recommended establishing 8 local business “lighthouses” consisting of wide partnership with the objective of supporting the development of future sector strongholds and emerging industries. |
| Legal/institutional framework for regional policy | Structural reform of 2007 (Kommunalreformen), which significantly changed the institutional and territorial organisation of the country.  Treaty on the Functioning of the European Union, Article 174 |
| Budget allocated to regional development (i.e., amount) and fiscal equalisation mechanisms between jurisdictions (if any) | The Danish Regions have budgeted with 400 million € for regional development and close to 1 billion € in capital investment, while the municipalities have estimated expenditures of 2.5 billion € for capital investments.  Municipality equalisation reform of 2020, see recent policy developments. |
| National regional development policy framework | The Cohesion Policy Partnership Agreement 2021-2027: 656 million € of EU Structural Funds (ERDF, ESF+, JTF, EHFAF) and 40 million € (expected) annual national co-funding.  The Danish Business Authority, the Danish Authority of Social Services and Housing, the Danish regions and the Danish Fisheries Agency are the primary administrative authorities of the aforementioned funds.  Each of the five regions formulate a regional development strategy every 3-4 years. There is no national strategic document although it has been a clear political priority of the government to ensure balanced regional development in recent years.  As part of a wider reform of the public sector administration, nine municipalities (number extended later) took part in a policy experiment called the “Free Municipality” initiative. They were granted exemptions from government rules and bureaucracy requirements with the aim to review potential future legislation simplifying. |
| Urban policy framework | Revitalisation of town centers in small and medium sized towns has received increased national attention in the last ten years. National focus has, first of all, been directed towards improving the regional cohesion and balance through infrastructure developments, decentralization of public institutions and through business development.  Secondly, on town level, attention has been on the access to private and public services such as shops, schools and health facilities. Inspired by a place-based development framework the government has encouraged municipalities to strengthen private-public partnerships and to identify place-based qualities and strategies. Two examples of such policy tools are the urban renewal scheme and the “Partnership for thriving town centers” (2020-2022). |
| Rural policy framework | CAP Strategic Plan 2023-2027 (Ministry of Food, Agriculture and Fisheries, Ministry of Ecclesiastical Affairs and The Danish Agency for Planning and Rural Development). As part of the CAP Strategic Plan: 62 million € for local rural development projects which are implemented through local action groups.  In 2019, the Danish government issued the Business Promotion Act with the purpose of improving the conditions for business owners, enhancing productivity and export and avoid overlapping regional development and business promotion initiatives.  The responsibility of business promotion was transferred from the regions to national level (Danish Board of Business Development) in 2019. The responsibility for business promotion is now divided between municipalities (local business services) and the state (specialized business service). |
| Major regional policy tools (e.g., funds, plans, policy initiatives, institutional agreements, etc.) | Denmark's approach to regional development prioritises the competitiveness of all of its regions. A high share of EU Cohesion Policy funding is dedicated to this objective, along with other instruments such as business development centers and publicly funded clusters based on Sector Strongholds and Emerging Industries.  Policy tools:   * National technology and innovation clusters * Regional business development centres * A national online guide for business (Virksomhedsguiden). * Development of smaller cities and tourism infrastructure. * Projects of strategic importance (business “lighthouses”) |
| Policy co-ordination tools at national level | A National Board for Business Promotion was established in 2019 to allow for a clearer strategic focus to improve competitiveness across regions while taking local and regional specificities into account. |
| Multi-level governance mechanisms between national and subnational levels (e.g., institutional agreements, Committees, etc.) | The existence of the National Board of Business Promotion is determined by law but the members of the board are determined collaboratively by business organisations, municipalities, unions, etc. |
| Policy co-ordination tools at regional level | Both the national association of municipalites, the Danish regions, and the regional business development centres are important partners in determining the joint direction of regional development. The regional business development centers will also be responsible for the municipalities’ business service and activities for 13 locations across the country. |
| Evaluation and monitoring tools | As the administrative authority, the Danish Business Authority continously performs evaluations and measurements of the effects of regional development projects funded by European Structural Funds combined with national co-funding.  All projects funded by the European Structural Funds exceeding a monetary threshold is evaluated by an external evaluator. Furthermore, the Danish Business Authority estimates the socioeconomic effect on all participating businesses in collaboration with the Danish National Statistics Office (Statistics Denmark). |
| Future orientations of regional policy | The National Board of Business Promotion formulates a national strategy for Business Promotion for the period 2024-2027, which is expected to include:   * Improving the complementarities between the funds and the policy instruments to simplify being an enterprise in Denmark. * Improving and cultivating sector strongholds. * Improving the digital and green robustness and adaptation readiness of the Danish enterprises. * Improving the geographical availability of regional development initiatives. |

Recent policy developments

In 2020, the national government implemented an equalisation reform at the municipal level evening out the revenues of the municipalities based on each muncipality's expenditure level.

In 2022, the national government, along with the majority of the other elected parties, agreed on a reform with the purpose of making it possible to obtain higher education in all parts of the country, rather than just in the major cities.

A property tax reform was approved in 2017 and became fully effective in 2021. The reform included new valuations of property to reflect the property market values more accurately, thereby ending the property valuation freeze in place since 2002, which has led to falling effective tax rates for homes experiencing increase in value.