

The Danish Government

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# Denmark's National Reform Programme 2020

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Ministry of Finance

MAY 2020



## Content

1. Introduction .....	5
1.1 Initiatives in response to COVID-19 .....	5
2. Economic framework .....	9
3. The country-specific recommendations .....	11
3.1 Recommendation on investment actions .....	11
3.2 Recommendation on fighting money laundering .....	12
4. National targets in the Europe 2020-strategy .....	15
4.1 The national target for employment .....	16
4.2 The national target for research and development .....	22
4.3 The national target for climate and energy .....	25
4.4 The national education targets .....	30
4.5 The national target for social inclusion .....	36
5. Institutional issues and stakeholder involvement .....	41
Appendix 1. Initiatives in response to COVID-19 .....	45



# 1. Introduction

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In the context of the European Semester, all EU member states forward national reform programs every spring, which accounts for the countries structural reforms.

*Denmark's National Reform Program 2020* accounts for the measures taken by Denmark to comply with the country specific recommendations from the EU, which Denmark received in July 2019. *Denmark's National Reform Program 2020* also describes the implementation of EU's growth strategy from 2010 (Europe 2020). The measures taken on the country specific recommendations and on the 2020 goals mainly reflects the situation before the start of the corona epidemic. Furthermore, the program presents the overall economic framework in the light of the spread of COVID-19.

The structure of *Denmark's National Reform Programme 2020* is as follows:

- Chapter 2 describes the overall economic framework for Denmark in the light of COVID-19.
- Chapter 3 presents the initiatives that Denmark has undertaken and will undertake in order to comply with EU's two country-specific recommendations received in 2019.
- Chapter 4 regards the initiatives that Denmark has undertaken or will undertake to contribute to the fulfilment of the five main goals of the Europe 2020 strategy.
- Chapter 5 describes the involvement of the Danish Parliament (Folketinget) and non-governmental organizations.

The individual chapters also address a number of the topics and issues raised in the European Commission's country report for Denmark published 26 February 2020. When available, the chapters include evaluation of the impact of reform measures from recent years.

## 1.1 Initiatives in response to COVID-19

A number of business- and job-oriented initiatives have been taken to counter the negative economic consequences of the corona epidemic.

The initiatives aim to help employees and companies affected by negative economic consequences and to support the Danish economy in an extraordinary situation.

Subsidies, guarantees, cash flow and financing options for companies etc. are listed in box 1 and further described in appendix 1.

**Box 1****Subsidies, guarantees, other cash flow and financing options for companies etc. in response to the COVID-19 epidemic****Subsidies etc.:**

- Temporary compensation scheme for the self-employed, freelancers etc. (DKK 14.1 bn.)
- Temporary compensation for businesses' fixed costs (DKK 65.3 bn.)
- Temporary wage compensation scheme (DKK 10.2 bn.)
- Temporary compensation scheme for freelancers etc. with both primary and secondary income (DKK 0.2 bn.)
- Unemployment benefits and sickness benefits (DKK 0.4 bn.)
- Suspension of the 225-hour-rule in the cash benefit system (<0.1 DKK bn.)
- The required number of hours worked to obtain a tax free senior premium is reduced temporarily (<0.1 DKK bn.)
- Reimbursement of sickness benefits to employers (1.7 DKK bn.)
- Special warning scheme before major layoffs and debureaucratisation of rules regarding division of labour (<0.1 DKK bn.)
- Compensation scheme for organizers of cancelled events (DKK 2.4 bn.)
- Compensation scheme for media (DKK 0.18 DKK bn.)
- Compensation scheme for artists etc. with both primary and secondary income (DKK 0.1 DKK bn.)
- Compensation scheme for cultural institutions with special needs (DKK 0.2 bn.)

**Guarantees etc.:**

- Guarantee schemes for small, medium and large companies (support loans for DKK 69 bn.)
- Government guarantee for the Travel Guarantee Fund to help the travel companies (DKK 1.5 bn.)
- Government guarantee coverage for companies' trade and exports (DKK 30 bn.) Match-finance initiatives in Vaekstfonden (the Danish state's investment fund DKK 3.4 bn.)
- Guarantees for SAS from the Danish government (approx. DKK 1 bn.)

**Other cash flow and financing options:**

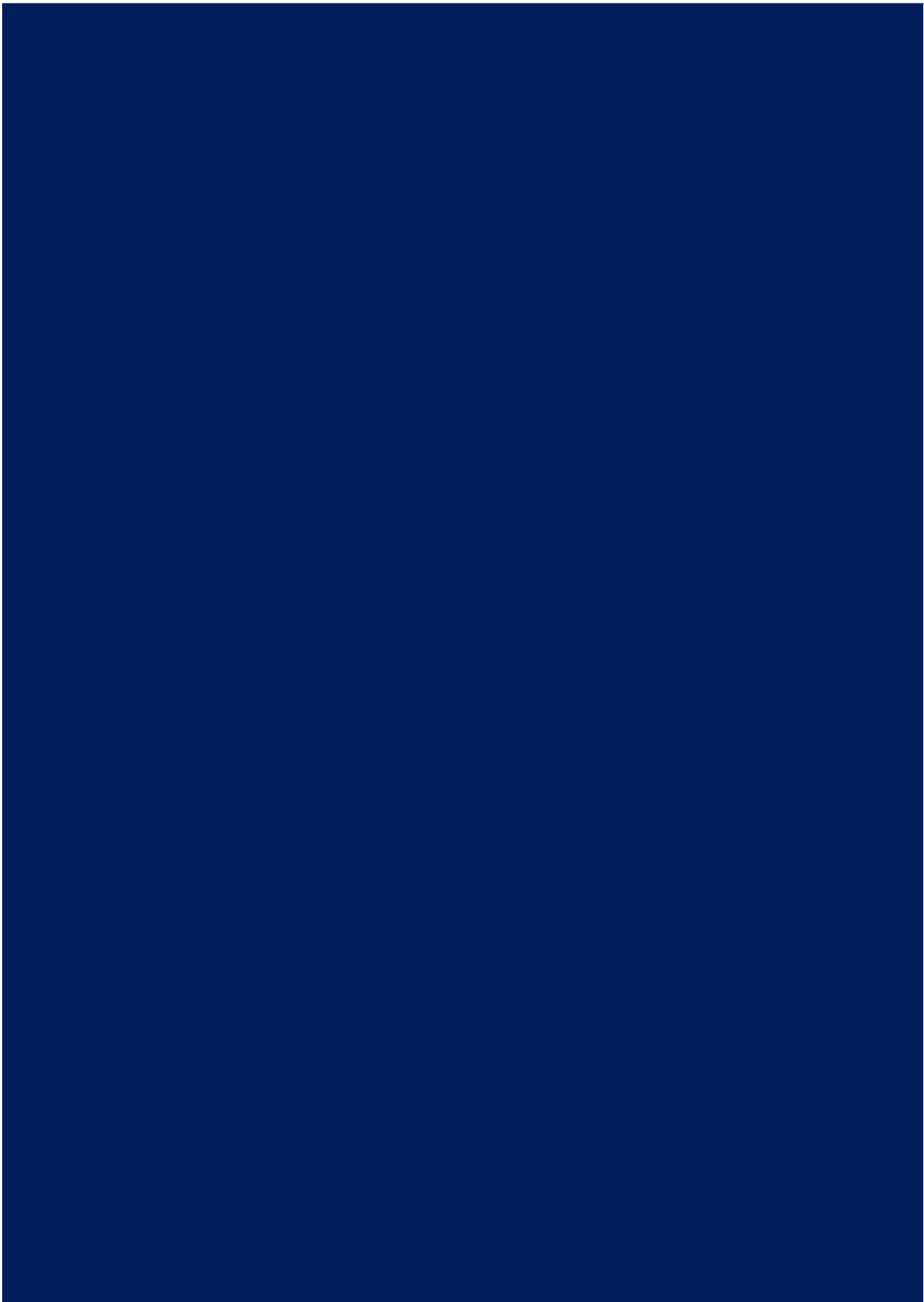
- Increased borrowing opportunities for trainees and students (DKK 0.6 bn.)
- Extra completion loan for trainees and students (DKK 0.02 bn.)
- Extension of payment deadlines for personal taxes and VAT etc. and earlier disbursement of tax credits (DKK 166.3 bn.)
- Disbursement of already paid VAT and payroll tax for small and medium companies as an interest-free loan (DKK 35.4 bn.)
- Public purchases: Earlier payments and increased flexibility

**Agreements between Government, KL (Local Government Denmark) and Danish Regions:**

- Municipalities and regions are released from the agreed construction ceiling in 2020 (DKK 2.5 bn.)
- Possibility for municipalities to postpone companies' payment of service charge on business property (DKK 1.1 bn.)
- Ongoing dialog on operating expenditures
- Financing the initiation of construction activities

In addition, the counter-cyclical capital buffer has been released, which gives banks access to more than DKK 200 bn. in further capital, which supports banks' lending capacity.







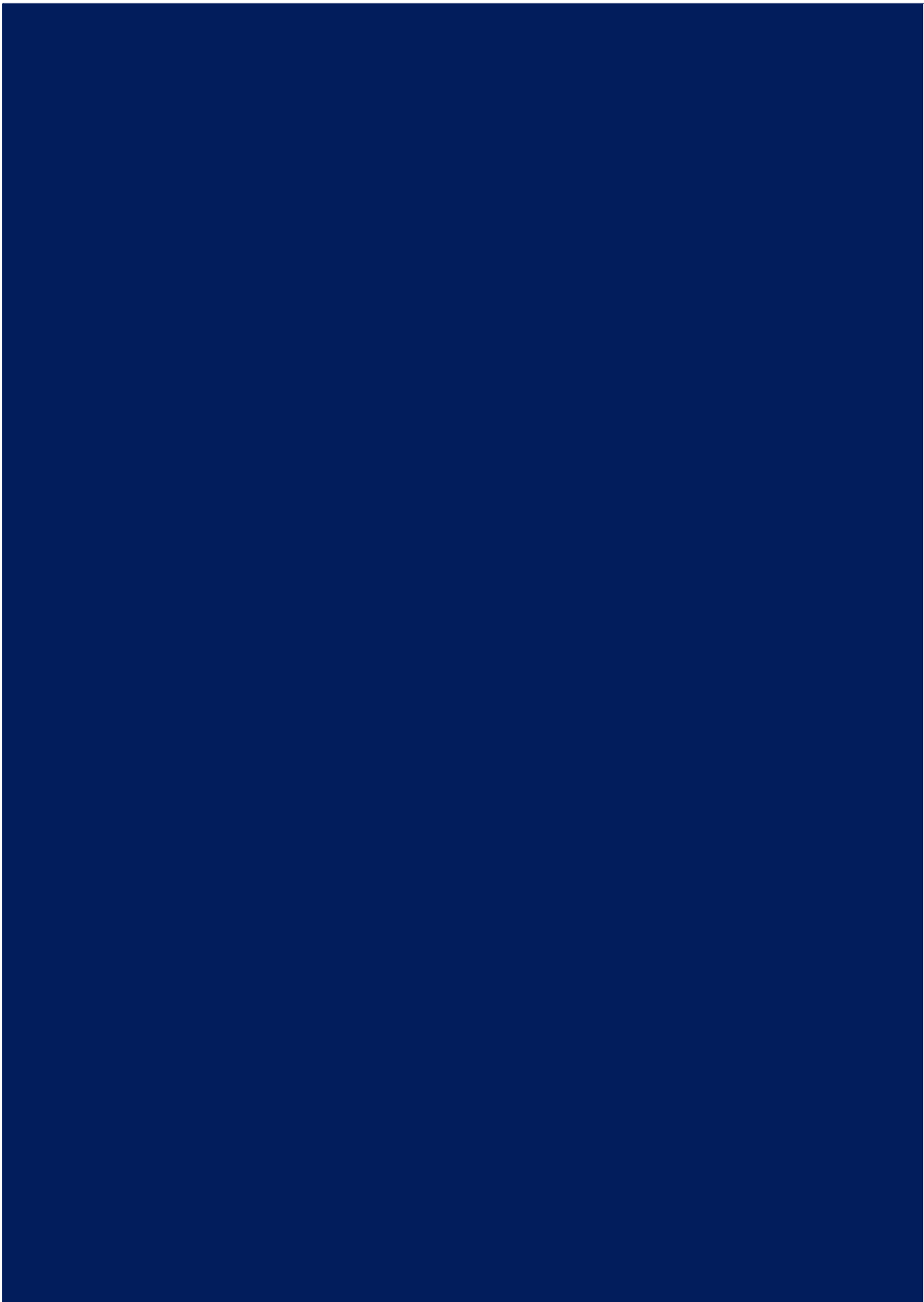
## 2. Economic framework

The corona epidemic has high health and financial costs. For 2020 a sharp decline in the global economic growth is expected and a severe downturn for the Danish economy with declining employment and higher unemployment. The opportunity for recovery later this year and onwards is considered good, provided the epidemic remains under control.

The Danish economy was in a strong position prior to the corona epidemic with high employment, healthy public finances, a solid financial sector and well-consolidated households and businesses. The absence of unbalances as well as a variety of business- and job-oriented initiatives taken to counter the setback will support the recovery. It remains however uncertain how fast the Danish economy will return to normal conditions. That depends not only on the development of the epidemic but also on the development of the international economy and the confidence of businesses and consumers.

The indications are that GDP may fall by 3 to 6 per cent in 2020 and that unemployment may rise from 105,000 persons last year to between 130,000 and 150,000 persons this year. The deficit on the public balance is in the range of 7-9 per cent of GDP this year.

The economic framework is described in more detail in *Denmark's Convergence Programme 2020*.



# 3. The country-specific recommendations

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As part of the European Semester, Denmark received the Council's opinion on Denmark's economic policy on 9 July 2019. The opinion was based on *Denmark's 2019 Convergence Programme* and *Denmark's 2019 National Reform Programme*. Denmark received two recommendations *cf. box 3.1*.

## **Box 3.1**

### **The country-specific recommendations for Denmark**

The Council recommends that Denmark take action in 2019 and 2020 to:

1. target investments in economic policy towards education and skills, research and innovation to include more companies in the level of innovation. Further, target investments towards sustainable transportation to solve road congestion.
2. secure an effective oversight and enforcement of the rules regarding money laundering.

On 26 February 2020, the Commission published the annual country report for Denmark. In the country report, the Commission states, among other things, how Denmark has followed up on the country-specific recommendations that Denmark has received since the beginning of the European semester in 2011.

The Commission finds that Denmark has implemented 97 per cent of the recommendations either fully or with either some or substantial progress. For the remaining 3 per cent of the recommendations there has been limited progress. The Commission highlights that particularly in areas of public finances, labour market policy and the financial sector, substantial progress or full implementation have been achieved.

## 3.1 Recommendation on investment actions

Public investments in Denmark are currently at a higher level than in the years before the financial crisis. Public investments are expected to be a little more than 3½ per cent of GDP in 2020.

A large part of the investments in infrastructure in the last 10 years has been completed in accordance with 'Agreement on a green transportation policy'. This agreement included the decision to establish the Infrastructure Fund. The fund has a size of 94 billion DKK, which is

used to invest in infrastructure in the period from 2009 to 2020. Among other things, 'Agreement on a green transportation policy' includes the decision to change the signals in the railroad network. Some of the investments in the railroad, among them the electrification of the railroad, has been determined and completed in accordance to the Train Fund. The Train Fund was established in 2013.

As part of the deal on the National Budget for 2020, the Government and the parties in agreement decided to establish "Denmark's Green Future Fund". The fund has a size of 25 billion DKK.

The fund will contribute to a national and global green transition. In particular, it will contribute to development and propagation of new technologies, conversion of energy systems to renewable energy systems, storing and effective utilization of energy etc. and further exports of green technology, especially in wind technologies. Meanwhile, the fund will also contribute to solve the challenges created by climate changes and a growing population, such as food shortage and water scarcity.

The objective of the fund is to contribute to the compliance of the temperature goal set in the Paris-agreement. The priority of the fund will therefore be projects with climate effects and reductions in greenhouse gasses, together with projects targeted solutions on water scarcity and food shortage, such that the fund actively invest in measures which reduces the stress on climate, nature and environment.

The Danish Government is planning to negotiate a new long-term agreement on infrastructure, where climate and environmental changes are expected to have big impact. Further, the Government has intention to create a new type of reforms called 'second generation reforms'. The focus of these reforms is investments in the Danish welfare model through investments in education, upskilling and new Danish jobs.

In the National Budget 2020, schools and education was a priority. The primary school receives a further 275 million DKK in 2020 expanding to approximately 800 million DKK in 2023. This measure gives the municipalities the opportunity to hire more teachers already in 2020. In addition, starting from 2020, the Government has for the entire education sector removed the so-called annual reprioritisation contribution, which reduced the yearly appropriations by 2 per cent.

Meanwhile, the limitation on educations has been removed from 2020, and the interim extra taximeter funding of human and social sciences is continued.

## 3.2 Recommendation on fighting money laundering

Following the cases of recent years involving money laundering and other financial crimes, efforts have been made, both in Denmark and internationally, to strengthen the fight against money laundering and financing of terrorism.

In March 2019, a broad political agreement was concluded regarding the strengthening of the fight against financial crime.

The agreement contains 16 wide-ranging initiatives that improve the regulation on the prevention of money laundering and financing of terrorism. This also included improving the monitoring of money laundering.

The initiatives can be grouped into the following categories:

- 1) Significant strengthening of control and intervention powers.
- 2) Significant tightening of sanctions.
- 3) Increased resources and clearer organisational focus.

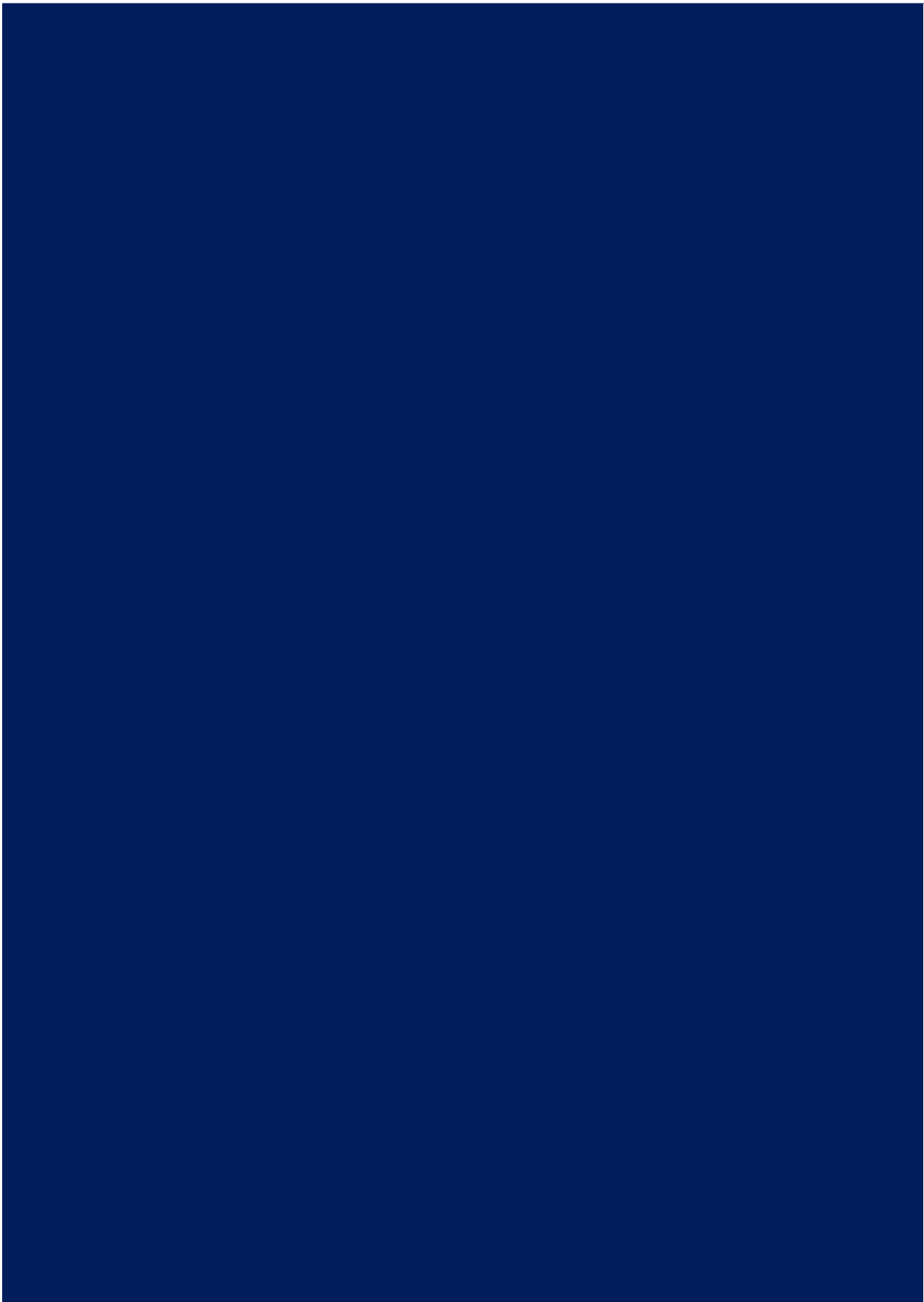
The first category includes the ability of the Danish Financial Supervisory Authority (DFSA) to issue administrative fines for violations of the Money Laundering Act. This approach will ensure a more effective enforcement of the law. Furthermore, the DFSA will have the ability to appoint a qualified person to monitor the business for a period of time with the purpose of ensuring that injunctions are adhered to, as well as a general enforcement of the law.

The second category includes higher sanctions for giving incorrect information to the DFSA. The penalties are increased to include imprisonment for up to 2 years, and 3 years for SIFI management. Furthermore, a committee is formed to investigate the possibility of holding management of financial businesses liable for damages, as well as criminally liable, in case of violation of financial regulation.

The third category implies a significant increase in resources to the DFSA from 2019 and onwards. Consequently, the Anti Office for Money Laundering and Counter Financing of Terrorism has experienced a staff increase of 60 per cent. Furthermore, an organisational change in the DFSA will ensure a greater focus on financial crime.

Finally, as a part of the political agreement of March 2019, it was decided that an evaluation of the legislative and supervisory framework for combating financial crime would be initiated no later than early 2021.

The bill to implement the legislative initiatives in the political agreement from March has been passed and entered into force the 10th of January 2020.



## 4. National targets in the Europe 2020-strategy

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In recent years, Denmark has implemented several reforms and other initiatives that contribute to fulfil the targets in the Europe 2020-strategy. Some of the Danish 2020-targets have already been met, while others are close to being met. The national targets support the Europe 2020-strategy within its five key areas: employment, research and development, climate and energy, education and social inclusion.

This chapter gives an update on Denmark's progress in meeting the targets, as well as implemented and planned initiatives in each area. The Danish Europe 2020-targets are shown in *table 4.1*.

**Table 4.1**  
**The Danish national targets**

	<b>2020-targets</b>
The national target for employment	Structural employment rate of 80 per cent amount the 20-64 year-old.
The national target for research and development	Investment in R&D amount to 3 per cent of GDP.
The national target for climate and energy	Renewable energy must account for at least 30 per cent of the final energy consumption. 10 per cent of energy consumption by the transport sector must stem from renewable energy. Emissions in non ETS sectors should gradually be reduced by up to 20 per cent compared to 2005.
The national target for education	Reduce school dropout to less than 10 per cent for 18-24 year-olds and increase the share of 30-34 year-olds who have completed tertiary education to at least 40 per cent.
The national target for social inclusion	Reduce the number of persons in household with low work intensity by 22,000 persons.

From 2014 to 2020 Denmark receives a total of approx. DKK 3 billion from the EU Regional Fund and Social Fund (structural foundations). The funds are equally distributed on the two foundations and are to be co-financed with at least 50 per cent Danish funds except for Region Zealand, where the co-financing is 40 per cent. The Structural Funds-initiative contributes amongst other things to fulfil the five Danish Europe 2020-goals.

With the Regional Fund investments are made in innovation and green transition among others, contributing to the EU 2020-goals regarding research and development as well as climate and energy. Similarly, the Social Fund-initiative contributes amongst other things to more young people receiving education and to strengthening the social inclusion.

In 2018, the Structural Funds effort in Denmark 2014-2020 was evaluated mid-term. Overall, the evaluation concludes that the projects that have been initiated have contributed to meeting the goals determined by the programme and thereby also the Danish EU 2020 targets concerning employment, R&D, greenhouse gas emissions, energy efficiency, social inclusion and education. At the time of the evaluation, only a few projects were completed, so the evaluator has not yet quantified the contributions to the EU 2020 targets. This will happen in the final evaluation of the programme.

The EU's European Agricultural Fund for Rural Development, which finances the EU's rural development programmes under the EU's Common Agricultural Policy (CAP), likewise contributes to the EU 2020-strategy by promoting a sustainable development of rural districts and the development of a EU agricultural sector which is more territorially and environmentally balanced, climate-friendly, resistant and competitive, and innovative. The rural development programmes are carried out in Denmark through the Danish Rural District Programme (LDP). In total there is allocated approx. DKK 8.9 billion through the LDP in the period 2014 to 2010, of which approx. DKK 6.8 billion are EU funds.

### UN's Sustainable Development Goals

In 2015, the world's heads of state and government adopted the UN's Sustainable Development Goals (SDG's). The 17 targets, including 169 sub-targets, commits UN member states to, for instance, ensure good education, reduce inequality, fight climate change as well as ensure decent jobs and sustainable economic growth.

The member states' national programs of 2020 must report the progress in reaching the UN SDG's alongside reporting the progress of reaching the Europe 2020 goals. In following, the progress in each of the five target areas is reported in relation to the (sub)target among the SDG's, which relate in particular to the area in question.

## 4.1 The national target for employment

For an extended period, the labour has shown positive developments. From 2013 until 2019 employment has increased by 232,000 persons, of which most have obtained employment in the private sector. At the same time, unemployment fell to a historically low level.

The Danish labour market is in general well-functioning. This is reflected in high employment and low unemployment. In the beginning of 2020, total unemployment as well as long-term unemployment were at low levels in a historical perspective. At the same time flexibility in the Danish labour market is high, which is reflected in a relatively high job turnover and most unemployed persons find a job relatively fast.

The corona epidemic has severe impact on the Danish economy. For 2020 a major set-back is expected with decline in employment and higher unemployment. The Government has jointly with the Parliament and the social partners stretched out a safety net under Danish companies and employees. The purpose of the aid packages is to limit the loss of jobs and to make companies in better shape to recover production after the crisis.

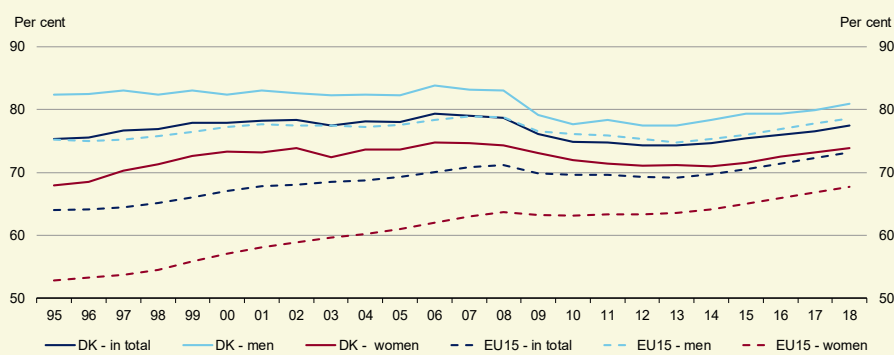


The Danish national target of employment is a (structural) employment rate for 20-64 year olds of 80 per cent in 2020. The intention of the Government is that more persons shall participate at the labour market. Persons, who until now have found it difficult to get foothold on the labour market, therefore shall contribute to full fill the employment target.

Currently, the Government focusing on limiting the loss of jobs during the crisis and on creating a good framework for higher employment after the crisis. It is still uncertain how the corona crisis will develop and for how long time the economy will be affected.

The actual employment rate in Denmark for 20-64 year olds was 78.3 per cent in 2019, which is 4.5 percentage points higher than the EU average. This is mainly due to a higher employment rate for women in Denmark compared to the EU, cf. figure 4.1

**Figur 4.1**  
**Employment rate in Denmark and EU for 20-64 year olds**



Note: The employment rate based on EU's Labour Force Survey, which is equivalent to the Danish 'arbejdskraftundersogelse'.

Source: Statistics Denmark and own calculations.

Since the preparation of the National Reform Program 2019, Statistics Denmark have incorporated a new enumeration in the Labour Force Survey, which uses more current aid information than before. Other things being equal, employment and thereby the employment rate therefore is revised to a lower level.

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The Danish flexicurity model and system of collective bargaining shall continue to provide prosperity, safety and employment. The active labour market policy aims to underpin the economic recovery and assist unemployed persons being redundant due to COVID-19 back to employment. At the same time, the Government will continue to aim to make room for more

people in the working community and to contribute to a fair distribution of growth and prosperity. The latest political initiatives in the field of employment are described below.

### Long and healthy working lives for all

The Government wants to ensure long and healthy working lives for everybody. However, the Government also wants to give people a just and dignified ending to their working lives. Thus, while raising the statutory retirement age and taking actions to secure the retention of seniors as well as better occupational health and safety, the Government wants to give people who have had the longest working lives and are worn-down the possibility of retiring early from the labour market. In 2019 and 2020, the following initiatives will contribute to long and healthy working lives for all.

#### *The right to early retirement*

The Government believes that people who have been on the labour market for the longest time and are worn-down should be able to retire in a dignified way. For that reason, the Government wants to introduce a right to early retirement.

#### *Agreement on pension for seniors*

In December 2019, the Parliament adopted a law introducing a new pension scheme for seniors ("seniorpension") with reduced physical work capacity who are approaching the retirement age. The new pension scheme will replace the early retirement pension for seniors ("Seniorførtidspension") and give more people with reduced working capacity a chance of retiring early.

At the same time, the rules for so-called flex jobs have been loosened for seniors, making it easier for them to transition into a flex job in their current place of employment, and pensioners have been given stronger economic incentives to work. The tax-free allowance has been raised for the personal income of pensioners, and pensioners and early retirees will have less of their personal income deducted if their spouse or cohabiting partner still works. In addition, seniors will receive a tax-free premium of DKK 42,000 and DKK 25,000 respectively if they continue working during the first and second year after they reach the age of retirement.

With the agreement on pensions for seniors, DKK 100 million has been allocated to the prevention of the harmful effects of physical strains at work. As part of the agreement, the Government will also set up a commission during the first half of 2020, which task will be to look into the effects of increased life expectancies and the possibilities for retaining seniors across different socioeconomic groups.

#### *A new law for better health and safety at work*

In December 2019, the Parliament adopted a new occupational health and safety law as part of the implementation of a broad political agreement on health and safety at work and decent working conditions from April 2019. The agreement allocates DKK 460 million in funding to a number of initiatives that will improve occupational health and safety from 2020-2022 focusing on psychical and mental strains as well as the chemical working environment. The initiatives will be launched in the coming years.

### *New efforts targeting social dumping*

The Government wants to address the challenges related to social dumping. The agreement on the National Budget for 2020 allocates an additional DKK 245 million to efforts targeted at reducing social dumping over the next four years. As a result, the level of funding will increase to the highest level ever over the next three years. A majority of the funding has been allocated to joint actions carried out between the responsible authorities (“Den fælles myndighedsindsats”) where the funding will increase by DKK 50 million in 2020 and DKK 48 million in 2021 and 2022. The actions are carried out as a targeted cooperation between the Danish Working Environment Authority, the tax authorities and the police and aim at ensuring compliance with the Danish rules among foreign companies and workers. As part of negotiations of the Finance Act, support was also found for the tightening of requirements to the wage levels that Danish and foreign transport companies will have to follow when driving in Denmark. Danish companies in need of skilled workers should in general, when the temporary aid packages are phased out, be able to attract foreign labour in a fast and unbureaucratic way but the contracts should live up to Danish pay levels and working conditions.

### *Think tank on retention of seniors*

In November 2019, the think tank on retention of seniors, a committee comprised of experts and representatives from the social partners, presented its final 20 recommendations. The recommendations point to ways of ensuring long and better working lives for seniors. Taking inspiration from the recommendations, the Government will present a proposal addressing how more senior can have longer working lives.

### *Reduction and prevention of absenteeism*

From 2019 to 2021, DKK 145 million has been allocated to efforts aimed at reducing the rate of sick leave among employees in the public sector. This includes DKK 100 million in funding for projects aimed at preventing absenteeism in workplaces where the rate of sick leave is high or in challenging working environments.

### *Agreement on new parental leave scheme for self-employed persons*

As part of the National Budget for 2020, self-employed persons will now receive better financial compensation during their parental leaves. The purpose of the scheme is to improve the conditions for the self-employed and make it easier for them to have a family life. The scheme will be funded through contributions from the self-employed. Up to DKK 10 million has been allocated to potential development costs in 2020.

## **Youth**

The Government believes that all young people should have the opportunity to complete an education or be part of the labour market. For that reason, the Government has increased the funding for education, cf. the chapter covering the national target for education. With regard to young people and children in general, the Government has initiated the following:

### *Agreement on a temporary, supplementary child allowance*

In September 2019, the Government and its supporting parties reached an agreement concerning a temporary, supplementary child allowance (“midlertidigt børnetilskud”). This temporary, tax-free allowance is intended for families with children affected by the integration benefit and the benefit cap. 14,300 families are expected to benefit from the agreement. The allowance will apply until a new benefits system is in place. Public expenses are expected to

increase by approx. DKK 250 million in 2020 as a result of the temporary, supplementary child allowance. In addition, DKK 20-30 million a year has been allocated to cancel the reduction in the integration benefit, which was introduced by the former government, as of 1 January 2020.

#### *Efforts to increase youth part-time employment*

From 2008 to 2017, part-time employment among young people under the age of 18 has decreased by 6 percentage points – from 38 pct. to 32 pct. In November 2019, the Minister of Employment therefore asked the Working Environment Council (“Arbejdsmiljørådet”) for inputs as to how the rules regulating youth employment can be communicated in a clearer and simpler way – without compromising safety – in order to help more young people find part-time jobs.

### Helping more people become part of the labour market

Denmark is focusing on integrating long-term unemployed persons in the labour market. An active labour market policy based on early intervention ensures that Denmark before the corona epidemic had a comparatively low number of long-term unemployed persons: 1.1 per cent. in Denmark compared to 2.9 percent. in EU28.<sup>1</sup> The Government works with targeted efforts to reduce long-term unemployment and provide workers with the skills needed in the labour market in the future. Therefore, in addition to the initiatives described below, the Government expects to present a proposal that introduces 37 hours of right- and duty-efforts per week for newly arrived refugees and immigrants covered by the law on integration, and for foreigners who have been in Denmark for a longer period, are part of the social benefit system and still have a need for integration.

#### *Agreement on upskilling*

In October 2019, a broad political agreement on upskilling was made. The agreement provides DKK 102 million in funding for six initiatives that will contribute to an upskilling of the labour force in 2019 and 2020. The initiatives mainly focus on the upskilling of unskilled workers. Among other things, DKK 30 million has been allocated to provide the recipients of cash benefits who are ready to find employment with the skills needed to find work in sectors with labour shortages. DKK 27 million will go to helping unemployed persons complete the first part of a VET-programme after which they can continue with the practical training at a private company or at their vocational college. The agreement on upskilling will help more people enhance their competencies and ensure that companies have access to skilled and qualified workers.

#### *Establishment of a commission on social benefits*

On 17 December 2019, the Government established a commission on social benefits which began its work in January 2020. The commission has up to 12 months to present its recommendations for how a new system for social benefits should be designed. The new system for social benefits will have to take a number of things into consideration as there has to be a clear economic incentive to work while children living in families receiving social benefits

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<sup>1</sup> Data from Eurostat on 2018.

should still grow up having a decent standard of living that allow the children to be an active part of their communities.

#### *Status on the basic integration training programme*

The basic integration training programme (IGU) was established in 2016 as a result of a tripartite agreement between the Government and the social partners. As of 1 February 2020, 2,452 IGU programmes have been registered since July 2016. With the National Budget for 2020, the Government and the parties behind agreed to explore the possibility of expanding the IGU. Any changes to the agreement will have to be agreed upon between the Government and the social partners.

#### Other initiatives

Additionally, the following initiatives, which will create better opportunities for different group to enter into the labour market, have been launched:

- In December 2019, DKK 148 million was allocated to fund the project *More people must become part of the labour market II* ("Flere skal med II") from 2019-2021 in order for more recipients of cash benefits who are ready to take part in job activation to get handheld and job-focused support from the public employment services. The National Budget for 2020 also allocated DKK 50 million a year in 2020 and 2021 for a reinforced effort to determine whether long-term recipients of case benefits should continue receiving them or can qualify for other schemes.
- In December 2019, DKK 68 million was allocated to the new initiative *Better support for citizens taking part in the resource clarification process*. The initiative will contribute to citizens in the resource clarification process receiving job-focused support and having a greater say over the process.
- A number of *initiatives will help people with disabilities to find jobs*. In November 2019, DKK 14.2 million was distributed to five projects that will help people with psychological disabilities to enter the labour market. A so-called competency card has also been developed for people with disabilities intended to provide an overview of their competences, needs for special measures or assistance and the applicable compensation schemes. Furthermore, the first of three cross-country job weeks for people with disabilities was held in December 2019.

#### Implementation of the UN Sustainable Development Goal concerning decent work and economic growth

The 8<sup>th</sup> Sustainable Development Goal is an ambitious goal that aims to promote enduring, including and sustainable economic growth, full productive employment and decent work for all. The point of the goal is to get humans out of poverty and to secure decent wages and working conditions for employees around the world. Denmark has a good starting point in this regard with in general high employment, low unemployment and a high degree of equal opportunities. It is of great importance to the Government to reduce inequality, to get more people to be a part of the working community and to fight for a just distribution of growth and prosperity. The Government also respects the autonomy of social partners and their respon-

sibility for the setting of wages and working conditions, and it is seen as a significant contribution to a continuously dynamic labour market with high standards in terms of labour rights and decent work. Furthermore, the Government is working for a continued focus on better health and safety at work. Achieving the targets related to the employment field is an integrated part of the Government's political efforts, *cf. box 4.1*.

**Box 4.1****The UN's sustainable development goals for decent work and economic growth – Denmark's efforts in the employment field**

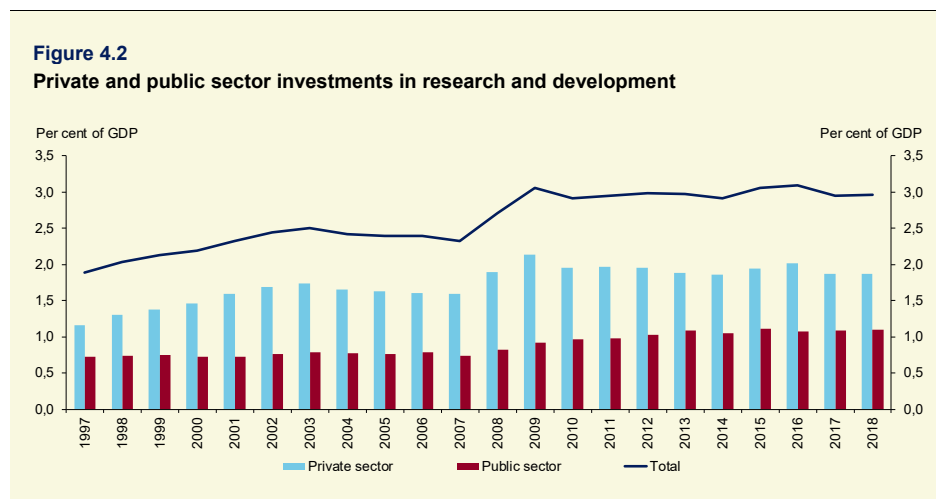
Sub-targets	Danish efforts	Political initiatives
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	The active labour market policy contributes to reach the goals of increased growth and prosperity in Denmark. Compared to most other countries, there is a high rate of employment and low rate of unemployment in Denmark.	<ul style="list-style-type: none"> <li>• Agreement on upskilling</li> <li>• Better support for citizens taking part in the resource clarification process</li> <li>• Status on the IGU</li> <li>• Efforts to help people with disabilities find employment</li> <li>• Parental leave scheme for self-employed persons</li> <li>• More people must become part of the labour market II ("Flere skal med II")</li> </ul>
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.	Young people need to have a good start in life. The efforts in the employment field have positively contributed to the fact that the number of young people who are in employment and education in Denmark is high.	<ul style="list-style-type: none"> <li>• Efforts to increase youth part-time employment</li> </ul>
8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular female migrants, and those in precarious employment.	It needs to be secure, safe and healthy to go to work in Denmark. In the field of occupational health and safety, targeted efforts are made to secure safe and decent working environments for all.	<ul style="list-style-type: none"> <li>• A new law and agreement on occupational health and safety</li> <li>• Efforts targeting social dumping</li> <li>• Funding to reduce and prevent sick days</li> </ul>

Source: Ministry of Employment.

## 4.2 The national target for research and development

The Government has a target for the public sector research budget comprising at least 1 per cent of GDP. As of 2020, the public sector research budget amounts to DKK 23.7 billion, corresponding to 1 per cent of GDP. Denmark is among the OECD countries with the highest share of their GDP dedicated to research and development in the public sector (*cf. Forsknings- og Uddannelsespolitisk Redegørelse 2019*). In total, research and development expenses amounted to approximately DKK 67 billion in 2018. Of this amount, approximately 2/3

of the R&D activities were conducted by the private sector and 1/3 by the public sector, cf. figure 4.2.



Note: There is a data gap in 2008. Figures for 2018 are preliminary. The numbers in the figure have been calculated according to the place of research, which means that there will be research and development conducted by the public sector with private sector funding and vice versa.

Source: Statistics Denmark.

The total value of public and private sector investments in research and development rose from 1.89 per cent of GDP in 1997 to 2.96 per cent of GDP in 2018. In 2018, research and development conducted in the private sector amounted to 1.87 per cent of GDP, while research and development conducted in the public sector amounted to 1.10 per cent of GDP. Accordingly, Denmark's investments in research and development are roughly in line with the Europe 2020 target of 3 per cent of GDP.

Another key target for the Government is for research and innovation to make a significant contribution to the green transition and the 70 per cent reduction target for GHG emissions in Denmark by 2030.

In its allocation of funding via the 'research reserve' for 2020, the Government and parliamentary parties have agreed to allocate approximately DKK 1.9 billion to research and development in 2020. Of those DKK 1.9 billion, approximately DKK 1.5 billion have been earmarked for environmental and climate research and development - around DKK 1 billion more than in 2019. State funding earmarked for environmental and climate research and development is accordingly at the highest level in many years. The funds are intended to support green transitions in areas such as agriculture, energy and transport as well as provide a basis for pilot projects in sustainable architecture and design. The objective of the research activities should be to boost efforts throughout the value chain, from basic research to development. In addition, the allocation of the research reserve for 2020 provides funding for research priority focused in particular on new technological opportunities, improved healthcare and past initiatives/efforts as well as to support independent research, including the growth segment among young and female researchers.

Further, an international panel of experts supported by the European Commission's Horizon 2020 Policy Support Facility has conducted a review of the Danish knowledge-based innovation system. The panel published their recommendations in November 2019. Among other things, the panel recommends a clear strategic direction for Danish innovation efforts. The panel also presented 10 general recommendations on how to improve current efforts.

It is the Government's position that one of the primary objectives for Danish research and innovation efforts in the next several years should be to contribute to the green transition of Danish society. Therefore, the Government will investigate whether the current research and innovation system in Denmark provides an appropriate framework for such efforts. Additionally, the Government will more closely examine the framework conditions for innovation activities and technology transfer in knowledge institutions with regards to improve the commercialization of new knowledge.

Finally, the Government will invite the parliamentary parties to discuss a future model for the allocation of basic university research funding in Denmark.

### Implementation of the UN Sustainable Development Goal concerning industry, innovation and infrastructure

The above actions concerning research and innovation also support a number of targets falling under UN SDG 9 on building resilient infrastructure promoting including and sustainable industrialization and fostering innovation, *cf. box 4.2*.

#### Box 4.2

##### The UN sustainable development goals for industry, innovation and infrastructure – Denmark's efforts in the higher education and science field

Sub-target	Danish efforts	Political initiatives
9.5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	Public investments in research amount to at least 1 per cent of GDP	<ul style="list-style-type: none"> <li>• Agreement on the allocation of the research reserve for 2020</li> <li>• Evaluation of the knowledge-based innovation system and follow-up</li> </ul>

Source: Ministry of higher education and Science.



### 4.3 The national target for climate and energy

Denmark is subject to the following binding national targets laid down by the EU in the climate and energy area for 2020:

- Annual obligations for the period 2013-2020 for non-ETS greenhouse gas emissions<sup>2</sup>. The target increases towards 2020, when Danish emissions must be reduced by 20 per cent compared with the level in 2005.
- The share of renewable energy in final energy consumption must rise to 30 per cent in 2020, an increase from about 16 per cent in 2005.
- A total of 10 per cent of energy consumption by the transport sector (roads and railways) must be from renewables in 2020.

#### *The Government's climate and energy policy*

In December 2019, the Government and a broad majority in the Danish Parliament agreed on one of the world's most ambitious Climate Acts. *The Climate Act* codifies Denmark's target to reduce greenhouse gas emissions by 70 per cent in 2030 relative to 1990 levels as well as Denmark's long-term target of achieving climate neutrality no later than 2050. It appears from *The agreement on the Danish Climate Act* that the efforts undertaken to meet the Danish climate targets must be as cost efficient as possible while taking the long-term green transition, sustainable business development, Danish competitive strength, sound public finances and employment into consideration. The forthcoming Climate Action Plans will contribute to meet the national reduction targets. The Climate Action Plans will as a minimum consist of sector strategies and indicators for central sectors like agriculture, transportation, energy, construction, and the industrial sector. In the energy agreement from 2018, all parties in Parliament at the time paved the way towards having at least 55 per cent of Denmark's energy needs covered by renewable sources by 2030.

#### *The energy sector*

The transition of the energy sector is essential in the Danish climate action policy. With the energy agreement from 2018, a broad majority in the Danish Parliament agreed on multiple initiatives to support and extend the Danish position in the climate and energy area and additionally support the EU targets. The agreement ensures a continued transition of the energy sector and entails investments in renewable energy and energy efficiency. With the initiatives in the agreement, Denmark is expected to reach a renewable energy share in consumption of electricity of over 100 per cent by 2028 (Denmark's Energy and Climate Outlook 2019). At the same time, with the agreement, funding has been allocated to pave the way towards a renewable energy share of approximately 55 per cent in 2030. Furthermore, at least 90 per cent of district heating consumption will be based on other types of energy than coal, oil and gas in 2030.

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<sup>2</sup> The non-ETS greenhouse gas emissions primarily include emissions from transportation, agriculture and individual heating.

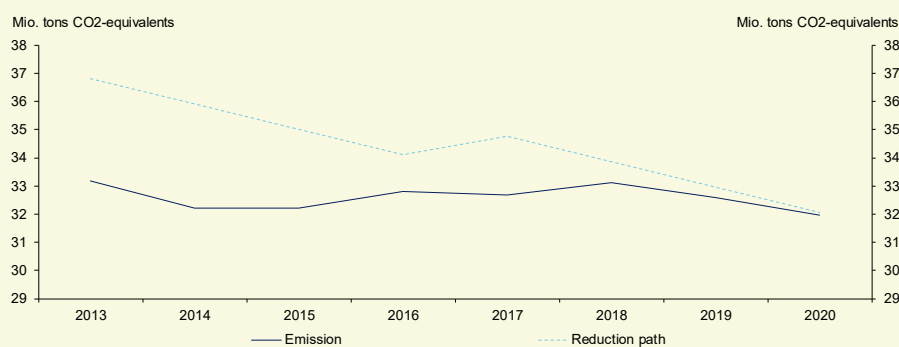
### Status for climate and energy policy targets

The latest baseline projection from the Danish Energy Agency was published in August 2019. The projection takes stock of the progress towards the Danish national climate- and energy targets and commitments.

As part of the 2008 EU Climate and Energy Package, Denmark is obligated to reduce emissions from the non-ETS sectors by 20 per cent in 2020 compared with the 2005 level, and to achieve sub-targets up to the end-target in 2020. Due to natural fluctuations in emissions, it is possible to use over-compliance from one year in later years.

The non-ETS emissions in 2020 are expected to be 32 million tons CO<sub>2</sub> equivalents, the equivalent of a reduction of exactly 20 per cent relative to 2005 levels. Over-compliance is expected in every year in the commitment period. The accumulated over-compliance is expected to be about 15 million tons CO<sub>2</sub> equivalents in total for the whole commitment period *cf. figure 4.3*. Over-compliance in the period towards 2020 cannot be transferred to the following commitment period 2021-2030.

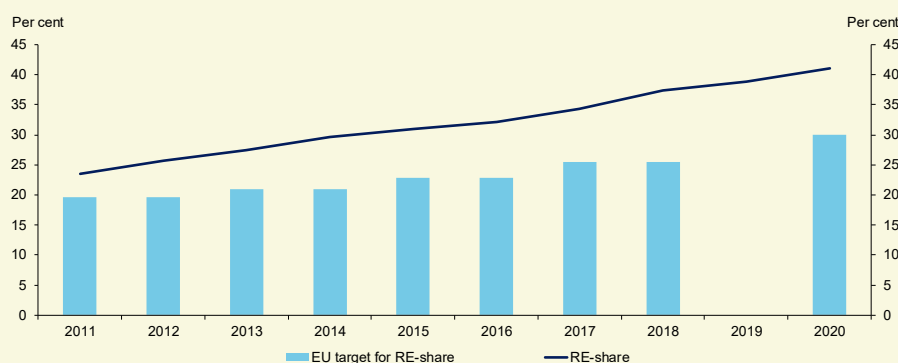
**Figure 4.3**  
Yearly non-ETS emissions 2013-2020 and the EU target (reduction path)



Source: Danish Energy Agency (2019), Denmark's Energy and Climate Outlook 2019.

Under the EU Climate and Energy Package from 2008, Denmark has also committed to increasing its share of gross final energy consumption stemming from renewable sources to 30 per cent in 2020, an increase from approximately 16 per cent in 2005. According to the latest projection, this target is expected to be exceeded with a RE-share of final energy consumption of about 41 per cent in 2020, *cf. figure 4.4*.

**Figure 4.4**  
**Renewable share of extended final energy consumption**



Note: The shown projection of RE-share is from the Danish Energy and Climate Outlook 2019. The share of RE in the expanded final energy consumption lies above the EU-target throughout the period.

Source: Danish Energy Agency (2019), Denmark's Energy and Climate Outlook 2019.

The EU Climate and Energy Package also includes a separate target for the use of renewable energy in the transport sector, by which Denmark is obligated to reach a renewable share in land based transport of at least 10 per cent by 2020. This target only applies in 2020, with no sub-targets towards 2020. In 2020, the blending obligation for sustainable biofuels in the transport sector is increased from 5.75 per cent to 7.6 per cent of the energy consumption to meet the requirement of 10 per cent renewable energy in the transport sector. The remaining share is accomplished with renewable electricity used in cars and railways.

#### *EU targets for 2030*

In October 2014, EU heads of state and government agreed upon the overall framework for the EU's climate and energy policy towards 2030. As a core element, the 2030 framework contains a binding target for the reduction of the EU's greenhouse gas emissions by at least 40 per cent in 2030 compared to 1990. To achieve this goal, the sectors covered by the EU Emissions Trading System have to reduce emissions by 43 per cent in 2030 compared to 2005, while the sectors outside the EU Emissions Trading System have to reduce emissions by 30 per cent in 2030 compared to 2005.

In 2018, the EU-Parliament and council agreed on a goal that in 2030, 32 per cent of energy consumption in the EU is to come from renewables. In addition, a non-binding energy efficiency target for the EU for 2030 of 32.5 per cent was set. The energy agreement from 2018 paves the way to a 55 per cent renewable energy share of the final consumption of energy. This will be a substantial contribution to the 2030 EU target regarding renewable energy.

In the effort sharing regulation for the non-ETS sectors, Denmark has committed itself to a national binding reduction target of 39 per cent by 2030 compared to 2005. With the Danish Climate Act, a broad majority in the Danish Parliament has obligated Denmark to a reduction

target of 70 per cent in 2030 compared to 1990. It requires significant reductions in the non-ETS sectors to reach this target. *The agreement on the Danish Climate Act* ensures the framework for a comprehensive green transition of Danish society, which will also contribute to fulfilling the Danish EU-obligation by 2030.

On 11 December 2019, the Commission presented a new initiative for a European Green Deal that will pave the way for the green ambitions of the new Commission. Here, a number of concrete initiatives were presented, including an EU climate act with a target of net zero emissions by 2050 together with an ambition to increase the EU reduction target to 50-55 per cent by 2030 compared to 1990.

Denmark works actively for an ambitious realisation of the Commission's Green Deal - especially towards the increase of the EU 2030 reduction target to at least 55 per in order to achieve climate neutrality in the EU by 2050. Higher European ambitions means that the EU can show the way and hence encourage other countries to increase their ambitions. At the same time, higher ambitions in the EU can contribute to the realization of Denmark's 70 per cent target.

Overall, *the agreement on a Danish Climate Act*, the forthcoming Climate Action Plans and the Energy Package from 2008 contribute to Denmark's leading position in achieving the national and international climate political targets by 2030.

### Implementation of the UN Sustainable Development Goals concerning renewable energy and climate action

On the area of climate and energy, Denmark works to promote Sustainable Development Goal 7 about access to renewable energy for all and Sustainable Development Goal 13 about taking sustainable climate action. Denmark's national and international targets and obligations, presented in this chapter, contribute to this effort. Furthermore, there are a number of other important initiatives, which are not a part of the EU 2020 targets. Box 4.3 clarifies Denmark's ambitious efforts to ensure a sustainable development regarding climate and energy on three chosen sub-targets.

**Box 4.3****The UN's sustainable development goals for sustainable development regarding energy and climate – Denmark's effort in the climate and energy field**

Sub-targets	Danish efforts	Political initiatives
7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.	Denmark has a well-developed supply system that ensures Danes and Danish companies the world's highest security of supply of electricity, heat and gas. Electricity is provided 99.9 per cent of the time. Denmark works continuously for a regulation that ensures an effective framework for a green supply with high security of supply.	<ul style="list-style-type: none"> <li>• In January, the minister for Climate, Energy and Utilities assigned a planning target for the electricity supply security aiming at a high, but balanced level that keeps the cost for the electricity consumers down.</li> <li>• Expected modernization and new economic regulation of the district heating sector, which will secure the best possible framework for the sector to enhance the efficiency and to develop for the benefit of the consumers.</li> <li>• Adjustment of the economic regulation of the distribution of gas in 2021 in order to ensure a continued efficient operation of the gas network for the benefit of consumer prices.</li> </ul>
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.	Sustainable transition is a Danish position of strength. Denmark is one of the countries in the world that is furthest along when it comes to the transition to renewable energy. The share of renewable energy in the Danish consumption of electricity is above 60 per cent. Denmark will develop and promote this strength to make Denmark independent of fossil fuels.	<ul style="list-style-type: none"> <li>• Ensured funding that will pave the way to a share of renewable energy at approximately 55 per cent of the energy consumption by 2030.</li> <li>• Introduced initiatives resulting in the share of renewable energy within the consumption of electricity expectedly being at above 100 per cent by 2030.</li> <li>• The energy agreement contributes to at least 90 per cent of the consumption of district heating being based on other sources of energy than oil, coal and gas in 2030.</li> </ul>
13.2 Integrate climate change measures into national policies, strategies and planning.	Denmark has adopted one of the most ambitious climate acts in the world. It includes a legally binding target to reduce greenhouse gas emissions by 70 per cent in 2030 relative to 1990, a target of climate neutrality no later than 2050 as well as the obligation to set legally binding targets every five years with a ten-year perspective.	<ul style="list-style-type: none"> <li>• Annual climate programs where the government presents concrete reduction initiatives.</li> <li>• A new committee on green transition whereby considerations on climate, the environment and nature will be integrated in all new government policy.</li> <li>• Climate action plans that will identify specific reduction measures within critical sectors such as agriculture, transportation, energy, construction, and industry.</li> <li>• Thirteen climate partnerships with the private sector, where the industry is invited to make proposals on and take responsibility for specific reduction initiatives.</li> <li>• Climate and green transition considerations will be integrated into the economic models of the Ministry of Finance.</li> </ul>

Source: Ministry of Climate, Energy and Utilities.

## 4.4 The national education targets

The Government has acceded to the EU headline targets for education set out in the Europe 2020-strategy to reduce education drop-out rates to 10 per cent for 18-24 year-olds, as well as increase the proportion of 30-34 year-olds who complete a higher education programme or equivalent to at least 40 per cent in 2020.

In 2018, the education drop-out rate among 18-24 year-olds was 10.2 per cent, while 49.1 per cent of 30-34-year-olds had completed a higher education programme or equivalent. Denmark is accordingly close to having achieved the EU headline target for education drop-outs, and has surpassed the target to increase the proportion of 30-34-year-olds who complete a higher education programme or equivalent. The increase in the education drop-out rate among 18-24-year-olds in 2018 (8.8 per cent in 2017) is particularly due to higher employment rates among young people rising significantly from 2017 to 2018.

The Government has implemented a number of initiatives aimed at improving the quality of early childhood education and care and educational programmes in order to support efforts to achieve the EU targets in the area of education. These initiatives are described in the following sections. In addition, the Government has removed the so-called annual reprioritisation contribution for the entire education sector, starting from 2020, in the national budget for 2020. This financial strengthening of Danish educational institutions creates a basis for supporting a stable framework for quality education.

### Early childhood education and care

Early childhood education and care of high quality plays a crucial role in securing children's early learning and development and also contributes to counteracting negative social heritages as well as reducing education drop-outs in the long term. Early childhood education and care of high quality is crucial for the Government's ambition that Denmark should be the world's best country in which to be a child. To succeed in that regard, an adequate number of qualified social educators is needed in early childhood education and care.

The 2020 Finance Act agreement includes the decision to introduce statutory legal minimum staff/child ratios in early childhood education and care institutions up to 2025. To achieve this DKK 500 million in 2020, DKK 600 million in 2021, DKK 800 million in 2022, DKK 1,200 million in 2023, DKK 1,400 million in 2024 and DKK 1,600 million in 2025 have been allocated. The goal is for minimum staff/child ratios once fully phased-in, to ensure a maximum of 3 children per adult in nurseries and a maximum of 6 children per adult in kindergartens.

Finally, the parties have agreed to continue the annual funding of approximately DKK 242 million towards more social educators and assistants in institutions with many vulnerable children in the age group of 0-2-year-old from 2020 and onwards (as well as funding for more social educators for facilities with many children in vulnerable circumstances by approximately DKK 86 million in 2020 and onwards). The funds will serve as a supplement to the resources allocated to minimum staff/child ratios.

### The Danish Folkeskole (primary and lower secondary education)

With the Danish Finance Act 2020 the parties behind the Act agreed to set aside a reserve fund earmarked for making general improvements to the quality of the Folkeskole as well as funds to help strengthen assisting teaching.

A key focus area of the Folkeskole reform has been to ensure a higher level of competence among teachers, social educators and school leaders. The reform allocated DKK 1 billion in the period 2014-2020 to improving continuing education and training for teachers and social educators in the Folkeskole while also setting a target that 95 per cent of all teaching hours should be carried out by teachers with teaching qualifications that match the subject area. Since the reform came into effect, the percentage of teachers carrying out educational activities in subjects that they are qualified to teach has risen by 6 percentage points, going from 81,6 per cent in 2014/15 to 87,6 per cent in 2018/19. With the 2019 agreement on an adjustment of the Folkeskole reform it was decided to postpone the deadline for meeting the objectives from 2020 to 2025 to ensure that municipalities and schools had sufficient time to meet the targets.

The Folkeskole reform is monitored by a comprehensive research programme scheduled to end in 2020. The research programme has shown that the reform has not yet had a positive impact on the academic results and well-being of the students. However, the programme has also found that less than half the schools have made strides in their implementation of the reform. Additionally, the annual status report for the development of the Folkeskole states that the Folkeskole in 2018/2019 has not yet fulfilled the four performance targets for the students' academic and well-being-related development that were set in the Folkeskole reform. Additionally, it is noted that according to the research programme there is reason to expect that it will take between 5-15 years before a comprehensive school reform can be fully implemented and have a measurable impact.

There are also other ongoing initiatives that are expected to contribute to improving the academic performance of students with immigrant background. In May 2018, the partial agreement on the area of education to combat parallel societies of May 9th 2018 mandated that all kindergarten children in schools where more than 30 per cent of the children lived in a vulnerable residential area would have to pass a Danish language test to qualify for first grade.

### The preparatory education area

An unanimous Danish parliament adopted a reform of preparatory education area in 2017. The initiatives of the reform were aimed at preparing more young people with no education or job to leave primary and lower secondary education on good footing. The contents of a number of the present preparatory programmes were changed in terms of teaching approaches and interdisciplinary makeup in 2019 and was consolidated institutionally under a new Preparatory Basic Education and Training Programme (FGU). The new FGU provides young people under the age of 25 with the necessary academic, personal and social competences to complete a vocational programme or post-compulsory education or gain a lasting foothold in the labour market. Among other things, the reform introduced a requirement that municipalities must establish coherent and coordinated efforts in relation to young people.

## Vocational education and training (VET)

The reform on better and more attractive vocational education and training programmes took effect from the beginning of the school year August 2015. The reform was aimed at enticing more young people to pursue vocational education and training immediately upon graduating from the 9th or 10th grade. The target is for 25 per cent of school leavers to choose a vocational education and training programme in 2020 and for 30 per cent to choose one in 2025.

The agreement also introduced an apprenticeship obligation, which is a statement of intent from the company that it intends to hire the young person via an apprenticeship agreement at a later date.

In connection with the tripartite agreement of August 2016, a number of so-called favourable educational programmes were established in which the students were given particularly good opportunities to enter into an apprenticeship in connection with their vocational education and training programme. Furthermore, the government and the social partners have agreed to improve business incentives to establish more apprenticeships for students in vocational education and training programmes through the introduction of a bonus to the companies that hire more students, funded with an extra penalty issued to companies that do not hire apprentices. The target is for companies to enter into 8,000–10,000 more apprenticeship agreements by 2025 compared to the corresponding figure for 2016. In the agreement about the transition from primary school to vocational training from November 2018 (a follow-up to the reform on vocational training (2015), the tripartite agreement about apprenticeships (2016), the FGU agreement (2017) and the agreement on practical knowledge in primary school (2018)) a number of initiatives were launched to full fill the targets on increased intake to the vocational educations.

## General upper secondary education

The new general upper secondary education reform took effect from the 2017/2018 school year. The political parties behind the reform agreed that students well-being in the general upper secondary education programmes should be improved. In 2019, the first survey on student well-being was conducted. This found that 8 out of 10 students are happy with attending general upper secondary education. On a scale of 1 to 5 where 5 being the highest, the satisfaction with attending a general upper secondary educational institution was 4.1. However, in addition to a high level of well-being, the survey also found that there are areas where students feel pressured. Half the respondents indicated that they often feel pressure due to their grades. Moreover, over 30 per cent of the students have seriously considered dropping out for various reasons.

The reform has also increased focus on the fact that more general upper secondary education students are choosing to learn a foreign language. This trend has been supported by the establishment of the Danish National Centre for Foreign Languages, which works to strengthen the position of foreign languages in the Danish educational system so that a growing number of students get more and better foreign language skills. Exchange programmes with France and Spain have also been established, and the Government has also set aside funding for students who choose to go on exchange semesters abroad. The purpose of the exchange is to give the students linguistic and cultural insights and serve as a concrete contribution to improving the status of foreign languages in Denmark.



The reform has been monitored through an accompanying research programme, which started in 2017 and will continue to track and evaluate the progress and results of the reform until 2021. Each year, the accompanying research focuses on a specific theme from the reform. In 2018, it included the initial experiences with the new basic course for the hlx (higher commercial examination), htx (higher technical examination) and stx (upper secondary school leaving examination) programmes, while it focused on the hf (higher preparatory examination) programme in 2019. In 2020, the focus will be on improved academic competences.

### Higher education

In 2019, the Government allocated funding to strengthen core welfare educational programmes.

DKK 127.5 million was set aside to boost the quality of the social educator programme to address challenges such as the inadequate study programme competences and low study programme intensity identified by the Danish Evaluation Institute. The university colleges can use the funds for multi-year interventions. At the same time, the 2020 Finance Act allocates an additional DKK 43 million in 2023 to the bachelor in social education programme to help ensure that the study programmes offered throughout Denmark are of a high standard. The bachelor in social education programme will also undergo an evaluation in 2020.

The Government has also allocated a special grant to the bachelor in nursing programme amounting to DKK 44.2 million. These funds are intended to support initiatives that can contribute to improving the transition (and thus reducing dropout rates) between study and internship periods in the bachelor in nursing programme. The Government has as part of the reform of the appropriations allocated a special grant to increase the intake on the so-called STEM educations. Further, as part of the budget agreement for 2020 and in cooperation with Local Government Denmark (KL) and Danish Regions, the Government will establish a joint task force that will discuss ways in which the Government can realize its ambition to educate and recruit more social and health care personnel. One such initiative includes an allocation of DKK 300 million in the 2020 Finance Act and DKK 600 million annually from 2021 to recruit more nurses.

At the same time, the Government has entered into a political agreement to remove the current so-called education ceiling, which introduced restrictions to pursue a second degree at the same level or lower than what one initially pursued, starting from the 2020 summer admissions. The so-called annual reprioritisation contribution, which reduced the yearly appropriations by 2 per cent for the education sector has been abolished.

Further, an evaluation of the admissions system in Danish higher education was conducted in 2019. The evaluation highlighted strengths and weaknesses of the current admissions system through a number of themes such as continuity between upper secondary programmes and higher education programmes, transparency and efficiency.

An evaluation on the Danish grading scale was also published in January 2019. The evaluation tracks the development in grading since the introduction of the 7-step scale and looks into how the grading scale is used in the education system.

*Nationwide education*

The Government aims to ensure access to high-quality education for young people across all of Denmark. With a view to supporting a long-term trend towards better opportunities for education throughout Denmark, the Government has initiated a mapping of the educational landscape, including educational needs and recruitment potential in various parts of Denmark. The results of these mapping efforts are expected to be published in the first half of 2020. The Government will use this educational map as the basis for its subsequent dialogue with municipalities, regions and educational institutions on the geographical spread of educational programmes and courses.

*Enhancing well-being among young people*

The Government aims to promote the well-being of children and young people, which includes improving the well-being of higher education students. Accordingly, the Government has allocated DKK 25 million in funding to development projects at higher educational institutions to trial different approaches to improving well-being among students and collect data about the impact of those projects.

## Implementation of the UN's Sustainable Development Goals concerning quality education

In the early childhood education and care system as well as the entire educational sector, a variety of political initiatives have been launched to contribute to meeting the UN's SDGs. These are initiatives of economical, structural and practical related character for children, young people and adults. Additional funding has been provided to the early childhood education and care system and the Folkeskole as well as for improved quality in the Bachelor in Social Education. Initiatives have also been launched to improve the students' practical competences and hereby improve the interest in vocational education and training programmes. Furthermore, there is an increased focus on improving the competences of adults already on the labour market, *cf. box 4.4*.

**Box 4.4**
**The UN's sustainable development goals for quality education – Denmark's efforts in the area of children and education**

Sub-targets	Danish efforts	Political initiatives
4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and lower secondary education leading to relevant and effective learning outcomes.	Access to high quality early childhood education and care system as well as primary and lower secondary education is a core value in Denmark. The Danish early childhood education and care system and primary and lower secondary education has a high level of quality but continual efforts are made to improve the quality for the benefit of the children's development, learning and well-being. PISA 2018 showed that Danish students are above or at the same level as the	<ul style="list-style-type: none"> <li>• Initiative in the social financing agreement from 2019 about a strengthening of the pedagogical-psychological counselling in the municipalities.</li> <li>• Agreement on adjustments of the Folkeskole reform to ensure a more open and flexible Folkeskole (January 2019: Among other things a shorter school day in primary school, improved quality in assisted teaching and prioritisation of selected subjects).</li> <li>• The Finance Act 2020: Among other things additional funding for improving the Folkeskole</li> </ul>

	OECD and EU average in reading, maths and science, and that there are fewer low performers in all three subjects compared to the OECD and EU average.	and a legal minimum staff/child ratio in early childhood education and care.
4.3	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university and at an affordable cost.	<p>Equal access to education is a central focus point in Danish education politics. Furthermore, active efforts are in effect to secure high quality in technical and professional education including higher enrolment rates, especially among women.</p> <ul style="list-style-type: none"> <li>• Science Strategy (March 2018): Improved science teaching in primary, lower secondary and upper secondary education.</li> <li>• Agreement on improved practical/professional competences (June 2018) and the agreement From the Folkeskole to VET – VET for the Future (November 2018): Obligatory practical/musical elective subject and the option for VET schools to offer elective subjects in the Folkeskole.</li> <li>• Preparatory Basic Education (FGU) for young people under the age of 25. With the FGU, students can focus their education on VET.</li> <li>• Technological pact ensuring a targeted effort towards increasing the enrolment of students in STEM education, including funding from August 2019 to help get more women to choose STEM education.</li> <li>• Improved quality in the Bachelor in Social Education.</li> <li>• Evaluation of the Bachelor in Social Education.</li> <li>• Continuation of the temporary raise in tariff for tariff 1-education</li> <li>• Cancellation of the annual reprioritization contribution</li> </ul>
4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	<p>The work to prepare young people and adults in Denmark for the future labour market has come far, and we support the positive development with a variety of initiatives.</p> <ul style="list-style-type: none"> <li>• Subsidy for nurse education</li> <li>• Abrogation of the limit on the number of educations one individual can attain.</li> <li>• Tripartite agreement on adult education (2017) with DKK 2,5 billion and a variety of initiatives to increase adult educational attainment 2018-2021.</li> <li>• Adults in the labour market have access to improve their work related competences through short, continual vocational training and basic reading, writing, math, ITC and English language competences.</li> <li>• Focus on educational and career competences and innovative competences within general upper secondary education.</li> </ul>

Source: Ministry of Children and Education.

## 4.5 The National Target for Social Inclusion

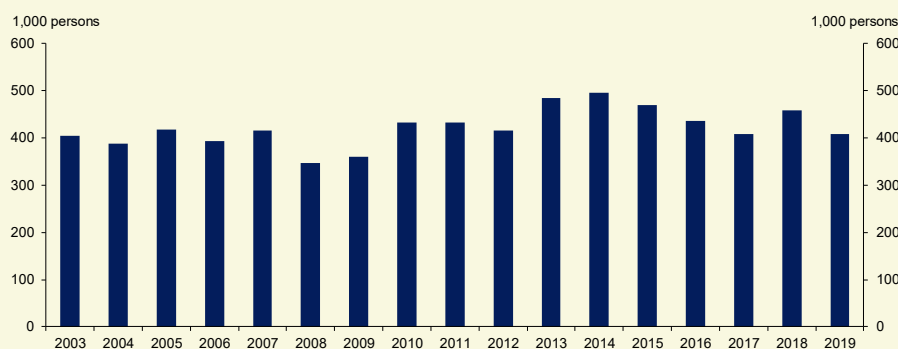
As part of the Europe 2020 Strategy, the Danish government has set a national target of reducing the number of people at risk of social exclusion and increasing their employability.

### The Development of the Danish 2020 Target

Under the Europe 2020 Strategy target for reducing the number of people at risk of poverty or social exclusion by 20 million, the Danish government has set a national target of reducing the number of people living in low work intensity households (LWI) by 22,000 people by 2020, compared to the level in 2008.

According to Eurostat, an estimated 409,000 people lived in LWI-households in Denmark in 2019. This is a decrease of around 86,000 people, since the number was at its highest in 2014, *cf. figure 4.5*.

**Figure 4.5**  
People in Low Work Intensity Households



Note: LWI-households are defined as householdes where the mean work intensity for people between the ages of 18 and 59 (excluding students under 25) is less than 20 pct. over the course of calendar year.

Source: Eurostat.

This development must be seen in the light of the increase of people in paid employment by around 211,500 people since 2014 (4<sup>th</sup> quarter 2014 to 4<sup>th</sup> quarter 2019). The same goes for fulltime employment, which, in the same period, has increased by around 156,500 people.

It should be noticed that the development in 2020 and further is extraordinary uncertain due to the corona epidemic. The baseline year for the target for social inclusion is 2008. In Denmark, the number of people in LWI-households in 2008 was at an all-time low of 347,000 persons, *cf. figure 4.5*. From 2008 to 2019, the number of people in LWI-households increased by 62,000. Between 2008 and 2014, there was a significant increase, due, amongst other

reasons, to the 2008-2009 economic recession and the following period of subdued growth and low employment.

Furthermore, LWI-households includes both students over the age of 24 and people on early retirement, which helps explain the relatively high number of people in LWI-households in Denmark. Since 2008, there has been a significant increase in the number of students in higher education. In 2018, 16,000 more people between the ages of 25 and 29 were enrolled in ordinary higher education compared to in 2008, which is an increase of 28 pct.

The increase from 2017 to 2018 and the subsequent fall in 2019 is partly due to a statistical break in the time series. In the light of these statistical issues, one should be careful interpreting these year-to-year fluctuations. On this basis, it is assessed that the number of people in LWI-households have been rather stable in recent years.

The Danish government wishes to actively fight poverty. Therefore, the government plans to introduce a national poverty threshold, so that developments can be closely followed. The new poverty threshold will be an active part of social policy, alongside a continued focus on measures to help reduce the number of vulnerable persons and increase their employability. The government has introduced a temporary child benefit scheme to help reduce child poverty. The temporary child benefit scheme is valid until a new social benefits system, based on the recommendations from the Commission for Social Benefits (Ydelseskommisionen), is in place. For a more detailed description of the Commission for Social Benefits and the temporary child benefit scheme, see *chapter 4.1*.

As part of the 2020 Finance Act agreement, it has been decided that an inequality report should be prepared annually to shed light on inequality in a broader sense. The purpose is to strengthen the level of knowledge, follow the development in inequality and create an overview of different dimensions of inequality, for instance in the welfare areas, income and health differences, and barriers to social mobility across generations.

## Reforms and Initiatives for Better Social Inclusion

### *Better Transition from Youth to Adulthood for persons with a handicap*

A good transition to adulthood is important so that young persons with disabilities may be included in the communities of adulthood, such as through education and employment, on an equal basis as others. It is particularly important to support this transition as the framework for help and support through social services, changes drastically when a person turns 18. Therefore, the government seeks to ensure transitional efforts are initiated already when the person turns 16. This initiative means the municipalities must initiate preparations to the transition as soon as the person turns 16. The preparations must be crosscutting and holistic. They should be based on dialogue with the person and the parents, and include considerations of education, employment and housing, as well as the need for help and support related to the disability.

### *Exit Package for Persons in Prostitution*

In the years 2020-2023, funds have been allocated for an initiative aimed at persons in prostitution who wishes to leave or wants guidance in relation to their prostitution experiences. A proportion of persons in prostitution need social services while they are in prostitution, and if

they want to leave prostitution. The municipalities must work with relevant NGOs regarding the appropriate measures for persons wanting advice on alternative lifestyles, and potential future support to leaving prostitution.

#### *Strengthened Voluntary Financial and Debt Counselling*

In the years 2020-2023, funds have been allocated to strengthen financial and debt counselling. This initiative strives to ensure more people, including young people, have access to high quality debt counselling, and enable debt counsellors to build bridges and cooperate with relevant municipalities, public authorities and other civil society measures, regarding holistic, early, and preventative measures. This could include preventative offers of counselling to particular target groups, such as young people with gambling debts, which could take place in high schools or the like, as well as other persons in difficult financial situations, who are dealing with life crises, such as divorce and/or custody battles.

### Implementation of the UN Sustainability Development Goal concerning ending poverty, and decent work and economic growth

In the area of social policy, Denmark works to promote the United Nations' SDG 1 to end poverty, and Goal 8 to promote decent jobs and economic growth as well as SDG 10 to reduce inequality. Box 4.5 highlights the Danish efforts under these goals.

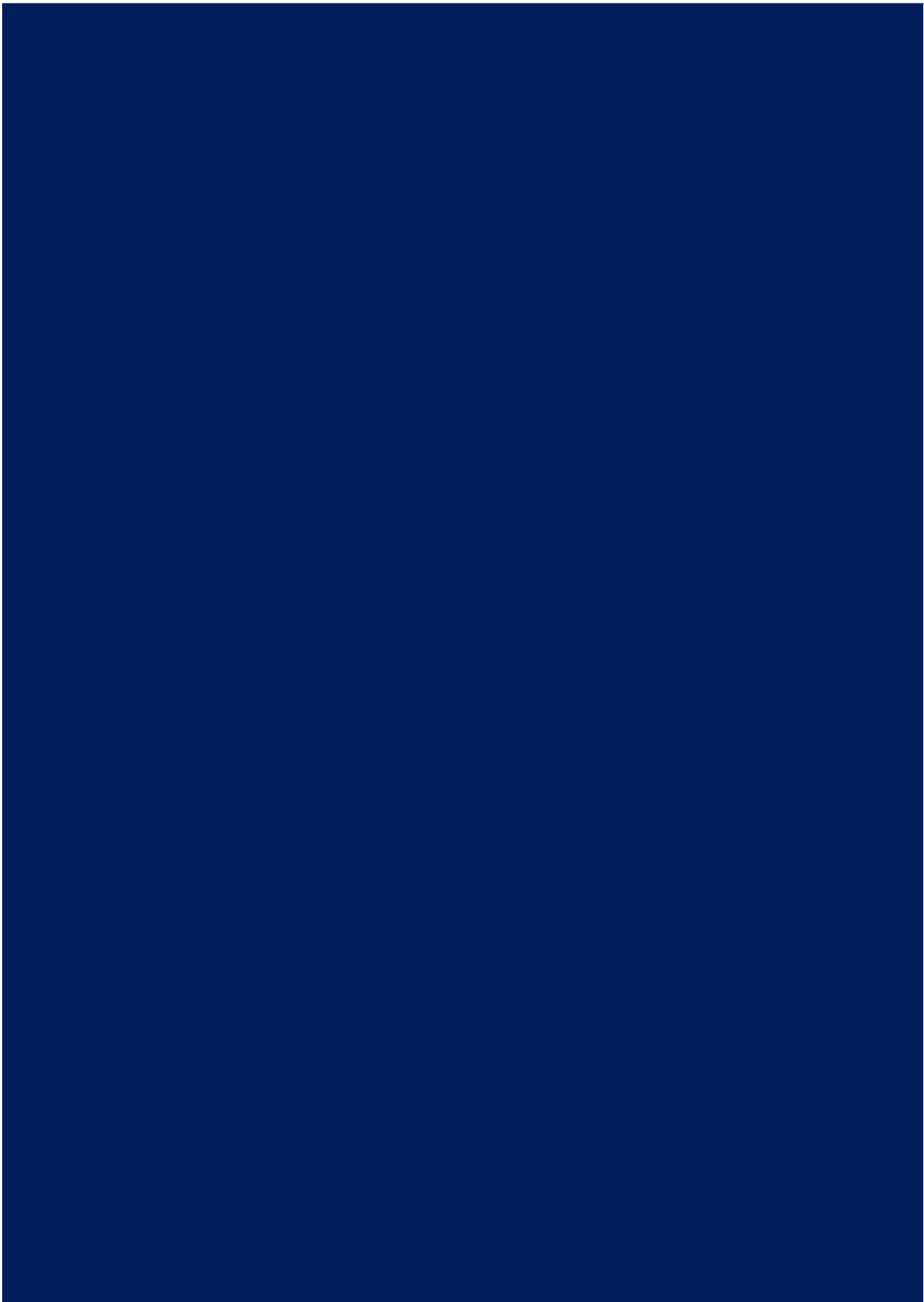
#### **Box 4.5**

##### **The UN's sustainable development goals for defending poverty and ensure decent jobs and sustainable economic growth – Denmark's efforts in the area of social affairs**

<b>Sub-targets</b>	<b>Danish efforts</b>	<b>Political initiatives</b>
1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	<p>The government will fight poverty, including child poverty. Ensuring all children in Denmark grow up under proper conditions and with the opportunity to be an active part of the community has high priority.</p> <p>The government will follow the developments in the number of people with relatively low incomes. This includes people who in a single year has a disposable income under 50 pct. of the median income for the entire population. The levels are assessed in the yearly report 'Fordeling og Incitament' (Distribution and Incentives), published by the Ministry of Social Affairs and the Interior, in which Denmark is characterised by having relatively low number of people with low incomes, seen from an international perspective.</p>	<ul style="list-style-type: none"> <li>• The government will introduce a new national poverty threshold, so developments can be followed. The new poverty threshold will be an active part of social policy.</li> <li>• In collaboration with a wide range of other parties, the government has set aside funds to continue the support for Christmas and summer holiday assistance for vulnerable families, and make the support permanent. The parties have furthermore agreed to strengthen the support for Christmas assistance by raising the yearly appropriation by DKK 1.0 million, so both initiatives are granted 5 million yearly.</li> <li>• On December 17th 2019, the government established a Commission for Social Benefits. The Commission will present a number of recommendations for a new social benefits system by the end of 2020. The new social benefits system must balance a variety of</li> </ul>

	The Government will prepare an annual report of the inequality, which will shed light on inequality in a broader sense.	considerations, including maintaining an incentive to work for benefit recipients, and on the other hand giving special considerations to families with children, so that children have reasonable living standards and the opportunity to be an active part of the community.
1.3	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.	<p>Denmark has a well-developed social protection system. The system is comprised of a combination of social protection benefits and a range of social services.</p> <ul style="list-style-type: none"> <li>• In September 2019, the government and its supporting parties passed an agreement for a new temporary child benefit scheme. The main purpose of the temporary support scheme is to mitigate the impact of the Ceiling of Social Assistance Benefit and the Integration Benefit, upon families with children.</li> <li>• See the section on the Commission for Social Benefits above.</li> <li>• See the section on the temporary child benefit scheme above.</li> </ul>
8.6	By 2020, substantially reduce the proportion of youth not in employment, education or training.	<p>Young people need to have a good start in life. The efforts in the employment field positively contributed to the fact that the number of young people who are in employment and education in Denmark is high.</p> <ul style="list-style-type: none"> <li>• Efforts to increase youth part-time employment</li> </ul>
10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	<p>Efforts to strengthen civil society.</p> <ul style="list-style-type: none"> <li>• As part of the agreement of the allocation of the reserve for social affairs, health, and the labour market, funds have been set aside for strengthening the infrastructure of civil society. Furthermore, support for operations have been allocated to a number of volunteer initiatives promoting participation and inclusion. In the Finance Act of 2020, funds for the continuing support of the operations of several volunteer social initiatives have also been set aside</li> </ul>

Source: the Ministry of Social Affairs and the Interior.





## 5. Institutional issues and stakeholder involvement

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Denmark has an established procedure for the Parliament's involvement in the Danish and European growth and employment agenda. This is a prioritized part of the Danish EU decision procedure when the Europe 2020 strategy and the European Semester are on the agenda in the EU, in various Council formations and in the European Council.

The Government and the Danish Parliament have agreed on an extended involvement of the European Affairs Committee and the Finance Committee in relation to discussions on the European Semester and the National Reform Programme. This implies that the Government (in addition to current discussions of the European growth and employment agenda) will inform the European Affairs Committee and the Finance Committee of the Danish Parliament and discuss the most important questions in those committees. Overall, three annual joint briefings are held during the European Semester. The procedure is as follows:

Following the publication (typically in autumn) of the Commission's Annual Sustainable Growth strategy (previously the Annual Growth Survey), the Government will inform the European Affairs Committee and the Finance Committee of the content of the Annual Sustainable Growth Strategy in a joint consultation.

During spring, the Government will inform the two parliamentary committees of the Danish National Reform Programme and Convergence Programme in a joint consultation. Due to the corona epidemic the joint consultation on the Danish National Reform Programme and Convergence Programme 2020, planned for April, was cancelled.

In addition, the Government will – after the presentation of the Commission's country-specific recommendations – inform the parliamentary committees about the Commission's draft country-specific recommendations in a joint consultation.

The three consultations are referred to as the "National Semester". In light of the closer coordination of the economic policy in the EU, this is an example of a strengthened role for national parliaments in the EU.

*The Contact Committee for the Europe 2020 Strategy* is the focal point of the national anchoring of the Europe 2020 strategy and the European Semester in Denmark. The committee was established in 2001 in connection with the adoption of the Lisbon Strategy and consists of a wide range of regional and local authorities and organizations with an interest in the European growth and employment agenda. Regional and local authorities are of key importance with respect to the national implementation of growth and employment policies.

The Contact Committee does not replace the various special EU committees within the framework of the Danish EU decision-making procedure, but acts as a parallel consultation forum in the growth and employment area. The Committee is an important forum for dialogue between decision-makers and interest groups on the European growth and employment agenda and is of key importance in terms of achieving a consensus on Danish priorities in the growth and employment area.

The members of the Contact Committee typically meet annually at both official and ministerial level. In the first half of the year, the Contact Committee is kept informed of the development of the European Semester, the current European growth and employment agenda as well as the preparation of the National Reform Programme. In the second half of the year, thematic meetings are held with a focus on elements of the growth and employment agenda, e.g. a meeting was held in November 2019 chaired by the Minister for Foreign Affairs with focus on the Government's European political priorities, including growth and employment.

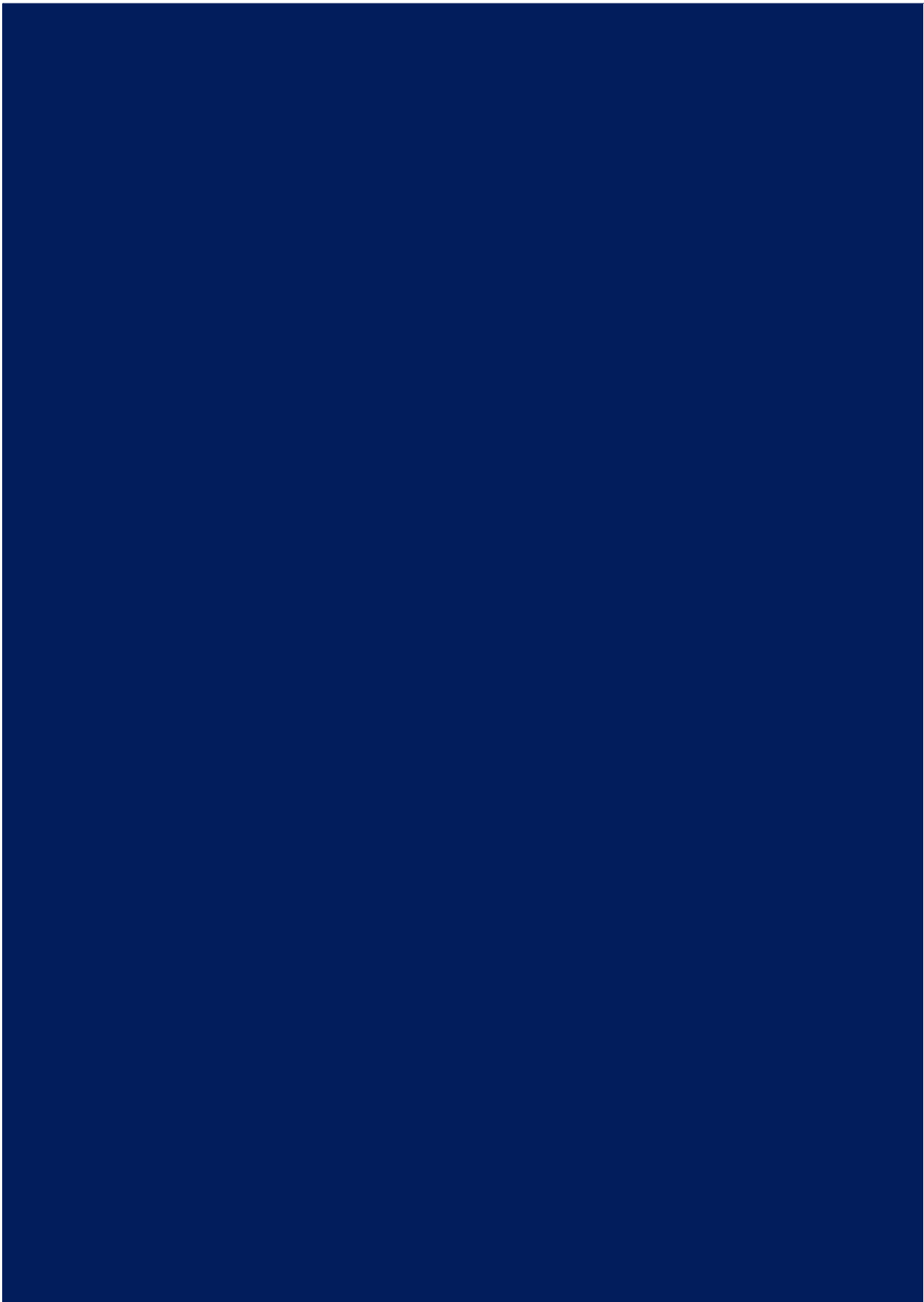
The draft version of the Danish National Reform Programme 2020 was sent to the Contact Committee for consultation, and discussed at a meeting of the Committee 4 March 2020. The Committee members subsequently had the opportunity to submit comments in writing. To the extent possible, the comments submitted by the Committee are reflected and incorporated in the National Reform Programme.

**Box 5.1****The Government's inclusions of the Danish Parliament in the European Semester and the NRP ("the national semester")**

January 2020: Joint consultation of the European Affairs Committee and the Finance Committee on the Commission's Annual Sustainable Growth Strategy 2020 and the Commission's early warning report in 2020 under the macroeconomic imbalances' procedure.

June 2020: Joint consultation of the European Affairs Committee and the Finance Committee on the draft country-specific recommendations.





# Appendix 1. Initiatives in response to COVID-19

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A number of business- and job-oriented initiatives have been taken to counter the negative economic consequences of the corona epidemic.

The initiatives aim to help employees and companies afflicted by negative economic consequences and to support the Danish economy in an extraordinary situation.

Subsidies, guarantees, cash flow and financing options for companies etc. are listed in box A.1.

## **Boks A-1**

### **Subsidies, guarantees, other cash flow and financing options for companies etc. in response to the COVID-19 epidemic**

#### **Subsidies etc.:**

#### **Temporary compensation scheme for self-employed, freelancers etc. (DKK 14.1 bn.)**

The scheme enables the self-employed to be compensated if their turnover have declined with more than 30 per cent as a result of the COVID-19 virus. The compensation amounts to 90 per cent of the loss in turnover, however, at a maximum of DKK 23,000 per month. The compensation can amount to DKK 46,000 per month, if the self-employed has a spouse as employee. The degree of compensation amounts to 100 per cent if the self-employed is forced by ministerial order to shut down.

It is also possible for self-employed without a CBR-number to be compensated if they have experienced a decline of 30 per cent in income not taxable at source. The self-employed can in this instance get up to 90 per cent of the loss in compensation, however, at a maximum of DKK 23,000 per month,

#### **Temporary compensation for businesses' fixed costs (DKK 65.3 bn.)**

The scheme enables companies to be compensated for their documented fixed costs, i.e. rent, interest rate expenditures and irredeemable contracts with expenditures in a period (e.g. leasing) if they experience large declines in revenues. The scheme is in effect from March 9, 2020 to July 8, 2020.

The share of the overheads that are to be compensated follows the decline in turnover: 80 per cent if the decline in turnover are 80-100 per cent, 50 per cent if the decline in turnover are 60-80 per cent, and 25 per cent if the decline in turnover are 35-60 per cent.

Companies that are shut down by government decree and as a result has no revenue in the period can be compensated with 100 per cent of the overheads as long as the forced shutdown is in place.

Companies can at maximum receive DKK 110 million, and companies are as a minimum required to have overheads amounting to DKK 12,500 for a compensation period of three months in order to qualify for compensation. Companies that receive more than DKK 60 million from the scheme are required not to have capital outflow in the financial year with balance sheet day in 2020 or 2021, e.g. payment of dividend or stock buy-backs.

Companies based in countries on the EU list of tax havens cannot receive compensation provided it is possible to avoid it according to EU regulation or other international obligations which Denmark or EU are obliged to follow.

**Temporary wage compensation scheme (DKK 10.2 bn.)**

Companies that face having to fire at least 30 per cent of their employees or more than 50 employees can use the scheme for wage compensation.

The government pays 75 per cent of the wage compensation of the wage to white-collar workers, however, a maximum of DKK 30,000, if the company chooses to send home the employee instead of firing him or her. The wage compensation of the wage to non-white-collar workers is up to 90 per cent, however, a maximum of DKK 30,000 per month per employee. The company can receive wage compensation in a maximum of four months from March 9 to July 8.

**Temporary compensation scheme for freelancers etc. with both primary and secondary income (DKK 0.2 bn.)**

Freelancers etc., who experience a loss of primary and secondary income of at least 30 per cent, can receive compensation. The compensation is 90 per cent of the expected primary and secondary income loss in the period compared to the previous year, however, a maximum of DKK 20,000 per month.

The target group for the scheme is people who have had a total primary and secondary income as well as taxable profits from self-employment of at least DKK 10,000 in average per month the past year. Of this, at least DKK 5,000 per month must be secondary income, and a maximum of DKK 20,000 must be primary income.

**Unemployment benefits and sickness benefits (DKK 0.4 bn. in 2020)**

The seniority counting for recipients of unemployment benefits are paused. This means that the period from March 1 to June 30 will not count towards the seniority of the unemployment benefit period. The unemployment beneficiaries can thus receive unemployment benefits for up to four months longer.

In addition, the employers' payments of unemployment benefit for the 1<sup>st</sup> and 2<sup>nd</sup> unemployment days (G-days) are temporarily suspended for members of an unemployment fund who are subject to a distribution of work or repatriation from and including the entry of the law until and including June 30, 2020.

Sickness beneficiaries will be allowed to extend their benefit periods by up to four months if they reach the reappraisal date in the period from March 9 to June 30, and if they are unable to extend the payment of sickness benefit under the extension rules.

**Suspension of the 225-hour rule in the cash benefit system (DKK <0.1 bn.)**

The 225-hour rule in the social assistance system is temporarily suspended from March 9 to July 8, 2020. Social assistance recipients affected by the 225-hour rule will not get a reduction in their benefits during the suspension period.

**Reduction of the qualifying period for the tax free senior premium (DKK <0.1 bn.)**

The hourly requirement for earning a senior premium of 1,560 hours of employment over 12 month is reduced to 1,040 hours for persons born in the first half of 1954. This corresponds to a four-month free period for earning a senior premium in the period from March 1 to June 30 2020.

**Reimbursement of sickness benefits for employers (DKK 1.7 bn.)**

Extended entitlement to sickness benefit for self-employed and sickness benefit reimbursement to employers is granted because of COVID-19.

Employers are reimbursed for paid salaries and sickness benefit for the first 30 days (the employer period). In addition, self-employed workers can receive sickness benefits from the first day of absence instead of after the regular period of 2 weeks.

**Special warning scheme before major layoffs and debureaucratisation of rules regarding division of labour (DKK <0.1 bn.)**

*The division of work scheme* allows temporary contractual working time to be reduced for a period without firing the employees, for example during periods with lack of incoming orders. During a division of work, it will be possible to receive supplementary unemployment benefits during periods of home leave due to reduced working hours. The scheme has been made more flexible, enabling companies to adapt to the current situation more quickly. It is supporting companies to use the scheme to avoid redundancies as a result of COVID-19.

As for *the warning scheme*, the government ensures that it is ready to handle a situation in which several major redundancies can occur. It is therefore ensured that the existing warning scheme can be rapidly expanded by DKK 10 million in 2020 if necessary. In this way, the warning scheme can continue to ensure targeted efforts for those who may be a part of major redundancies.

**Compensation scheme for organizers of cancelled events (DKK 2.4 bn.)**

The compensation scheme is intended for organizers of major events that are either cancelled, substantially changed or postponed due to COVID-19. The scheme incorporates single events with more than 350 participants.

**Compensation scheme for media (DKK 0.18 bn.)**

The compensation scheme is intended for certain media having suffered a decline in advertising revenue of 30 per cent or more as result of COVID-19. The scheme compensates for loss of advertising revenue from March 9 to June 8 according to these rates: 60 per cent of the total decline in advertising revenue if the decline is between 30 and 50 per cent, or 80 per cent if the total decline is between 50 and 100 per cent.

The following media are included in the scheme: Printed and digital newspapers, digital news media, weekly papers, commercial radios, commercial non-public TV stations, which have been granted Danish permission to provide service or are registered by the Radio and Television Board, and finally magazines and professional papers.

**Compensation scheme for artists etc. with both primary and secondary income (DKK 0.1 bn.)**

The scheme is intended for artists with a combined primary and secondary income and taxable surplus as self-employed between DKK 100.000 and DKK 800.000 per year, corresponding to between DKK 8,333 and DKK 66,667 per month on average in one of the last three years (based on the annual income registration in 2017, 2018 and 2019).

Artists expecting a loss of income of minimum 30 per cent from primary and secondary income and taxable surplus as self-employed as result of COVID-19 compared to the expected income from March 9 to June 8, can be compensated with 75 per cent of the expected loss within a maximum of DKK 23,000 per month.

**Compensation scheme for cultural institutions with special needs (DKK 0.2 bn.)**

A pool of DKK 200 million is reserved for: 1) Compensation to cultural institutions with special needs to ensure that otherwise well-run institutions will not go bankrupt due to COVID-19. 2) Compensation to seasonally scenic performance etc. not covered by the general scheme for major events 3) Compensation for costs of production not compensated by the schemes for fixed costs and wages. 4) Local cultural institutions etc.

**Guarantees etc.:**

**Guarantee schemes for small, medium and large companies (supports DKK 69 bn. in lending)**

A number of government guarantee schemes have been introduced for, among other things, banks' new lending to SMEs and larger companies. Generally, the schemes guarantee 70 per cent of the banks' new lending to otherwise healthy companies that are experiencing significant decreasing turnover because of COVID-19. It is a prerequisite for using the schemes that the company has experienced a turnover loss of more than 30 per cent.

Vækstfonden (the Danish state's investment fund) and EKF Denmark's Export credit manage the schemes. The schemes for larger companies operate on market terms, while a provision for financing SME guarantees has been established due to their higher risk profile. The schemes are limited to 2020.

**Government guarantee for the Travel Guarantee Fund to help the travel companies (DKK 1.5 bn.)**

With the strengthening of the Travel Guarantee Fund, the Fund's purpose has been temporarily extended so the Fund can compensate travel companies' reimbursement costs in regards to cancelled travels due to COVID-19 during the period from March 13, when the Ministry of Foreign Affairs tightened its travel guidance, and up to 13 April 2020, as well.

At the same time, the travel Guarantee Fund has been granted a government guarantee of DKK 1.5 bn. to ensure that the Fund has adequate liquidity to meet the compensation requirements. The travel companies will repay the loan over a number of years.

**Government guarantee coverage for companies' trade and exports (DKK 30 bn.)**

In order to ensure the Danish companies' access to insurance of their trade and exports, a government guarantee scheme is set up. The government assumes part of the credit insurance companies' risk of losses on the portfolio of trading insurances purchased in 2020 in return for the private credit insurance companies committing to maintain some insurance capacity in the Danish market.

The scheme is administered by EKF Denmark's Export Credit Agency. A government guarantee limit of DKK 30 bn. for 2020 has been set up, of which an expected loss of DKK 5 bn. has been allocated. The scheme is limited to 2020

**Match-finance initiatives in Vækstfonden (the Danish state's investment fund, DKK 3.4 bn.)**

Two match funding schemes have been established in Vækstfonden. The schemes are aimed at entrepreneurs in the earlier phases and venture companies. At portfolio level, Vækstfonden will finance between 75 per cent and 100 per cent of the financing with loans. It means that Vækstfonden will at least offer 1:3-matching and for some types of companies, they will offer full government funding.



The schemes will be limited in time and expire at the end of 2020. Vaekstfonden will receive a special guarantee limit of DKK 2.2 bn., of which an expected loss of DKK 0.8 bn. is allocated.

Vaekstfonden is also receiving new capacity of DKK 1.2 bn. for investments both directly in companies and via mutual funds. It will help fill out the gaps in the market that arises from private investors pushing upwards or completely out of the venture capital market.

**Guarantees for SAS from the Danish government (approx. DKK 1 bn.)**

The Danish and Swedish government have in corporation decided to provide guarantees for Scandinavian Airlines (SAS). The guarantees intend to support SAS's handling of the most urgent financial consequences of COVID-19.

**Other cash flow and financing options:**

**Increased governmental borrowing opportunities for trainees and students (DKK 0.6 bn.)**

The opportunity to apply for SU (the Danish students' Grant and Loans Scheme) loans is extended from March through June, giving students in youth education and in higher educations rights to get SU loans for up to DKK 6,388 per month in addition to their scholarship and existing possibility of SU loans. The extension applies to both scholarship recipients and students who graduate later than expected and therefore receive final loans, as well as students who are in paid internships during the period.

**Extra completion loan rates for trainees and students (DKK 0.02 bn.<sup>1</sup>)**

Students, who have used all SU tickets and all completion loan rates for the program, or who have used all SU tickets and have not yet obtained the right to get a final loan for the program, can receive additional completion loan rates (equivalent to DKK 8,241 per month) from May to June.

**Extension of payment deadlines for personal taxes and VAT etc. and earlier disbursement of tax credits (DKK 166.3 bn.)**

*The payment deadline for VAT settlement* is temporarily postponed. This creates a liquidity buffer for companies. The payment deadline for large companies' VAT payment is extended for three monthly rates (payments for March, April and May) by 30 days. For medium-sized companies, the payment deadline for the first quarter of 2020 is extended by three months, and for small businesses, the payment deadline for the first half of 2020 is extended by six months. The payment deadline for B-taxes (tax deducted from secondary income) is extended for two rates (April and May) by two months.

Certain companies that settle payroll tax will get the payment deadline temporarily extended. The payment deadline is postponed in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2020 by 1½ month and 1 month respectively, to strengthen their liquidity.

Companies' payment deadline for A-tax (tax deducted from primary income) and labor market contribution has been temporarily extended. This creates a liquidity buffer for companies. Payment deadlines are extended for three monthly rates (April, May and June) by four months.

Disbursement of the tax value of deficits in companies arising from research- and development-activities is advanced from November to June 2020. This will strengthen the liquidity of the companies involved.

Companies preferring to pay taxes at the usual deadlines can do so.

<sup>1</sup> Based on calculations assuming full utilization.

**Disbursement Payment of already paid VAT and payroll tax for small and medium companies as an interest-free loan (DKK 35.4 bn.)**

Small and medium-sized companies can apply to have their latest VAT-payments paid back as an interest-free loan. A similar scheme is open for certain companies that settle payroll tax. The loans must be repaid on April 1, 2021. The loans will strengthen the liquidity of the companies involved.

**Public purchases: Earlier payments and increased flexibility**

Until 31 October, 2020, a number of allocation and disposition rules that have implications for public sector procurements are exempted. The exemptions allow government institutions to: 1) make prepayments for suppliers and 2) fail to apply violations rules, if the violation can be attributed to COVID-19. In addition, payment of bills are brought forward from the latest payment deadline, and all public institutions are strongly encouraged to process invoices as soon as possible.

**Agreements between the Government, KL (Local Government Denmark) and Danish Regions**

**Municipalities and regions are released from the agreed construction ceiling in 2020 (DKK 2.5 bn.)**

In 2020, the government will exempt municipalities from the agreed upon construction limit between the government and KL, which for 2020 is DKK 19.1 bn. KL estimates that investments of up to DKK 2.5 bn. in municipalities can be advanced. In addition, in 2020, the government will release the regions from the construction ceiling agreed upon by the government and the Danish Regions, which for 2020 is DKK 2.5 bn.

This means that municipalities and regions will have free opportunities to advance investments, which should have been made anyway over the coming years. The advancement is targeted for projects that can be started quickly and, as a benchmark, can be completed in 2020. This helps support employment here and now.

**Possibility for municipalities to postpone companies' payment of service charge on business property (DKK 1.1 bn.)**

The government and KL agree that the municipalities have the opportunity to postpone companies' payments of the second rate of service charge on business property in 2020 to 2021. The municipalities' estimated revenue from the second rate of the duty is DKK 1.1 bn. The government encourages the municipalities to use the opportunity to postpone the payment to help solve liquidity problems in private companies.

**Ongoing dialogue on operating expenditures**

The government will ensure that extraordinary costs for COVID-19 related initiatives do not crowd out other expenditure on citizen welfare.

The Government, KL and the Danish Regions have agreed on an ongoing dialogue on the situation of the municipalities and regions in relation to COVID-19 and the implementation of the initiatives initiated by the Government and the Parliament. They discuss the overall limits of the municipalities and regions' economy in 2020 and 2021 in connection to the upcoming economic negotiations.

**Financing the initiation of construction activities**

To support the fact that liquidity is not an impediment to initiation of construction activities, the government will allow the municipalities to receive an exemption so the increased construction activity can be financed by borrowing. In addition, the government and KL have agreed to allocate a general loan pool of DKK 500 million for strengthening liquidity in disadvantaged municipalities.

In addition, the counter-cyclical capital buffer has been released, which gives banks access to more than DKK 200 bn. in further capital, which supports banks' lending capacity.

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