Executive Summary

Drivers of Better Regulation

Regulatory reform has been on the agenda of the Danish government for over two decades. Initial policies for regulatory quality and simplification were established in the early 1980s as part of a comprehensive deregulation programme to modernise the economy. They aimed at removing regulations harmful to the competitiveness of the business sector. Over the years the focus of policy moved from "deregulation" to "regulatory quality".

Better Regulation policy today is part of Denmark's set of forward-looking reforms to sustain the positive economic and social performance of recent years. The government's current reform programme aims to address upcoming social and economic challenges, and puts fiscal sustainability as the overarching objective. Improving public services is another central element of the government's strategy. The aim of the Quality Reform launched by the government in August 2007 is to create a more efficient administration and unlock resources which can be used to improve welfare services. The importance attached to Better Regulation reflects these aims, and Better Regulation is seen as a means of contributing not only to the competitiveness of the economy, but also to meeting social and quality of life goals.

The public governance framework for Better Regulation

Denmark's coalition-based political system is characterised by a search for consensus, acceptance of compromise, widespread participation in decision-making, and institutionalised power-sharing. The political culture also relies on informal approaches and structures, which is widely regarded as having allowed for flexibility and the adoption of pragmatic solutions. This has shaped Denmark's approach to the development of institutional structures and processes for Better Regulation. A major institutional initiative relevant to the deployment of Better Regulation policies has been the reform of municipalities and region structures which came into force in January 2007, leading to substantially fewer municipalities and a redistribution of responsibilities across levels of government.

Developments in Better Regulation

Since the end of the 1990s and the publication of the OECD's multidisciplinary review in 2000, Better Regulation policy in Denmark has integrated efforts at improving the law-making process as well as the simplification of existing regulations, in particular through the reduction of administrative burdens. This shift has been maintained and reinforced by successive governments. Recent developments underline a commitment to the extension and deepening of processes for managing both the stock and the flow of regulations, across all the levels of government. There is a real interest in the promotion of Better Regulation, and high-level political support for its development at this stage. Specific recent initiatives include the De-bureaucratisation Programme for the local level, and a reinforcement of the

programmes to reduce administrative burdens for businesses, including new communication strategies.

Main findings of this review

Denmark's well-functioning economy has not reduced interest in promoting further reforms. Recent initiatives to further strengthen and develop the administrative simplification programme highlight a continued search for innovative solutions to regulatory management issues and improvement, which had been highlighted in the 2000 OECD report as a major strength. The Danish agenda for Better Regulation has also broadened to cover new aspects of regulatory quality such as risk based enforcement and is now directed towards all stakeholders, including local levels of government. Many of the elements for a complete and coherent strategy are now in place. There is an effective and well-managed co-ordination system for EU affairs. The maturity and scope of Better Regulation policies in Denmark now calls for a more systematic approach to their evaluation, both strategically and programme by programme.

While ministries have retained a significant autonomy in the implementation of the policies, co-ordination has been strengthened, through the government committee framework and through enhanced guidance to officials. The formulation of targets for some projects has increased accountability for reforms and sustained attention on the policies and their outcomes, both within and outside the administration. Leadership is however not clearly visible, and there is a need at this stage to devise a stronger strategic direction for the optimal future development of Better Regulation policies.

Developments in consultation practices are boosting transparency and the engagement of a wider range of stakeholders. This is reinforcing a tradition of deeply anchored consultation with key stakeholders, as well as extending the reach of consultation to a broader audience. Communication on new regulations is especially strong.

Requirements for *ex ante* impact assessment have been significantly reinforced since the 2000 OECD 2000 report. The development of new regulation is carried out within a well-organised framework. The Danish impact assessment system could benefit from a streamlined institutional monitoring framework, a more comprehensive interaction with public consultation, and further methodological developments.

The action plan to reduce administrative burdens on business is a substantial, well-run policy that has already delivered results. Denmark has successfully used the experience of its business administrative burden reduction programme to launch a new initiative aimed at reducing burdens on frontline public sector workers (the De-bureaucratisation Programme), which also engages the local level in Better Regulation.

Strategy and policies for Better Regulation

Interest in Better Regulation has been sustained and developed over time. Denmark's well functioning economy has not reduced interest in promoting further reforms, and many new initiatives have been taken in areas such as administrative simplification, consultation, the development of new regulations and multi-level governance. Denmark has maintained its capacity for innovation and continuous improvement, which had been highlighted in the 2000 OECD report as a major strength. Recent initiatives to further strengthen and develop the administrative simplification programme highlight a continued search for innovative solutions to regulatory management issues.

The Danish agenda for Better Regulation has broadened to cover new aspects of regulatory quality and is now directed towards all stakeholders. The competitiveness of the economy has remained a very important driver of Better Regulation policies, but other policy issues have gained prominence. The need to address the issues raised by an ageing population, growing labour shortages and expectations that high levels of social welfare can be sustained is reflected in the current agenda, which targets not just business but also frontline public sector workers as well as citizens.

Better Regulation policies rest increasingly on well developed and consistent methods, as well as improved co-ordination. This has been reflected in the development of the administrative reduction programme for businesses, and now with the De-bureaucratisation Programme, which tackles regulation inside government. The approach has been to set general objectives, define action plans with targets and timelines, and develop a co-ordinated approach to the plans. Ministries have retained a significant autonomy in the implementation of the policies, but co-ordination has been strengthened, including through enhanced guidance to officials. The formulation of targets for some projects has increased accountability for reforms and sustained attention on the policies and their outcomes, both within and outside the administration.

Many of the elements for a complete and coherent strategy are now in place. There have been significant improvements in the tools and processes for the development of new regulations. Transparency in public communication on regulations is high, and has improved as regards public consultation. There is a well developed project for reducing administrative burdens on business, and the newly established De-bureaucratisation Programme for frontline public sector workers looks promising. Important initiatives have been taken to improve multi-level regulatory governance, with the identification of shared priorities and targets for Better Regulation based on the annual financial agreement between central government and the municipalities, and with the introduction of a specific procedure for assessing the impact of new regulations on local government. The EU dimension is well handled and Denmark is active in seeking to ensure that Better Regulation policies are effective at the EU level.

To secure an optimal performance, some aspects of Better Regulation policies could be further strengthened. While significant progress has been made to develop the framework for *ex ante* impact assessment, there is still a large potential for improvement of the framework if Denmark wants impact assessment to have a sustained positive impact on the flow and quality of new regulations. Public consultation on the development of new regulations would benefit from a more consistent approach to ensure that the same standards are systematically applied, building on the growing transparency of the past few years. Policies to simplify the stock of existing regulation may need more systematic attention. Effective monitoring of the De-bureaucratisation Programme needs to be put in place.

To sustain momentum, Denmark must now show clearly how Better Regulation policies combine and can be further developed into a strategy that supports long-term public policy goals. Denmark's approach to Better Regulation is founded on a collection of policies, with a large scope but with no clear "big picture" bringing the different policies together and linking them to overarching policy goals or a vision for the future. The 2000 OECD review had already pointed out this lack of strategic overall approach. The Danish civil service has a positive attitude, but the OECD team picked up worries about the possible underperformance of Better Regulation processes compared with potential. Is the government underperforming, compared with what it could achieve? How can public sector workers be motivated to sustain and enhance their efforts? How can the business

community – which is also looking for reassurance and a vision – be persuaded to continue supporting Better Regulation efforts in a positive way?

Public communication of Better Regulation strategy and policies needs to be boosted. There is a need to package and communicate reform proposals to promote more enthusiastic support by stakeholders and ensure that the more controversial proposals are not rejected by the parliament simply due to a lack of understanding of government objectives. Beyond the communication that takes place on the administrative burden reduction programme for business, there does not appear to be any sustained or co-ordinated effort to promote or explain the government's work on Better Regulation. This creates a knowledge gap which can lead stakeholders to underestimate progress made and discourage support to reform. In this more mature phase of Better Regulation policy development, there is a need to move away from the separate presentation of policies and towards a more integrated approach, which will clarify for stakeholders the overall government objectives and Better Regulation's link with the achievement of economic and societal goals. The government's capacity to communicate on its agenda within the administration, to external stakeholders and to the parliament, would benefit from a clearly visible leadership for the overall Better Regulation agenda.

***Ex post* evaluation of Better Regulation has gained significant ground over the past few years, and could be boosted further through a more systematic approach.** The maturity and scope of Better Regulation policies in Denmark now calls for a more systematic approach to their evaluation, both strategically and programme by programme. Some important evaluations have been carried out, not least the 2007 evaluation by the National Audit Office of Denmark (NAOD) on the impact of Better Regulation and simplification. Monitoring reports on the programme for the reduction of administrative burdens on business have helped to shape and develop the action plans. Evaluation, however, is not systematic across all the relevant programmes. Evaluation is important in order to develop and strengthen all Better Regulation tools and processes. What are the benefits of specific policies? How much do they cost? What is the opportunity cost? Against the background of sustained Better Regulation initiatives over more than two decades, an overall strategic evaluation may also be useful, not least to point directions for the future.

Denmark is an OECD leader in e-Government development and implementation. The 2005 OECD review of e-Government in Denmark showed it to be among the OECD front-runners in e-Government. E-Government is rightly considered to be a key support tool for Better Regulation. A full evaluation of e-Government is beyond the scope of this review. Interviews highlighted the progress made as well as some indications that the potential in support of Better Regulation could be further developed (for example some ministries appeared considerably more advanced than others).

Institutional capacities for Better Regulation

Strong traditions of autonomous ministries have encouraged the development of a generally successful institutional framework adapted to these traditions. A number of formal inter-ministerial committees have responsibility for monitoring and developing Better Regulation policies and are involved in vetting draft regulations. This formal co-ordination co-exists with informal co-ordination between officials in ministries. Officials – especially those who form the « inner circle » for Better Regulation development – work well with each other, as evidenced by steady progress to develop Better Regulation policies and learn from each other. For example the De-bureaucratisation Programme has drawn its inspiration from the more mature business burden reduction initiative. The establishment of

a Better Regulation unit in the Ministry of Finance, combined with the establishment of a unit for business burdens in the Danish Commerce and Companies Agency (DCCA) of the Ministry of Economic and Business Affairs, has reinforced the framework and its capacities to deliver an increasingly demanding agenda. The OECD team found considerable interest among government officials in the further development of Better Regulation.

The current institutional structures fall short, however, of providing a fully effective strategic motor for the optimal future development of Better Regulation policies. Although the Danish institutional set up is in many ways strong and effective, leadership is not clearly visible. Yet there is a need at this stage to devise a stronger strategic direction. The Coordination Committee is the hub of Better Regulation policy management. It carries significant responsibilities (approval of the Law Programme, approval of draft laws, approval of action plans for the business administrative simplification programmes, and reporting hub for both this programme and the De-bureaucratisation Programme).The Economic Committee is responsible for economic aspects (it must approve proposals affecting public spending or with a significant expected impact on business). The Steering Group for Cross-National Initiatives (STS) officials' committee is another key player, coordinating with local governments, including on e-Government. These committees are efficient in carrying out their allocated tasks. As the main hub, the Coordination Committee might be more visibly engaged in articulating and developing strategy for Better Regulation, based on its existing range of tasks.

Management of the Better Regulation agenda raises day-to-day challenges of coordination, coherence and communication across government. There are currently at least two poles of responsibility. The Ministry of Finance plays a key role across all the relevant committees. Its ministerial responsibilities cover many (not all) of the key policies for Better Regulation. The Ministry of Economic and Business Affairs, together with the Business Better Regulation unit of the DCCA, plays a crucial role in the development of Better Regulation in relation to businesses. This division of responsibilities may be a comfortable fit for Denmark's institutional traditions, but it reduces the visibility of Better Regulation policy.

Ownership of Better Regulation is developing across ministries, and needs further reinforcement, in particular with regard to impact assessment. As in most other OECD countries, ministries are responsible for implementing Better Regulation policies (such as administrative burden reduction), but are also accountable for results through regular reports to the Prime Minister. Individual ministries decide on how to take forward the action plans in their sector. This has helped to spread ownership and promoted culture change. This constitutes significant progress compared with the assessment of the 2000 OECD review, which called for increased accountability for reform results of individual ministries. Interviews indicated however that performance could be uneven across ministries, particularly for impact assessment.

The role of the parliament in Better Regulation processes is also important. As in other OECD countries, the role of legislature is a cornerstone of the development and enactment of legislation. Reflecting this, some other countries' executives are taking steps to strengthen their dialogue with the parliament. Processes such as *ex ante* impact assessment are especially relevant in order to secure the best possible outcome in terms of clear and effective legislation. Some Better Regulation programmes such as the administrative burden reduction increasingly engage the parliament. This makes it all the more important that Better Regulation proposals are presented in the wider context of what the government is seeking to achieve, so that the parliament has a fully informed perspective for its own debates.

Transparency through consultation and communication

Denmark has a tradition of deeply anchored consultation with key stakeholders as well as within government. Consultation has evolved to combine formal and informal processes. The approach takes advantage of the small size of the country and small closely connected ministries. It relies on Denmark's political culture of a search for consensus among coalition parties, acceptance of the need to compromise, and trust between government and external stakeholders. Informality remains a key feature, but there are major elements of formal consultation as well. Apart from the institutionalised framework of collective bargaining in the field of labour regulations, the standard procedure for making regulations includes prior formal public hearings and public consultation before a draft law is tabled before the parliament. These procedures are described in the Ministry of Justice's Guidelines on Quality of Regulations and on an online law-making guide.

Important developments in the approaches deployed for consultation are boosting transparency and the engagement of a wider range of stakeholders. There has been a significant evolution since the 2000 OECD review, which cautioned against the insider/outsider problem. In recent years Danish ministries have opened up consultation with the development of new procedures to stimulate public debate and engage stakeholders. This has included public hearings and notice for comment on dedicated websites in preparation for larger reforms. Greater transparency has been supported by the establishment of the Consultation Portal in 2005, which has provided a large amount of information on consultation processes. More generally Danish ministries have leaned towards broader and earlier participation in consultation processes. For example, the development of the business administrative burden reduction programme has been supported by very open arrangements to gather views and information. The basic frame of reference is changing, from seeking to establish a consensus on the way forward within a somewhat closed circle, to an active search for views from as many relevant stakeholders as possible.

Progress in ensuring transparency needs to be consolidated. While significant progress has been made in recent years, some issues need further attention. Informal consultation procedures may still create some uncertainty as to whether all stakeholders have had a chance to be heard. They may also lead to different standards of transparency between ministries. Informal consultation traditions have the advantage of legitimising policies, but can restrict openness for some key areas such as labour regulations. Ministries have to provide information on consultation (including the comments received and how they were dealt with) when sending a draft bill to the parliament. However several interviewees mentioned the lack of direct feedback in some cases. Securing effective and consistent feedback is important if the interest of stakeholders is to be sustained for the next round of consultations, as a major input of time and effort is often needed to respond to consultation exercises.

Communication on regulations is a particularly strong element of the Danish regulatory system. The communication of new regulations is well managed, making it possible to find out easily what regulations apply to specific activities. This is partly because of a simple underlying regulatory structure. Transparency of the regulatory system is also supported by strong ICT tools. This includes a comprehensive system for accessing laws and regulations on the Internet and well developed business and citizen portals for access to information and services. Denmark has developed a joint government/parliament database with a shared search facility, which is ahead of what is offered in most other countries.

The development of new regulations

The development of new regulations is carried out within a well organised and carefully orchestrated framework. A key element of this framework is the annual Law Programme, which is a detailed list of all bills that the government plans to send to the parliament during the year. The Law Programme has the dual objective of acting as a steering instrument for the government's work, and of engaging the parliament early and closely in forward planning. It includes all draft bills to parliament, makes the schedule public and sets a timeframe for ministries. The information provided by ministries must identify expected secondary regulations which will be needed to implement the laws. The process is supported by two important ministerial committees (the Coordination Committee and the Economic Committee). Last but not least, the process for making new regulations benefits from clear and comprehensive procedural guidelines established by the Ministry of Justice for the development of regulations, and a specific website on the law-making process. All these documents are publicly available. However tools in place focus on the production of primary regulations, with less attention given to secondary regulations.

Requirements for *ex ante* impact assessment, which go back to the early 1990s, have been significantly reinforced. The 2000 OECD review drew attention to the need for improvement. Many of its recommendations have been acted on, including greater rigour and strengthened guidance, and a stronger commitment to tackling economic effects. Ministries evaluate the consequences of their bills at an early stage, when they make proposals for the Law Programme. They need to refine the evaluation in a second stage, before the bill can be tabled before the parliament. The initial impact assessment also serves to identify proposals which require a more thorough impact assessment regarding business administrative burdens (done by the DCCA) and local government (VAKKS procedure, established in 2006). In addition, any regulatory proposal (primary or secondary), which would lead to significant administrative burdens on business requires the approval of the Economic Committee. Reflecting the broader scope and detail of impact assessment processes, guidance material has been developed and brought together on the online law-making guide. This is an important step for helping ministries to digest and understand what they need to do, and when. It also contributes to a more unified approach. The OECD team was told that the expanded guidance and online availability have contributed to improving the development of regulations, and making impact assessment more consistent and thorough. Transparency at the end of the impact assessment process is strong. The full impact assessment is accessible both to the parliament and to the wider public, once a bill is tabled before the parliament.

As in most other OECD countries, however, controlling the flow and complexity of new regulations remains a challenge. There are concerns among external stakeholders and local governments that the flow of new regulations shows no sign of abating, and in particular, that new regulation produced by some ministries can be increasingly detailed and complex. Some inside central government also remarked on the growing number of new regulations. In the specific Danish context, there appears to be two sets of issues. There is a tension between pressures for higher levels of safety implying more regulations, and efforts to reduce regulatory burdens. There is also a tension between efforts to move towards more outcome-based regulations and the consequent need to provide documentation to government which is, in effect, another form of regulation.

The complex and dispersed institutional framework for monitoring the application of impact assessments needs to be strengthened and streamlined, in order to promote quality control, and to embed the process as part of evidence-based decision making. Although impact assessment procedures are well known throughout the administration,

evidence from interviews by the OECD team suggests that they may not be applied evenly across ministries, and are often applied too late in the decision making process. This finding is supported by the report of the NAOD, and undermines the likely usefulness of the process as an aid to evidence based decision-making. The OECD team heard that it was important not to create excessively bureaucratic processes for ministries to implement. However the current dispersed approach may in fact represent a sub optimal use of resources by the administration on impact assessment, which is also likely to yield sub optimal results for decision-making. Dispersed institutional responsibilities weaken overall management and monitoring, and slow the spread of further culture change among ministries.

The Danish impact assessment system could benefit from a more comprehensive interaction with public consultation. The current public consultation processes imply that ministries must consult on draft regulations. Many ministries publish the impact assessment done in the first stage of bill preparation when they post the draft for comment on the Consultation Portal. This is often done for laws, but not for secondary regulations. The specific assessments on business administrative burdens (done by DCCA) and local governments (VAKKS) also make an integral use of public consultation. These are positive developments, which need to be applied across the whole impact assessment process. In particular more attention could be given to using public consultation in the development of second stage impact assessments.

The progress achieved in developing impact assessment could be further consolidated with action in other areas. First, there is a need to consolidate and extend methodologies (including the necessary guidance and training for ministries) for quantification of costs and benefits, building on the significant elements which are already in place for some key parts of the processes. The 2000 OECD report emphasised the need to increase the rigour of analysis for important regulations. This has not yet been fully achieved. Second, the links between the different parts of impact assessment need to be clarified. For example the guidance material does not provide a clear view of the overall process and its different elements. Finally it is not clear to what extent the current system covers secondary regulations. It is important that *ex ante* impact assessment capture all significant regulations. At the same time the principle of proportionality should be observed (not all regulations will need the same in-depth treatment).

Alternatives to regulation are among the tools of Better Regulation policy in Denmark, but it is unclear to what extent they have been used in practice in recent years. The 2000 OECD report noted that Denmark has for some time deployed various alternatives policy instruments to "command and control" regulation. It has made significant efforts to integrate the consideration of alternatives to regulation into the rule making process, and provided officials with thorough guidance. It was beyond the scope of this report to assess how these efforts have translated in increased use of alternatives (including the option of not regulating).

The management and rationalisation of existing regulations

Policies to simplify the stock of existing regulations need more systematic attention. This issue was already picked up in the 2000 OECD report. Denmark has some initiatives in place to promote simplification of the regulatory stock. These include, in particular, *ex post* implementation reviews of specific regulations, as well as *ad hoc* codifications of amendments to specific laws. The approach, however, is not systematic.

The action plan to reduce administrative burdens on business is a substantial, well run policy that has already delivered results. The Danish government is one of the front

runners in the area of administrative burden reduction for business. It has used the Standard Cost Model (SCM) to measure administrative burdens, and has committed to a reduction of 25% within a timeframe of eight years, between 2001 and 2010. A reduction of 15% was achieved by mid-2008. The reduction is net (it takes account of expected burdens from new regulations as well as existing regulations). The DCCA is well organised to carry forward the practical aspects (delivery of the business action plan, burden measurement supported by consultants, advising and chasing ministries). Setting an ambitious target and regular monitoring has helped create momentum and sustain pressure for progress. The project has had positive external effects and has been an efficient and necessary motor for developing Better Regulation policy in Denmark. It has demonstrated that significant change can be made both in regulation and in the interface between the civil service and businesses. It has promoted co-operation across the government, brought forward initiatives from within the administration, and stimulated knowledge-sharing between the Ministry of Economic and Business Affairs and line ministries. It has also paved the way for new Better Regulation policies such as the De-bureaucratisation Programme.

Further progress in meeting the target does raise challenges which need to be addressed. While an important reduction was achieved by mid-2008, the government now needs to deliver the remaining 10% reduction by 2010. Interviews revealed some doubts among stakeholders as to the capacity of the government to reach this target. Meeting the actual target may matter less than the process and specific outcomes. Nevertheless, making progress needs to take account of a number of factors. These include a negative perception by business of achievements so far (which may, at least in part, signal that substantive issues that matter to them are not yet effectively addressed, as well as a relative failure of communication on achievements); the fact that the process faces an ongoing flow of new regulations; and the need at this stage to tackle substantive changes to regulations as the "low hanging fruits" no longer exist. The government has recently developed two new projects (the "Burden Hunters" project to address irritants, and the "Ten Business Flows" project) to match its administrative burden reduction policy more closely to real business needs. Denmark has also developed new initiatives on communication since the OECD review took place, in particular with the release of the De-bureaucratisation Plan for Business Regulation, which explains how the government intends to meet the 25% reduction target.

Denmark appears to have successfully used the experience of its business administrative burden reduction programme to launch a new initiative aimed at reducing burdens on frontline public sector workers (the De-bureaucratisation Programme). A particularly positive feature of this programme is that it links central and local governments in a shared effort, in a way that is not found in many other OECD countries. It is also an important programme for sending a signal to public sector workers that their needs are being considered, and for encouraging new entrants into public sector work. Challenges are however considerable, not least because of the scope of the project. Municipalities, which are in charge of delivering public services, have their own organisation and processes. It can be difficult to isolate tasks related to the delivery of specific services, as these tasks are often part of the core tasks of civil servants. Effective monitoring is needed to secure progress and ensure that policy objectives are matched with practical outcomes. The action plans being developed are binding, but what this means in practice is not yet clear. There are currently no obvious burden reduction targets because a bottom-up approach, based on identifying needs in specific situations, is favoured. Beyond the need to report to the Co-ordination Committee on progress, there is a need to improve structures to secure effective monitoring and quality control.

Compliance, enforcement, appeals

A risk-based approach to enforcement has gathered momentum and needs further encouragement. Denmark has made compliance and enforcement a greater priority over the past years and has been developing new approaches. Enforcement authorities have started to roll out a risk-based approach, and a number of inspection bodies now use risk analysis in enforcement. The small size of the country and the concentration of enforcement responsibilities within central government inspection agencies have facilitated the development of the new approach as inspection agencies have accumulated a thorough knowledge of companies. Experiences such as that of the Veterinary and Food Administration show that the involvement of front line enforcement workers can encourage acceptance of new approaches.

The appeal system rests on administrative procedures and complaint boards within ministries, with the general courts as last resort, and this seems to work well. The creation of boards is considered a generally effective tool for addressing and resolving complaints, and avoids overcrowding the courts. The boards are subject to control mechanisms and transparency rules. Their decisions can be appealed to courts. The parliamentary ombudsman also plays a significant role in the development of good administrative practices. The publication of its conclusions can give it significant power. These structures appear to avoid the complications of some other countries systems, which leave greater scope for judicial review and litigation. Denmark understandably wants to keep it that way. However the diversity of complaint boards and differences in their legal framework may make it difficult for citizens to get a clear view of the complaint system.

The interface between member states and the European Union

The government has an effective, well managed and highly institutionalised internal co-ordination system for EU affairs. This not only minimises internal conflict, including with the parliament, but also ensures that Denmark always speaks with one voice in EU affairs. Internal and external unity is considered essential to maximise the influence of a small country. The government consults the parliament, which gives it a mandate for negotiation. Although it can be time-consuming, the scrutiny system ensures parliamentary control and involvement of stakeholders at an early stage of rule making, as well as coherence and a strong position for the ministry going to Brussels.

Denmark has a very good performance as regards transposition but may need to pay closer attention to gold plating. The procedure for discussing EU rules facilitates the transposition of the rules into the Danish system, as building a consensus at the negotiating stage – including the parliament – removes later obstacles to transposition. There is no clear evidence of gold plating in transposition, although there were several comments to the effect that Denmark wants to keep its high standards, and a significant share of administrative burdens on business stems from EU-origin regulations. A broader perspective is important on the issue of standards, given that the smooth functioning of the EU internal market is also important for the competitiveness of Danish companies in that market. Differences may however sometimes be justified to give effect to the subsidiarity principle. The issue of where administrative burdens originate is a complex one, and may reflect a restricted choice in the method of transposition. It may, however, also reflect an over-detailed implementation that could be avoided.

The interface between subnational and national levels of government

The De-bureaucratisation Programme engages the local level for the first time in a specific Better Regulation policy. Alongside implementation of the VAKKS procedure to

assess the impact of new regulations on municipalities, the De-bureaucratisation Programme reinforces the process of developing multilevel governance. The means by which it was agreed is noteworthy. The annual framework agreement between the central government and the two sub national umbrella organisations for municipal and regional interests appears to be an effective instrument for taking both central-local and local Better Regulation initiatives forward. Municipalities are invited to participate actively in developing ideas for de-bureaucratisation (while central government will remain responsible for the delivery of the programme). There is also a commitment to the shared development of e-Government between local and central levels of government (through the STS Committee). The common citizen portal is an example of this. As in many other countries some municipalities will be better equipped than others for these tasks. A clear assessment at this stage is difficult because the major recent mergers and restructuring need time to settle.

Local governments express concern over increased "documentation" requirements. One of the challenges of Denmark's current policies on Better Regulation is to combine the objective of less burdensome regulations within government and the objective of greater decentralisation in the implementation of regulations. The government aims to shift from detailed process-based regulations to performance-based regulations. Some interviewees expressed concerns that this approach may, perversely, give rise to increased requirements on municipalities to document their results. The risk would be to increase administrative burdens for local civil servants, and undermine the underlying "lighter touch" objective of the De-bureaucratisation Programme. Denmark intends to address this issue as part of its De-bureaucratisation Programme.

There seems to be effective and regular co-operation between the central and local levels of governments. *LGDK*, the association of municipalities, plays an important role in this co-operation, both through the negotiation of the annual framework agreement, which includes discussing priorities and targets for Better Regulation, and through regular informal consultations with ministries. Along with Danish Regions it is also part of the STS Committee, which plays a key role in the development of e-Government policy and strategy. The establishment of *KREVI* is an important further development in the co-operation between local governments and central government. *KREVI* was set up in 2005, as an independent local evaluation agency. It is charged with mapping local capacities and funding streams. It is also responsible for conducting the *VAKKS* assessments (*ex ante* evaluation of burdens from national regulation on municipalities. *KREVI* seems to have established itself in a short time as an effective independent body and partner for both central government and local governments, providing support to local governments and promoting coherence of regulations between central and local levels of government.

Key recommendations

Strategy and policies for Better Regulation	
1.1	Give consideration to strengthening the institutional framework for impact assessment monitoring and quality control, further promoting quantification as well as qualitative analysis, and ensuring that public consultation is fully integrated into the process. (The recommendation is detailed in Chapter 4). Denmark should also consider whether further action is needed to strengthen public consultation practices, to ensure systematic simplification of the regulatory stock, and to establish effective monitoring of the De-bureaucratisation Programme (see Chapter 3 and Chapter 5).
1.2	Consider whether it would be helpful to develop a White Paper on Better Regulation to promote a clear purpose and vision. A White Paper could serve a number of purposes. First, it would trigger an evaluation of achievements so far, and the value of the different projects and processes that have been launched. Second, it would be an effective vehicle for wide ranging consultation with stakeholders (within and outside government) to gather views and ideas for the future, and validate current efforts. Third, it would put an integrated public face on Better Regulation, providing an opportunity to demonstrate joined up government and the respective responsibilities of different players.
1.3	Consider how to make communication an integral part of Better Regulation strategy and policies.
1.4	Ensure that, where this is not already done, adequate *ex post* evaluations of Better Regulation tools and processes are carried out. Consider whether this is an appropriate time to carry out an overall evaluation of Better Regulation, in order to help set directions for the future (for which this OECD report could be an initial contribution). The White Paper mentioned above could be a way to take this forward.

Institutional capacities for Better Regulation	
2.1	Consider whether the current framework in the government is adequate to the task of consolidating progress and developing future strategy. The role of the Co-ordination Committee could be further developed as a cross-ministry political driver for Better Regulation policy. Consider whether there is a need to review the relationships between the different committees in order to ensure that relevant policies are well articulated with each other.
2.2	Consider whether there is a need at this stage to strengthen and rationalise institutional support for Better Regulation at officials' level in order to enhance co-ordination, coherence and communication. One option might be to consider bringing together the two key ministries responsible for Better Regulation (the Ministry of Finance and the Ministry of Economic and Business Affairs together with the DCCA).

2.3	Consider how to consolidate further a durable ownership of Better Regulation across ministries. Ensure that that there is effective communication on Better Regulation policies and results across the whole administration. Consideration should also be given to identifying and implementing specific processes to encourage further culture change. This could include integrating a Better Regulation dimension into performance evaluation for officials (an extension of the current system of Better Regulation bonuses for permanent secretaries for meeting the business burden reduction target); encouraging ministries to prioritise their work on Better Regulation (identifying key issues where progress is important for their policy goals); and not least, taking steps to reinforce monitoring and quality control of *ex ante* impact assessment (see Chapter 4).
2.4	Consider whether there is scope to strengthen the dialogue between the government and the parliament with respect to efficient development of legislation and the implementation of Better Regulation policies. This could draw inspiration from the existing well-functioning mechanisms to establish a consensus between the government and the parliament on negotiating positions for draft EU - origin regulations. The government may wish to emphasise that it wants to promote Better Regulation, not deregulation. The role of the National Audit Office, which reports to the parliament, is important and its reports on Better Regulation could be used to engage a stronger dialogue with the parliament on Better Regulation. Finally, the time may be ripe for another parliamentary conference of the kind organised by the Ministry of Finance three years ago.

Transparency through public consultation and communication	
3.1	Consider whether guidance to ministries should be strengthened in order to secure greater consistency of approach, including the more systematic provision of feedback on the use made of important contributions.

The development of new regulations	
4.1	Consider carrying out an evaluation of the overall effectiveness of its current impact assessment processes, with particular attention to the more detailed issues set out below.
4.2	Consider the following actions to strengthen its institutional framework for impact assessment.
4.3	Consider how public consultation could be made an integral and systematic part of the process of impact assessment (and just not for some parts of it), with particular regard to timing, so that stakeholders' views can be taken into account as part of evaluating impacts.
4.4	Consider promoting the use of quantitative methods alongside qualitative methods, further improving guidance material on impact assessment, and establishing appropriate training in assessment techniques. The online *Lovprocessguide* could be further improved to give impact assessment higher visibility, outline the process in a comprehensive way, and provide methodological tools. Denmark should also consider whether the current impact assessment system adequately covers all significant regulations, including significant secondary regulations.

4.5	Consideration could be given to evaluating the actual uptake of alternatives and the use made of the current guidance, which dates back to 2001.

The management and rationalisation of existing regulations	
5.1	Consider the establishment of a more systematic codification policy over time, targeting selected areas that other Better Regulation policies such as the administrative burden reduction programmes have identified as problematic.
5.2	Ensure that the new projects are evaluated for their effectiveness, by seeking feedback from stakeholders on how they have affected the relevance and quality of ministry action plans for burden reduction. Consider whether any of the initiatives being taken by other countries to respond more closely to real business needs might provide useful insights for the development of the Danish approach.
5.3	Consider whether further action is needed to ensure that the parliament has a full understanding of the government's objectives
5.4	Clarify the targets and requirements on ministries and others involved in the programme. Establish a strong monitoring framework, based on what has been put in place for the programme to reduce administrative burdens on business. Provide support and guidance to municipalities for their role in the programme's implementation.

Compliance, enforcement, appeals	
6.1	Communication on the new approach should not be neglected, in order to highlight the positive effects, and also provide reassurance, where needed, to sometimes risk averse citizens and parliament.

The interface between subnational and national levels of government	
8.1	It will be important to monitor capacity and competence issues at the local level.
8.2	Concerns raised with the OECD team about increased documentation requirements should be investigated with a sample of municipalities.
8.3	Ensure that the annual budget agreement continues to include Better Regulation discussion and priority setting, for so long as this is relevant.

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