Budgetary Governance in Practice: Denmark

Economic context

After reaching 2.2% in 2017, GDP growth in Denmark is projected to return to a pace of 2% in 2018 and 2019, supported by robust domestic demand. Wages and inflation are expected to rise as labour resources become increasingly scarce.

Fiscal policy plans

The main fiscal policy objective is a consolidation of the public finances. The strategy includes a targeted structural deficit of 0.1% of GDP by 2020 and a goal of structural balance by 2025.

Source: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database).

Note: The graph is referring to general government fiscal balance and general government gross debt as defined in the OECD National Accounts Statistics.


Note: The graph is referring to government investment as a percentage of GDP and as a share of total government expenditures.

Source: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database).
**Developments in budgetary governance**

By the introduction of the Budget Law from 2012, the structural budget balance as the key measure in planning and monitoring fiscal policy was fixed by law. The Budget Law also introduced binding and multiannual expenditure ceilings for central government, municipalities and regions, respectively, starting from 2014.

Performance information is reported on a voluntary basis for both line ministries and agencies. The Danish experiences of using performance indicators primarily concern the management process and do not play a significant role in decision making on allocations. Performance information is presented with budgeting documents or other government documents as background information for the purposes of accountability and dialogue with legislators and citizens on public policy issues and government direction. The performance framework is not aligned with the SDG, which are covered by a separate action plan for implementation.

Parliamentary power is strong and the legislature has unrestricted powers to amend the budget. Specialised staff of the Budget Committee is available to parliamentarians for specialised advice. Public consultation and engagement are not formalised in the context of the budgetary process. However, public institutions engage independently in different types of informal arrangements to include stakeholders in the process.

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### Central Budget Authority

**Federal Ministry of Finance**

Weblink: [www.fm.dk](http://www.fm.dk)

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### Legal Framework

The Constitution as well as the Budget Law (introduced 2012), includes foundational principles for budget procedures, including legislative authorisation, audit and reporting. Provisions related to the use of contingency reserve funds, environmental issues, off-budget expenditures and public employment provisions have no formal basis.

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### Budget coverage

The executive’s budget proposal applies to central government. With the introduction of the 2012 Budget Law, the annual financial agreement between the government and the Danish regions and municipalities must comply with the expenditure ceilings for sub-national levels of government. Within these limits, these levels of government maintain their autonomy in determining levels of service.

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### Budget cycle

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Budget circular</td>
<td>March</td>
</tr>
<tr>
<td>Pre-budget fiscal policy statement</td>
<td>n/a</td>
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<tr>
<td>Negotiations with line ministries</td>
<td>Mar-May</td>
</tr>
<tr>
<td>Executive budget proposal</td>
<td>August</td>
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<tr>
<td>Parliamentary vote on budget</td>
<td>December</td>
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<tr>
<td>Start of financial year</td>
<td>1 Jan.</td>
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<tr>
<td>In-year budget execution reports</td>
<td>quarterly</td>
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<tr>
<td>Mid-year implementation report</td>
<td>August</td>
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<tr>
<td>End of financial year</td>
<td>31 Dec.</td>
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<tr>
<td>Year-end financial statement</td>
<td>March</td>
</tr>
<tr>
<td>Audited financial report</td>
<td>February</td>
</tr>
<tr>
<td>Parliamentary accounting</td>
<td>March</td>
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</tbody>
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9 The EU-related Stability Programme Update (SPU) serves as the main pre-budget fiscal report.
## Denmark’s application of OECD budget principles “at a glance”

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<tr>
<td>1.</td>
<td>Fiscal policy objectives</td>
<td>With the Budget Law from 2012 a structural budget deficit limit has been adopted. The annual structural deficits must not exceed 0.5% of GDP. This way, the structural budget balance as the key measure in planning and monitoring fiscal policy has been fixed by law.</td>
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<td>2a.</td>
<td>Strategic alignment</td>
<td>The MoF promotes the alignment between the annual budgetary allocations, and the medium-term strategic plans and priorities of the government that are set out in the government programme and National Development Plan.</td>
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<td>2b.</td>
<td>MTEF</td>
<td>4-year rolling ceilings; legally-grounded. Ceilings are initially permanent, but can be altered in case of certain events as described in the Budget Law. If expenditure ceilings are exceeded, the expenditure ceiling for the following year reduced correspondingly.</td>
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<tr>
<td>3.</td>
<td>Capital and infrastructure</td>
<td>Capital and current expenditure requests are submitted jointly by line ministries, but the process for deciding upon capital and operating budget requests are distinct. The budget requests funding incrementally each year until the project is completed. There is a formalised understanding that the total project budget is approved for the project's long-term need. There are no overall long term strategic infrastructure plans, but sectoral plans exist.</td>
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<td>4.</td>
<td>Transparency and accessibility</td>
<td>6 out of 8 core budget reports, of which 4 are publicly available; 8 of 9 ancillary reports, of which 7 are publicly available. Citizen guides are available for the MTEF and mid-year implementation report. Social impact assessments are published together with fiscal reforms or can be requested by the parliament; user friendly on-line budget data portal.</td>
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<td>5a.</td>
<td>Parliamentary engagement</td>
<td>Unrestricted power to approve and amend the budget. Specialised staff of the Budget Committee is available to parliamentarians for specialised advice.</td>
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<td>5b.</td>
<td>Inclusive public / civic debate</td>
<td>Ministry of Finance does not arrange public hearings or focus groups in the context of the budgetary process. Stakeholder engagement can take place informally. Budget Finance Committee Meetings are sometimes open to the public.</td>
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<td>6.</td>
<td>Budget accounting/ financial reporting</td>
<td>The budget is prepared on an accrual basis.</td>
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<td>7.</td>
<td>Budget execution</td>
<td>There is a mandatory single treasury fund with no exceptions. Up to a certain limit line ministers can re-allocate funds within their own budget envelope. Supplementary budgets are produced and publically available.</td>
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<td>8a.</td>
<td>Performance budgeting</td>
<td>The national performance budgeting framework is optional for both line ministries and agencies.</td>
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<td>8b.</td>
<td>Evaluation and VFM</td>
<td>There are no legally binding requirements for evaluation of programmes ex ante. The SAI and ministries use performance information for evaluation and scrutiny of performance. Spending reviews are an annual exercise.</td>
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<td>9.</td>
<td>Fiscal risk and long-term sustainability</td>
<td>The Danish Economic Council annually assesses long-term fiscal sustainability. Long term economic projections include a medium term planning horizon up to 2025 and projections on a technical basis towards 2100. Long-term fiscal projections generally revised two times a year.</td>
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<td>10.</td>
<td>Quality assurance and audit</td>
<td>The Rigsrevisionen, the Danish National Audit Office, provides compliance control on public spending and financial audit, but has a limited role in performance audit.</td>
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**Note:** Rows in bold represent notable international practice.