

# Investing in Denmark's Future



2001

# INVESTING IN DENMARK'S FUTURE

## Investing in Denmark's future, 2001

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### 1. Introduction

Public investment is vital to the growth of the welfare society. The past ten years have seen considerable investment in the large fixed links across the Great Belt and the Sound, an extension of the Danish motorway network and public transport, environmental programmes, buildings for cultural institutions, hospital improvements, senior housing and modern educational establishments, to name a few projects.

Public investment has thus increased from slightly more than DKK 40bn in 1993 to about an annual DKK 50bn in recent years.

Many of the large infrastructure projects are in their final stages, and total public investment activity is set to drop as the current projects are completed.

So now is a good time to consider the investment initiatives to be made in the coming decade. Organising public investment is a question of timing. In which areas do future needs require action? Which investment projects will particularly contribute to developing the welfare society of the future?

Investment requires careful consideration.

The Government is therefore submitting its public investment policy for the next ten years. The Government's priorities are:

- First, public investment must help secure the future framework of the welfare society. We need to secure a framework for providing adequate welfare services so that we can meet the new challenges and needs that Denmark will be facing in the future.
- Second, Denmark must make strategic investments that can help secure the basis for our affluence, which is the backbone of our welfare society.
- Third, we must ensure that everything built is properly maintained. This applies to roads as well as to schools, hospitals, kindergartens and other public buildings. We are in a position to protect our in-

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vestments and ensure that buildings and facilities remain in good condition and function properly.

Preparing for the changing composition of the population in the next few decades – first a rising number of schoolchildren followed by an increasing number of old people – is one new challenge. Shifting to the knowledge-based society, and all that it implies in respect of networks and state-of-the-art IT, is another.

The Government's ambition is to see Denmark rank among the best IT nations in the world. To this end, the public sector must be at the cutting edge when it comes to using computers and IT. In a modern welfare society, people must be offered targeted services, a high level of information and easy access to authorities.

Since the adequacy of public investment policy depends on the size of public investment budgets, the Government has chosen to make investment initiatives a high priority. Thus, the economic forecasts included in *A sustainable future – Denmark 2010* leave us economic room for manoeuvre so that we can strengthen our investment efforts.

But priorities still need to be made if we are to reach the ambitious goals set for economic growth. Public investment must focus on the right areas.

In *Investing in Denmark's future*, the Government presents its future investment strategy (see box 1).

### Box 1. Future public investment focus areas

- Transfer to the knowledge-based society and increasing use of IT
- State-of-the-art facilities and technology in the area of training, education and research
- Adequate facilities for public welfare services – particularly improved primary and lower secondary schools and senior housing
- Investment in efficient public administrative procedures to free resources for care and nursing
- Improvement of roads and railways suffering from capacity problems
- Social initiatives in respect of senior housing, youth housing and general improvements to specific neighbourhoods
- Proper maintenance of public facilities, buildings and roads

The Government intends to follow up on its investment strategy by launching a number of concrete investment projects to be implemented at the coming central government and local-government budget talks and in the budget-bill in August 2001.

### 2. What is public investment?

Investment can be many things such as investment in machinery, buildings, facilities and computers. Operating expenditure on training, education and research is sometimes also regarded as investment.

Physical investment is the most obvious, as it involves constructing new buildings, roads and facilities. This is the type of investment included in the public capital budgets, and it is also the focus area of the Government's strategic investment programme.

However, this does not mean that operating expenditure on training, education and research is unimportant for the growth of a society. Expenditure in these areas is often, and rightly so, regarded as valuable *investment* for both individuals and society as a whole. However, such expenditure is not covered here because it is not included in the investment budget.

Total public investment encompasses investment in physical infrastructure made by central government, local government and public corporations (see box 2).

#### Box 2. Total public investment

Total public investment in physical infrastructure amounts to about DKK 50bn on an annual basis. Investment includes tax-financed investment and public investment financed through user charges.

Tax-financed investment amounts to some DKK 20bn. This is investment in key welfare areas such as health and training and education as well as roads and railways. Central government is responsible for one fourth of tax-financed investment, while local authorities and counties account for the rest.

Investment financed through user charges makes up the remaining DKK 30bn. This is investment made by public corporations such as energy and water-supply companies and the companies in charge of constructing and building the fixed links across the Great Belt and the Sound.



### 3. Investment initiatives of recent years

Since 1993, considerable amounts have been invested in many areas of the public sector, such as new buildings, senior housing, transport installations, new equipment and much more. The improvements have been obvious to most.

Social services and health care have seen substantial improvements through investment in hospitals, senior housing and childcare facilities, for example. Investment in state-of-the-art equipment and new technology at hospitals has been a top priority, as has county investment in services provided to the mentally and physically disabled.

Housing investment has also been substantial, with a considerable rise in central-government grants to housing and urban renewal in particular.

Improving cultural buildings has been a major focus area. Improvements have been made to the Royal Library on the waterfront, the Royal Museum of Fine Arts as well as the National Museum of Denmark. Furthermore, the Danish National Archives in Odense and Viborg, the Academies of Music in Esbjerg and Århus as well as the State and University Library and the School of Architecture, both located in Århus, have all opened in new settings.

Re-establishing the original course of Skjern Å, cleaning up polluted sites and developing renewable energy facilities at CHP plants and wind turbines have been key environmental projects.

The training and educational sector has seen mounting investment in new buildings and better and up-to-date facilities, for example at the University of Copenhagen, the University of Aarhus, Roskilde University, the University of Southern Denmark, the University of Aalborg and the business schools.

Counties have invested in secondary schools, and the latest agreement with local authorities has given primary schools a much-needed lift.

The monumental tunnels and fixed links across the Great Belt and the Sound have improved transport services and reduced travelling time.

Substantial investment has also been made in the public transport sector, with an improvement of the railway network and the establishment of the Copenhagen Mini Metro. DSB, the Danish state-owned railways, is investing more than DKK 15bn in new rolling stock equipment over the next few years. Finally, the large H-shaped motorway network interlinking the main parts of Denmark has now been completed.

### Box 3. Public investment focus areas during the 1990s

- Better childcare facilities
- State-of-the-art equipment and new technology at hospitals
- Major cultural institutions in modern settings
- Housing investment and urban renewal
- Nature rehabilitation and environmental improvement
- Investment in CHP plants and wind turbines
- Improvement of facilities and services in the training and educational sector
- Fixed links across the Great Belt and the Sound
- Public transport modernisation and procurement of new rolling stock
- Completion of the large H-shaped motorway network

## 4. New public investment challenges

A rich country, Denmark has been in a position to make the required investment in society, including investment in facilities as well as in training, education and research.

This is one reason why Denmark has a well-developed welfare society.

The foundations of our modern welfare society were laid in the 1960s and 1970s. New schools, institutions, hospitals, nursing homes and town halls were built nationwide.

Today, in our well-developed welfare society, public investment is naturally allocated a smaller part of the total resources available. This pattern is evident in almost every industrialised country in the Western World.

The high historical level of investment also requires that substantial resources be allocated to maintaining the existing welfare system. This new task will grow as new short-lived technology is introduced.

The Danish welfare society currently provides high-quality childcare; training and education; elderly care as well as health care. But people's

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needs will continue to change, and the demand for quality welfare services is not about to decrease – on the contrary.

To *secure our welfare society*, we must create a basis for allowing families and businesses to enjoy decent public services in our affluent society – also five or ten years ahead.

So we need to establish a proper physical framework that allows us to meet the demands of the future. We must also make the public sector as efficient as possible, providing people with the best possible services.

The public sector will also have to invest in areas that can strengthen Denmark's position and boost the economy to the benefit of society in general. Public investment in such areas could include projects to better prepare people and businesses for the challenges of the future.

The need for public investment to secure our welfare society reflects Denmark's current challenges and opportunities (see box 4).

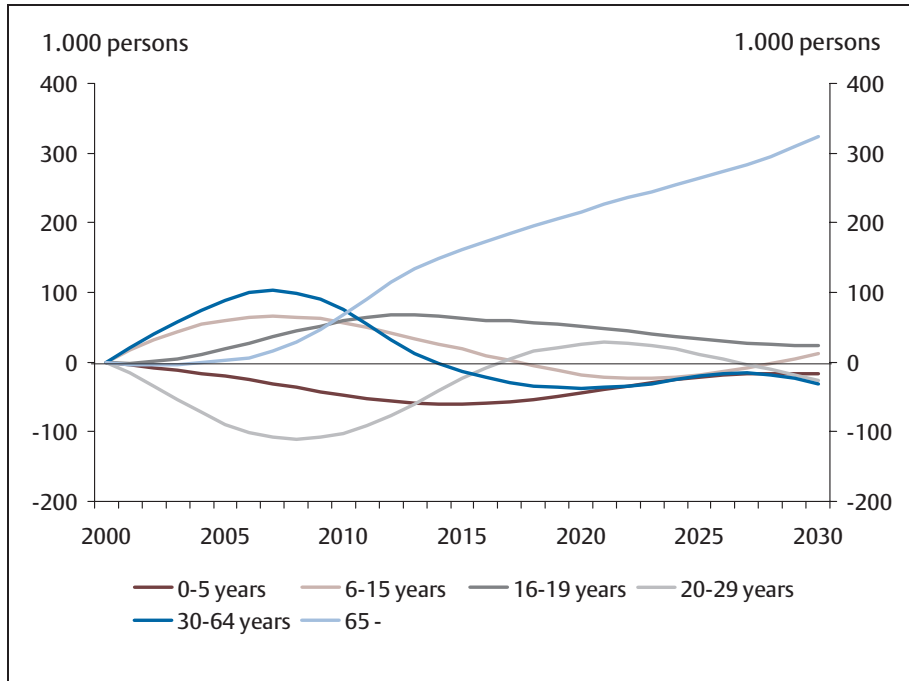
### Box 4. Public investment challenges and opportunities

- Meeting the demands of the growing number of old people
- Limited possibility of creating more jobs
- Shifting to the knowledge-based society with its technological possibilities, particularly within the area of IT
- Economic growth and the ever-increasing demand for better services and higher quality
- International challenges and opportunities

### **The number of old people is growing, while the possibility of creating more jobs is limited**

The *changing composition of the population* in the next few years will impose new challenges on the public sector. Demography is thus one change that needs addressing in a future investment strategy (see figure 1).

**Figure 1. Changes in the composition of the population from 2000 to 2030**



The growing number of old people is one of the greatest challenges facing our welfare society in the next few decades. The next thirty years will see the number of people over sixty-five rise by 300,000. During this period, the number of children at primary and lower secondary schools will also increase. On the other hand, the number of small children – and particularly the number of young people in their twenties – will drop in the coming years.

This trend will lead to a decrease in the ratio of working people to non-working people – especially after 2010.

Consequently, society must be prepared to adapt to the growing number of old people demanding such public welfare services as care and nursing as well as other services.

At the same time, a large number of public-sector employees will retire in the coming years, thus limiting the growth potential of total manpower (see *A sustainable future – Denmark 2010*).

Consequently, solutions must be found that can free labour for care and nursing services in our public welfare society.

### **Challenges and opportunities intrinsic to modern technology in a knowledge-based society**

*Technological progress* and state-of-the-art IT can enhance efficiency. This means that fewer people are required to perform the same tasks, thus freeing resources for other purposes. This is the case in both the private and the public sectors.

Technological progress also gives rise to new opportunities, particularly in the areas of training and education, health care, research and public administration.

This trend may lead to higher investment in information and communications technology and perhaps lower investment in, say, buildings.

The *knowledge-based society* is developing by leaps and bounds – not only in Denmark. This makes know-how and network relations important keys to economic development and the competition between businesses. Knowledge-intensive industries – especially the IT sector – are already experiencing high growth rates.

The public sector is also knowledge-intensive, and we must seize the opportunities that technology provides in order to better organise our work and modernise public services.

The challenge is to prepare individuals, businesses and the public sector for the knowledge-based society and for the opportunities inherent in state-of-the-art information technology.

Examples of new opportunities in our future IT and knowledge-based society abound. The Internet may increasingly become the venue for teaching and for holding conferences, making participants independent of time and space. Students will be able to attend classes anywhere in Denmark or the world, provided that the institutions have the necessary facilities for offering long-distance teaching. And authorities will be much easier to contact when this operation can be performed via the Internet.

### **Greater prosperity lifts demand for higher quality**

*Economic growth* will raise prosperity. On the one hand, growing affluence may reduce the need for public funding of investment projects – simply because we are all getting richer.

On the other hand, economic growth will spawn heavier traffic, and families and businesses will also put pressure on other infrastructural areas.

Quality improvement in public services is also needed. Greater prosperity creates a demand for better services. When offered modern, high-tech services by, say, banks and supermarkets, people will – quite naturally – demand high-quality services from the public sector.

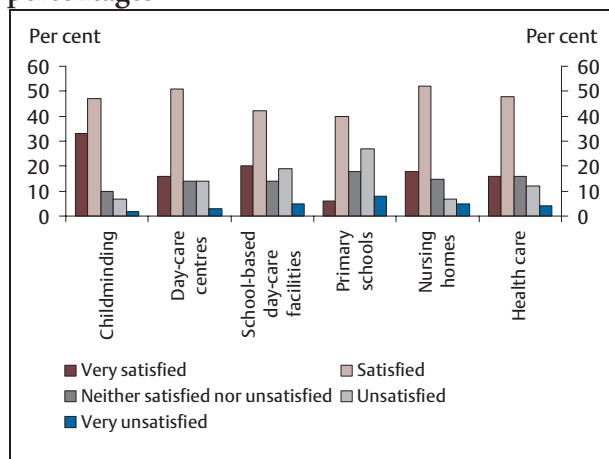
What today constitutes proper public services will not be adequate ten or twenty years ahead. In other words, demand for public-sector quality services will perpetually increase.

### **Infrastructural quality**

The need for public investment is affected not only by future demand, but also by the current *condition* and *quality* of our infrastructure.

Denmark has a well-developed infrastructure. But surveys of how users consider public services and facilities in the areas of care, nursing, primary schooling, etc., reveal that there is room for improvement (see figure 2).

**Figure 2. Indoor facilities satisfaction percentages**



### International challenges and opportunities

Finally, a number of *international challenges* and *opportunities* may affect public investment. Globalisation implies a higher degree of trade and contact between countries and may also lead to higher competition.

Growth will stimulate demand for an efficient and smooth infrastructure. This includes adequate links to the outside world.

International agreements in, say, the environmental area may also affect public investment. To contribute to reaching the goals of reducing carbon dioxide emissions, the Folketing (the Danish parliament) has agreed to establish offshore wind turbine farms in Denmark – a two-digit billion investment in Danish kroner.

### 5. Economic framework for action

Pursuing its general economic strategy, the Government aims at maintaining the favourable trends of the Danish economy that have been evident since 1993. Focus will thus be on ensuring a low level of inflation, securing a high rate of employment and reducing public debt.

In the next few years, one specific task will be to reduce public debt and interest expenditure, thus allowing the Danish economy to provide for the rising number of old people and to pay the increasing volume of expenses in that respect.

But reducing public debt and keeping finances under control is not enough. Future generations of both old and young people will continue to demand a smooth and up-to-date infrastructure in the form of suitable school buildings, proper roads and efficient sewage systems.

Another important assumption in the Government's economic strategy is the enhancement of public-sector efficiency. This is one prerequisite for locating resources and staff who can take care of the growing number of old people.

Investing properly can enhance public-sector efficiency in real terms.

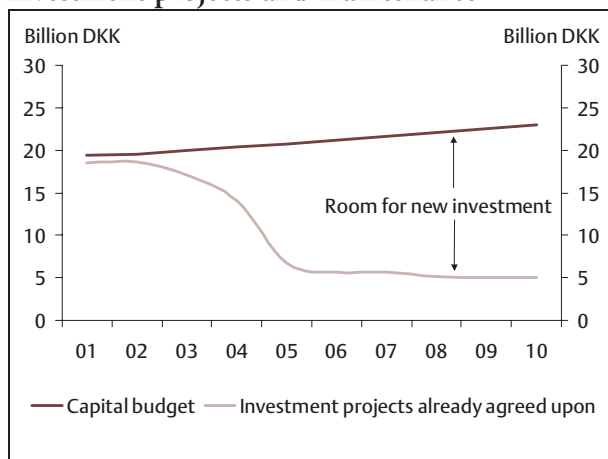
Investment efforts must therefore be a key element of our welfare policy in the years ahead.

Within the framework of our economic strategy, as indicated in *A sustainable future – Denmark 2010*, we have made allowances so that public tax-financed investment can rise by about an annual 2 per cent over the coming years. This rate of growth exceeds that of any other public expenditure. It gives room for new investment to boost prosperity and welfare both today and ten years ahead.

The room for making new public investment is limited not only by future growth in funds available for investment, but also by investment projects already agreed upon (see figure 3).



Figure 3. Capital budget and room for new investment projects and maintenance



Particularly the years following 2005 will have some room for new investment as ongoing projects are completed.

The room for new tax-financed investment is estimated at DKK 100bn at the central government and local-government levels in total over the next ten years. The room for central-government investment will be about DKK 30bn.

The Government intends to invest in new projects and to maintain and renovate schools, nursing homes and roads.

Of course, it is neither possible – nor appropriate – to make decisions to allocate all funds available for investment to new projects at this stage.

Detailed plans for public investment many years ahead seldom have any intrinsic value in the real world. Experience shows that earmarking reserves for any new and unforeseen projects in the future will be much needed.

Local authorities and counties are responsible for welfare services as well as for nursing and care, while central-government projects in recent years have included investment in roads and railways, cultural buildings, embassies, police stations and facilities housing further educational establishments and research organisations.

Central and local government must set priorities on an ongoing basis so that adequate investment is made in vital welfare areas.

Investment includes not only new investment that is made possible as ongoing projects are completed, but also investment in areas financed through user charges such as utilities and public corporations. These investment accounts for more than half of public investment. Public corporations will also invest heavily in the future, for example in wind turbine farms, thus helping to reinforce existing infrastructure.

On balance, the chances of continuing our investment policy are good. Activities must, however, be currently adjusted to manpower capacity, not least in the building and construction sector.

Moreover, we must also consider how the individual investment projects are organised so that we can make the most of the qualifications available. Different types of partnerships between public corporations and private companies ensure that investment projects are properly managed and implemented efficiently at low costs.

There is much room for improvement. A survey shows that the efficiency rate of the Danish building and construction sector is 40 per cent lower than that of the Swedish building and construction sector. So something needs to be done.

### **6. Where to invest over the next ten years**

The Government has set its priorities for future public investment.

First, the Government aims at ensuring that our welfare society is well prepared to deal with a number of fundamental challenges and opportunities (see section 4). Second, the Government wants to secure proper maintenance and current capacity adjustment in respect of existing facilities.

Ultimately, the objective is to secure a sustained high level of welfare and economic prosperity.

The individual investment projects are to contribute positively to growth in society.

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It is essential that the values generated by a particular investment project exceed the expenses and thus the tax amounts collected to finance such investment.

Investment must thus be made with a view to producing the best result for society. But public investment can also be made in order to boost specific areas according to a particular policy. This could be cultural investment, whose return can be difficult to calculate.

Priorities must also allow for previous action in the individual areas. Distributional and regional considerations may also be taken into account.

Finally, international growth and compliance with international agreements may also play a role in prioritising public investment.

On the basis of these considerations as well as the economic framework outlined in *A sustainable future – Denmark 2010*, the Government wants to focus on the following investment areas:

### Box 5. Criteria for prioritising investment projects

The Government intends to emphasise investment projects that

- place Denmark at the forefront of IT development and the knowledge-based society
- ensure a more efficient public sector
- create a better infrastructure in the form of public facilities, buildings and roads
- enhance the quality of public services
- strengthen the maintenance of existing facilities, buildings and roads

### At the forefront of IT development and the knowledge-based society

Preparing Denmark for the knowledge-based society and for using information technology is a strategic investment.

IT and communication are keys to the knowledge-based society. Growth and new know-how will be two closely connected driving forces of our future society.

To begin with, investing in the infrastructure of the knowledge-based society – new broadband lines and networks – will naturally be made on a private basis. This is one effect of the recent deregulation of the Danish telecommunications sector.

Studies show that communications networks are more extensive in countries whose telecommunications sectors are deregulated as in Denmark. Particularly where geography – as is the case in Denmark – allows commercial investments in, say, broadband networks or electronic means of communication.

But IT investment in the public sector helps boost the use and popularity of the Internet in society.

In recent years, demand in Denmark has caused Internet availability to grow sharply and also led to falling dial-up connection prices. At the same time, Tele Danmark's obligation to provide ISDN lines as well as leased lines gives any household and business in Denmark high-speed access on equal terms.

As the investment projects that aim at ensuring a widespread use of IT and the Internet largely depend on how people and businesses prioritise their own wishes and needs, the overriding task of the public sector is to secure proper regulation, an adequate framework and keen competition in this area; the objective is thus to remove any barrier that may prevent a continuing use of IT and the Internet.

### **Box 6. Main elements of the Government's IT strategy**

The Government's IT strategy is based on the following main elements:

- First, investment to develop broadband lines and networks should be made on a private basis.
- Second, the public sector plays an important part in setting the framework and in providing a high level of competition in the IT and telecommunications sectors; in this way, new technology will be readily available to people in any region in the country and at prices that give all users access to such new technology.
- Third, public investment in IT and the IT-based services offered to private households and businesses will persuade more people to buy IT equipment, thus helping to increase the use of the Internet. In many cases, public-sector demand will, initially, allow faster and cheaper extension of the new networks.

The Government's strategy implies that future public IT investment will not be aimed at physical installations such as cables, towers and wiring, but will be targeted towards demand for IT services.

To avoid creating "two tiers of computer literacy", we must ensure that the use of IT is relevant and that IT is accessible in everyday life.

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The public sector must thus be ready to communicate electronically and to make information increasingly accessible to people. This will strengthen general interest in and boost the use of new technology in society.

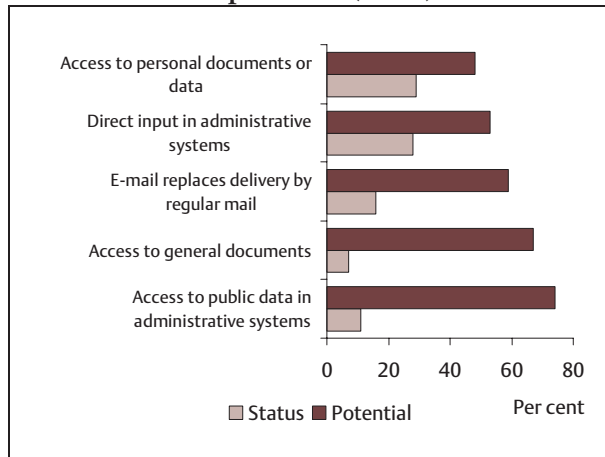
The public sector has set this process in motion and is already using IT in many respects. What is new in this context is that in the next few years Denmark must invest in services directly aimed at individuals. This is already the case in the area of taxation, where tax returns can be filed and company accounts submitted via the Internet.

But medical records, job application forms, local-authority information, adult/supplementary training and education and much more will soon be accessible via the Internet.

A concrete initiative could be to establish a health portal – in collaboration with health care players – that provides access to various kinds of health information. Though financed on the basis of private funds, such a portal could raise the level of information and improve health care services.

A study among public institutions shows that several of them are already communicating electronically with people. Yet this study also reveals an enormous untapped potential (see figure 4).

**Figure 4. Public-sector systems integration status and future potential (2000)**



Note: 'Status' indicates the number of institutions where changes have occurred, while 'Potential' specifies the number of institutions believing that the future holds great potential.

Source: The Danish Ministry of Research and Information Technology, *Action and figures*, appendix to *A wealth of opportunities*, December 2000.

Investment in electronic public administration systems and public services may help boost growth and thus make Denmark a frontrunner in the global knowledge-based society.

Using IT for cultural purposes can help spread quality Danish-language information on the Internet and thus contribute to increasing people's IT expertise.

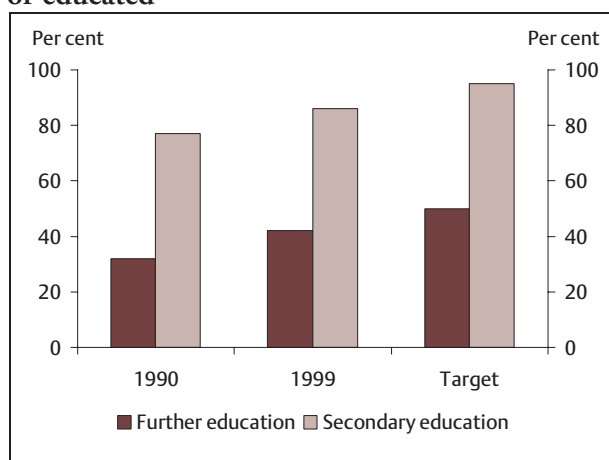
IT and any other state-of-the-art technology will also free manpower for other purposes. Submitting information via the Internet will, for example, render manual input superfluous, and computers are already capable of performing many routine tasks.

Locating answers to questions on the Internet using FAQs or simulation tools will also relieve public-sector staff of some work. People could calculate their housing benefits via the Internet, for example. This would also improve the service level and give people easier access to information.

For these reasons, the public sector needs to invest in electronic public administration systems and electronic self-service solutions.

The knowledge-based society also requires training, education and research. In the light of the Government's goals, Denmark must continue to invest in providing basic training and education and in ensuring that further education is offered to a large proportion of the population (see figure 5).

**Figure 5. Share of young people being trained or educated**



Providing adequate possibilities of further/supplementary training and education is also important, enabling people to improve their qualifications and know-how. Training and education is thus a life-long process.

Adequate facilities must still be available to ensure proper teaching. But new teaching methods, increasingly supported through the Internet, can move the classroom to the workplace and into our home – particularly in the area of further/supplementary training and education. While conventional classrooms will probably be less important in the future, the electronic infrastructure must be further developed.

Accordingly, investment will be made in Denmark's Virtual University and the Research Network.

Training and educational capacity must be adjusted according to demand. The number of pupils attending primary and lower secondary schools will climb over the coming years, so we must ensure that proper and modern facilities are available.

One concrete investment project is therefore to build new schools and renovate old schools.

On the other hand, the next ten years will see the number of young people in their twenties drop which is the typical age for receiving further education.

In the areas of training, education and research, the latest budget and local-authority agreements have provided a solid basis for setting future priorities. Today, local authorities can already obtain loans to maintain and develop primary and lower secondary schools, and the areas of research and further education have both been strengthened.

### Box 7. Concrete investment in IT and the knowledge-based society

- Personal access to public information via the Internet
- Internet-based health portal
- Funds for investment in electronic public administration systems
- Improvement of facilities and maintenance of primary schools
- IT in primary schools
- Research network
- IT and biotechnological research and science parks
- Denmark's Virtual University
- Digital storage and protection of cultural collections

### An efficient public sector

People will demand more and better services in the years to come. As the number of old people will be greater than the number of working people supporting the rest of the population and providing services, the capacity of public-sector staff must be put to better use than is presently the case.

Work must also be organised in such a way that those working in the public sector and those receiving benefits consider systems satisfactory.

State-of-the-art technology and IT can enhance efficiency and improve services in most public-sector areas. In the health care areas, investment in



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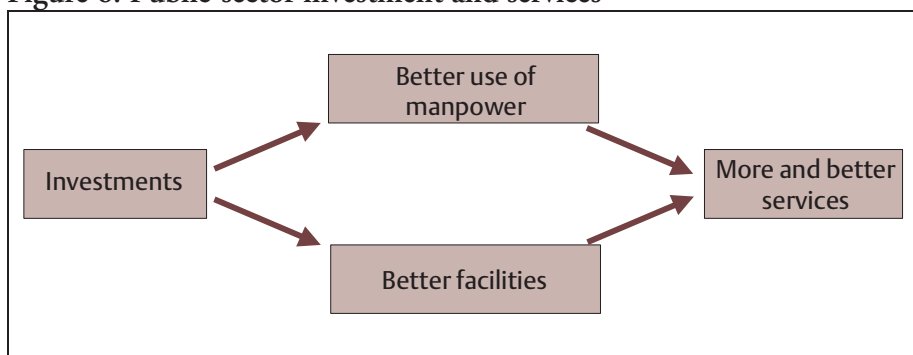
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new technology could improve both quality and efficiency through less radical treatment methods.

Better anaesthetics have increased the use of outpatient treatment. Laser technology has led to better treatment of cataracts and renal calculus, while telescopic surgery has improved knee injury treatment.

Higher public-sector quality is secured not only through more staff, but also through better facilities.

**Figure 6. Public-sector investment and services**



Establishing and maintaining adequate facilities at schools, nursing homes, hospitals, town halls and any other public-sector institutions can thus meet demand for quality improvements.

Finally, public buildings and values can be managed in a much better way. When individual institutions manage their own values, public-sector infrastructure and other values may not be used fully, one reason being a lack of incentive from the individual institution or public corporation.

This could be cabled infrastructure, office premises, classrooms or public data, for example.

One concrete example is the possibility of using sewage systems to host IT and telecommunications cables. Selling the right to install cables in sewage systems could help finance the renovation of run-down sewage systems.

**Box 8. Investment capable of enhancing public-sector efficiency and services**

- Modern hospital equipment
- Electronic systems capable of handling medical records and documents
- Automated case preparation systems
- Modern facilities
- Better capacity use across sectors, institutions and types of infrastructure

**Better public facilities and buildings**

A third investment area is infrastructure in the form of public facilities, buildings and roads. Businesses as well as households need infrastructure.

Spending too much time on transport due to capacity problems is undesirable.

Non-maintenance of sewage systems may cause pollution, which may spread to areas where children are playing or where families get their fresh produce.

An adequate infrastructure is also an important condition for corporate growth and thus for the general economy. Public investment can contribute to greater economic prosperity in society as a whole.

Like investment in the knowledge-based society, investment in infrastructure can be regarded as an important contribution that helps keep the level of affluence and welfare high.

Denmark's infrastructure is generally well developed. Nevertheless, capacity problems may exist in some areas.

Capacity problems result in a needless waste of time and may also cause higher pollution, for example due to tailbacks. Solving these problems is therefore wise.

Developing public transport in heavily congested urban areas is another urgent task.

Adequate infrastructure and proper connections to the outside world are advantages in an international economy where speed and network rela-

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tions are vital. This can contribute to more cooperation and trade, thus creating the basis for increasing economic prosperity.

The fixed links across the Great Belt and the Sound have both been strategic investments of this type.

A fixed link across the Femer Belt – constituting a leg in the trans-European network – can also be seen in this light. The governments of Denmark and Germany have agreed to continue their plans for building a fixed link across the Femer Belt. The final decision is likely to be made within a year or two.

The construction of the fixed links helps reduce the need for domestic flights in Denmark, thus also reducing the need for airports handling domestic traffic.

Housing is another vital element of a society's infrastructure. Traditionally, public authorities have also been involved in the housing sector, offering grants or loans for urban renewal and non-profit housing.

Senior housing is an area requiring additional action. Initiatives will be needed in a few years when the number of old people begins to rise. Youth dwellings are another focus area. The cities housing major educational establishments should have enough dwellings for students who need to take up residence.

During the past few decades, substantial resources have been allocated to urban renewal. The results have been positive: dwellings have been renovated and the old part of the housing stock has been modernised – especially in the Copenhagen metropolitan area.

A concrete focus area could involve neighbourhood improvement, focusing on improving social and physical conditions in socially deprived urban areas through better housing, employment, traffic and ecology.

In recent years, Denmark has pursued an environmental policy that has lifted environmental standards in most areas. A multitude of initiatives have been launched, and they will – over the next few years – help protect the environment through schemes to maintain sewage systems, to clean up toxic deposits of chemicals and to rehabilitate nature.

If we look at energy, public corporations have invested considerable amounts in developing the gas networks. Developing the use of sustainable forms of energy – which has been politically decided – will continue, for example in the form of investment in wind turbine farms.

### Box 9. Concrete investment in better infrastructure

- Solving road network and railway capacity problems
- Fixed link across the Femer Belt
- Neighbourhood improvement in socially deprived urban areas
- Dwellings for students in cities housing major educational establishments

### Better public services

Investing in public services has been a high priority in the past few years, creating a sound basis for public service output.

Facilities in the health care and social areas, including hospitals and nursing homes, have to be modernised to meet the growing influx of old people.

Hospital facilities and equipment have to be raised to modern standards.

Psychiatric patients have to be ensured proper conditions. In the past few years, the number of private rooms in psychiatric wards has soared.

Public investment has to help ensure proper facilities for nursing and care in our welfare society.

A growing number of old people will create a demand for good senior housing. Therefore, one task is to build quality senior housing – in the form of individual housing, group homes or nursing homes.

As the number of children requiring care is likely to fall, the need for further childcare facilities will probably taper off in the years ahead.

The past few years have seen the construction of a number of large cultural buildings under the auspices of central government, and this particular area is expected to stabilise once already adopted investment projects have been completed.

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In recent years, Denmark has made its mark in movies and music, etc. This could represent a strategic opportunity for further developing Denmark's position as one of Europe's creative regions. Efforts ensuring this development should be given high priority.

If we look at Denmark's security policy, the need for investing in buildings and materials depends on the threats and problems that Denmark encounters in the future.

Offhand, this need seems to have diminished, especially in relation to defence investment. However, it is vital that Denmark is sufficiently alert to preserving national security and securing participation in peacekeeping efforts.

Another concrete investment project is the building of a new maximum-security prison for the first time in 25 years.

### Box 10. Concrete investment in the service area

- Senior housing
- Service areas in connection with close-care accommodation
- Residential offers and private rooms for psychiatric patients
- Modern services (swift action and better treatment)

### Better maintenance

There is no point in investing in new facilities if such investment is made at the expense of allowing existing facilities to fall into disrepair due to lack of proper maintenance.

Maintenance ensures that facilities are kept in good condition. It raises the quality of public services in all sectors and allows institutions to provide efficient and adequate services.

Maintenance investment is valuable to society. Ongoing maintenance prevents wear and tear from developing into serious damage requiring expensive repairs or total reconstruction, which is far more costly than maintenance. Improving public infrastructure maintenance is good economy.

A series of calculations and studies suggest a need for improving maintenance in a number of areas.

Consequently, more resources for raising the maintenance level of buildings, roads, etc., have to be allocated to areas in the public sector. This includes the maintenance of protected and preservation-worthy buildings.

**Box 11. Areas requiring better maintenance**

- Road surfacing and national-road bridges
- Sewage systems
- Primary and lower secondary schools
- Hospitals

**7. From strategy to action – the next step**

The Government has set its investment strategy. We need to invest in Denmark's future. Investment requires careful consideration.

In the coming years, the Government will use its investment strategy as a springboard for investing in areas that are vital to our welfare society (see section 6).

The challenge is to maintain what we have built together as we prepare society for the changing composition of the population and the development of the knowledge-based society.

In the years ahead, the Government will follow up on its ambitious goals set for public investment through a number of concrete projects.

In some areas, plans have already been made, and they will be presented in the spring. Other areas will naturally figure in the talks with local authorities and in the 2002 budget.

**Box 12. From strategy to action – future initiatives**

- Better public transport
- At the forefront of IT development and the knowledge-based society
- Efforts to improve social problems in poor housing
- Maintenance and modern facilities

**Better public transport**

The Government has presented a number of concrete transport investment projects. The main elements include:

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- Solving high-congestion and capacity problems on approach and ring roads in the Greater Copenhagen area
- Extending main arteries between different parts of the country, especially in Jutland and on Funen
- Strengthening public transport, especially in the Copenhagen metropolitan area by extending the railway lines to Roskilde, thus increasing the capacity of the traffic-intensive route between Copenhagen and Roskilde

### **At the forefront of IT development and the knowledge-based society**

With the industrial-policy strategy known as .dk.21, research and educational agreements for the 2001 budget and the latest network report (*A wealth of opportunities*), the Government has launched several initiatives aimed at strengthening the IT area and the knowledge-based economy.

In the IT area, electronic public administration systems, Internet-based services and IT-based research and teaching must be further strengthened. A number of concrete initiatives will be introduced:

- A single IT strategy for all ministries
- Investment in developing Internet-based long-distance teaching and research – the virtual university – and high-speed networks for researchers
- Presentation of central-government and local-government proposals for electronic public administration systems
- Agreements with local authorities and counties on the use of IT in schools and in local-authority services to citizens
- Preparation of an overall strategy for increasing Internet use

### **Efforts to solve social problems and housing**

We need to strengthen our current efforts in building youth and senior housing. The Government intends to:

- Encourage local authorities to use the favourable rules for building youth and senior housing
- Study possible obstacles that prevent local authorities from establishing non-profit family and youth housing

- Put forward proposals for mixed ownership structures for non-profit housing to ensure better use of housing stock

Investment has to be made to improve neighbourhoods, thus ensuring good urban and housing conditions. Investing in neighbourhood improvement has to continue. The year 2000 saw the selection of five new neighbourhood improvement areas, including the Vollsmose area in Odense and Vestbyen in Horsens.

### **Maintenance and modern facilities**

The Government intends to take the following initiatives to strengthen maintenance and modernise facilities for welfare services:

- Continued focus on improving maintenance of public assets
- Examining the state of national roads
- Talks with local authorities and counties about prioritising facilities for welfare services and seizing labour-saving investment opportunities
- Initiatives to secure a more up-to-date use of infrastructure, for example installation of cables in sewage systems

### **Follow-up**

In the years ahead, we need to sustain our current efforts in a number of areas to ensure proper services and adequate facilities for families and businesses.

The Government will assess the needs on the basis of its strategic goals set out in *Investing in Denmark's future*, the considerations presented in the *White paper on public investment* and other new assessments.

Further concrete initiatives will be included in the talks with local authorities and counties and when the 2002 budget is presented in August 2001.





A number of large infrastructure projects have now been completed or are close to completion. This allows focusing on new challenges, which will materialize in the coming years.

These challenges include in particular the transformation to a knowledge society and the preparation for the demographic changes involving an ageing population. Another challenge is to ensure that public buildings and infrastructure at large is maintained properly.

How to meet these challenges is discussed in *Investing in Denmark's Future* which outlines the strategic ambitions for public investment in the years to come.