

Subnational Investment Climate Assessment in the European Union 2022

Fact Sheet: Denmark



The report “Subnational Investment Climate Assessment in Denmark” benchmarks business regulations that apply to small and medium-size domestic firms in six cities (Aalborg, Århus, Copenhagen, Kolding, Næstved and Odense) across five business regulation areas (business start-up, building permits, electricity connection and supply, property transfer, and commercial litigation). Top performing cities are identified, and best regulatory practices are highlighted within Denmark and across the EU.

This report is the last in a series produced by the World Bank Group at the request of and funded by the European Commission’s Directorate-General for Regional and Urban Policy. This edition also benchmarks six cities in Finland and eight cities in Sweden, besides the six cities in Denmark. The first edition, covering 22 cities in Bulgaria, Hungary, and Romania, was released in 2017. Twenty-five more cities in Croatia, Czechia, Portugal, and Slovakia, were benchmarked in 2018. The following year, data were published for 24 cities in Greece, Ireland, and Italy. The fourth edition, covering 24 cities from Austria, Belgium, and the Netherlands, was released in 2021. The reports are available at: www.doingbusiness.org/eu.

The series follows the diagnostic methodology used in the cross-country *Doing Business* reports to assess the cost of doing business and the efficacy of the bureaucracy in the largest business cities across the main administrative divisions of European Union (EU) member states with a population greater than four million. It identifies good regulatory practices, uncovers administrative bottlenecks and recommends good practice examples based on examples from the country and from other EU member states.

The work in Denmark was carried out with the support of the Danish Business Authority.

MAIN FINDINGS

- **Danish entrepreneurs deal with a relatively similar business environment independent of where in the country they establish their business.** Of the 16 EU member states assessed by this series, Denmark registers the most homogeneous business environment across locations. Danish cities have the smallest gap between the city with the lowest score and the city with the highest score across the five regulatory areas benchmarked. This is mainly due to the advanced digital portals through which entrepreneurs from any Danish city perform most procedures. A homogeneous business environment within national borders provides more certainty for investors and potentially a fairer regulatory environment for firms.
- **Three of the five areas benchmarked show subnational variations in the efficiency of the regulatory process.** These are building permits, obtaining electricity connections, and resolving a commercial dispute. For example, it takes 48 days to obtain municipal permits in Næstved and more than 2.5 times longer in Odense (122 days). Similarly, the process of getting an electricity connection takes 36 days in Aarhus but 60 days in Næstved and 70 days in Copenhagen. Entrepreneurs in Aarhus need to wait



Subnational Investment Climate Assessment in the European Union 2022

Fact Sheet: **Denmark**

three months longer than their peers in Næstved to settle a commercial dispute through the local court. Such disparities can help policy makers identify which cities have good practices that other cities can adopt, and make improvements without major legislative overhaul.

▪ **Cities that score well in one area are at the bottom of the ranking for others, highlighting opportunities for local officials to learn from each other.** Aarhus ranks first on electricity connection and second on building permits but last on commercial litigation. It is easiest to resolve a commercial dispute in Næstved, which also ranks at the top on building permits yet near the bottom on electricity. Odense ranks second on both commercial litigation and electricity connection but second-to-last on construction permits.

▪ **Copenhagen ranks at or near the bottom of the three regulatory areas where there are local variations.** partly because of the larger demand for business services characterizing the country capital. However, the regulatory process in major business centers does not necessarily need to be more complex. To counter the effect of heavier workloads, large urban centers can count on economies of scale and more resources. For example, Prague is the top performer in Czechia, and Dublin in Ireland.

▪ **All Danish cities outscore the EU average in every area, with only one exception: Copenhagen scores just below the EU average on electricity connection and supply.** In two areas—property transfer and building permit—the six benchmarked cities in Denmark are EU best performers, along with Lithuania.

▪ **One of the strengths of the Danish business environment is the presence of well-functioning e-government services across all areas.** Denmark is a source of inspiration for economies looking to introduce e-government tools.

▪ **Despite the strong performance of Danish cities, further improvements could be achieved.** For example, while obtaining electricity in Denmark is faster and less costly than in the average EU location, it requires more interactions on the part of clients: only three EU member states require more procedures than Denmark. Similarly, when starting a business in Denmark, entrepreneurs need to deposit paid-in minimum capital equivalent to 9.7% of income per capita—above the EU average of 8%. Denmark could look for good practices in other EU member states—or within its own borders. This report identifies local good practices within Denmark as well as examples from other economies that Danish cities could look at.

ADDITIONAL INFORMATION, INCLUDING THE FULL REPORT AVAILABLE AT:
<https://subnational.doingbusiness.org/denmark>

CONTACTS

Tommaso Rooms
+32 2552 06 90, trooms@worldbank.org

Madalina Papahagi
+32 25520044, mpapahagi@ifc.org

