

The Ministry of Finance

Political and Economic Report **2010**

FM 2010

According to Greenland's Budget Act, Naalakkersuisut is obliged to submit an annual Political and Economic Report at Inatsisartut's spring sessions.

Besides reviewing the economy of Government of Greenland and the general development of income and expenditure, the purpose is to analyse the development of the economy and activities in one or several central fields of expenditure and income and to compare these to the assumptions of the Finance Act.

The objective of this report is to add to the information on Government of Greenland's economy and to provide the basis for a qualified debate on the Government's and Greenland's economic development in general.

Another objective of this report is to visualise specific problem areas and development trends; according to statutory requirements, it must have a form that enables it to be part of Naalakkersuisut's and Inatsisartut's considerations regarding the economic development and priorities.

Naalakkersuisut's present Political and Economic Report for 2010 should be seen in relation to Naalakkersuisut's work on the next Finance Act for 2011, which is expected to be published in August.

Preface.....	4
1. Financial policy.....	7
1.1 The economic situation	7
1.2 The Treasury and foreign loans	8
1.3 Finance Act 2010	9
2. Financial policy challenges	10
2.1 Imbalances in the development of municipal and Treasury income.....	10
2.2 Demographic development and income differentials in the society	11
2.3 The structure of business, industry and the labour market	14
2.4 The maintenance backlog.....	17
2.5 Society's borrowing	18
3. Focal areas.....	20
3.1 Children and the young	20
3.2 Housing and infrastructure.....	25
3.3 Structural adjustments in the traditional occupations	26
3.4 Increased income and more jobs through new growth trades.....	30
3.5 The area of training, education and the labour market	39
4. The Finance Act 2011	44
Annex A: The economic situation	46

Preface

2010 will be a landmark year, as this is the first time in ten years that we will start drilling for oil in the waters west of Disko. It is an inspiring breakthrough for Greenland as a potential oil region.

If oil is discovered and can be produced economically, this may on the longer term result in a dramatic change of the economic framework for our society. If no oil is found, the drillings will nevertheless provide new and valuable geological knowledge, which can form the basis for further targeting of the oil exploration.

Statistically, the probability of not finding oil is much larger than the probability of finding oil. This is a fact. Consequently, we cannot lean back in the hope that all our economic challenges will be solved by an abundance of oil. Even if oil is found, the proceeds for the Greenlandic community will not effectively materialise until 20-30 years later. We must therefore still in the next few years launch the necessary initiatives and reforms that can make Greenland more self-supporting.

For Cabinet, hereafter Naalakkersuisut there is no doubt that for Greenland to become self-supporting it will be required that we carry through a drastic increase of the social conditions of life and development in Greenland. Hence, Naalakkersuisut will primarily focus on ensuring that the conditions we offer our children and young citizens are improved, both socially and from an educational point of view. This will form the necessary basis for their future contribution to the necessary development.

The challenges in this area are big, and Naalakkersuisut cannot by itself solve this task. New forces will need to be involved in this work so that we can pull forward together. Hence, it is gratifying that Naalakkersuisut has succeeded in concluding a cooperation agreement with the municipalities, and that a number of professional and industrial bodies and the business community have manifested their will be contribute towards solving this task.

Another element in raising the social conditions of life and development is ensuring that all citizens of Greenland have access to contemporary housing. This work, which has been initiated, is primarily focused on expanding the number of non-profit dwellings in towns where people sign up for waiting lists to get a dwelling. At the same time an evaluation of the formal waiting lists in the individual towns has been initiated to ensure that the expansion of the housing stock is made on a factual basis.

Another of Naalakkersuisut's objectives is to increase the citizens' welfare, especially for the least well-off households with children. Hence, a Tax and Welfare Commission has been set up with the task of preparing a thorough analysis of direct and indirect taxes and of the entire system of social and housing subsidies and not least the interaction between these.

Based on this analysis the Commission will present concrete proposals regarding changes, reorientation and actual initiatives in order to ensure better welfare, especially for the least well-off



social groups. At the same time it must be ensured that the future organisation of direct and indirect taxes on the one hand and social og housing subsidies on the other will help to support the wish and the need to have more people engaged in a meaningful job, and to ensure that transfer payments will never demotivate anybody from gaining an income.

On 1 February 2011, the Tax and Welfare Commission will present their final report, which will chart the course of the future welfare development in Greenland.

Naalakkersuisut's highest political priority is to secure better conditions of living for children and the young, contemporary housing for everybody, and a general rise in welfare for our most vulnerable groups. This will be a major challenge for our economy.

The Finance Act for 2009 was adopted with a deficit on the operating, investment and lending budget of DKK 310m. In addition, the Finance Committee approved total supplementary allocations of DKK 694m in 2009. As a result of this, a total deficit of approximately DKK 1bn was authorised in 2009. This is the culmination of several years of increasing deficits. For the first time since 1995, it will be necessary for the Treasury to raise a loan abroad in order to finance the operation of our society. This is obviously not a tenable development. On the contrary, it must be reversed, and will be so with Naalakkersuisut's economic policy.

If we are to finance the social strengthening of our society and thus create the basis for a self-supporting society, it will be necessary for us to prioritise the Treasury's funds. With the Finance Act for 2010, Naalakkersuisut has taken the first preliminary steps. The necessary savings have been implemented both on Self-Government and local government level. Funds have been reallocated to finance our initiatives with regard to children and the young, and also with regard to housing in order to ensure that new housing will be built in those towns where the need is biggest. Finally, we intend to implement a socially balanced reorganisation of direct and indirect taxes.

The above initiatives are not enough, however. The next step will be the launch of the necessary structural adjustments of our business sector. Due to the different subsidy schemes we maintain a business structure that is incapable of creating the economic growth that is required to accomplish the big challenge of making Greenland self-supporting.

When adjusting our business structures we must take the strengths and potential of the different regions into consideration. Naalakkersuisut has consequently launched the work to establish a regional plan. The conclusions and recommendations from this task will be included in Naalakkersuisut's continued work to adjust the structures of our business sector.

We are facing the major challenge of securing manpower for those growth industries that are emerging on the horizon. We should not wait, however, for these growth industries to become a reality. Already today we face a major challenge in providing sufficient manpower for existing professions, especially in the construction and civil engineering sector and in the social care sector. If we are to succeed in improving our social conditions, we must therefore train and educate more people for these existing professions.

This indicates that we should already now implement the initiatives required to make Greenland's fisheries sector more efficient, as recommended by the Fisheries Commission. Our fishery must secure the highest possible continued social-economic return for our society. As mentioned in the

Fisheries Commission's recommendations, this means that the number of people working in the fishing industry will decline. On the other hand, those who remain in the fishing industry will have a higher income.

The most important legislative initiative of the year in the business area will thus be the revision of our Fisheries Act. We must ensure that it will provide the framework for the necessary development. The Fisheries Act cannot stand alone, however. It needs to be supported by initiatives to ensure that the manpower of the fishing industry can be re-educated and trained for other professions which currently suffer from a shortage of labour. Naalakkersuisut will therefore present initiatives in this area that will be capable of ensuring the broadest possible compromise in The Parliament, hereafter Inatsisartut.

Our society is facing major challenges, but also great opportunities. If we are to accomplish an increase of the social conditions of life and development in our society and thus create the basis for a self-supporting society, it will be necessary that we as a people take more responsibility and participate in the development. This will necessitate that the population is willing to engage in training and education and to be re-educated for other occupations. It also requires political will, however, to provide the right framework for this development.

Naalakkersuisut is willing to provide this framework. However, it requires broad cooperation, both between the parties in Inatsisartut and between the Self-Government, local authorities, business and industry, private interest groups and the individual citizen. Together, we must participate in solving this task.

With these words I hand over the Political and Economic Report 2010 on behalf of Naalakkersuisut to Inatsisartut and other interested parties.

I hope you will enjoy reading it, and that it will be the starting point of a vivid debate.

Palle Christiansen – Member of Naalakkersuisut for Finances

1. Financial policy

1.1 *The economic situation*

The economic activity slowed down in 2009. Investments in the private sector were reduced, and Greenland's production of export articles dropped, both in the fishing sector and in the mining sector. The Naalakkersuisut area for Finances estimates that Greenland's total production declined by nearly 2 percent in 2009.

Shrimp fishery is expected to decline in 2010, adding to the current pressure on shrimp prices. A negative growth of nearly 2 percent is to be expected also in 2010. The increase in income from direct and indirect taxes is lower than the salary increases, which indicates that total employment is declining. Employment opportunities could be improved locally in the course of 2010 if the mines in the Kirkespir Valley and Maarmorilik are reopened, but there are no prospects of an actual nation-wide improvement.

The growth in the economy was positive during the period from 2004 to 2008. It calls for some concern on the longer term that this growth was not driven by an increase in exports, but by borrowing. The last few years have been characterised by a large increase in mortgage credit borrowing and a large increase in the indebtedness of companies owned by the Government of Greenland and now we are also witnessing a reduction in Treasury liquidity. In other words, our economic upturn has been loan-financed. If this development continues, it will lead to an unsustainable indebtedness and significant constraints on the political and economic freedom of action.

Consequently, it is now necessary to achieve a noticeable improvement of our export production, partly through structural rationalisation in the fisheries sector, partly through new export productions within, for instance, minerals processing and mining. Only in this way will there be a basis for our current level of welfare, and for the level of welfare we wish to have in the future.

The Finance Act for 2009 was adopted with a deficit on the operating, investment and lending budget of DKK 310m. In addition, the Finance Committee approved total supplementary allocations of DKK 694m in 2009. This means that the total deficit authorised in 2009 was approximately DKK 1bn. Preliminary indications of the financial results suggest that the deficit will be slightly lower than budgeted; however, the deficit will in any case be record high.

For the year 2010, however, the financial policy was tightened with a budgeted deficit on operating, investment and lending activities of DKK 227m, while the Self-Government's operating and investment budget is balanced. But the financial policy balance remains vulnerable, as there is a risk not only of reduced income from direct and indirect taxes, but also of a higher-than-budgeted cost increase in certain areas.

Also local governments have tightened the budgets for 2010, although to a lesser extent than the Government. The economic foundation of two municipalities, Qaasuitsup Kommunia and Kommune Kujalleq, is weak, and if they fail to follow up on their budgets or adjust their

expenditure, unforeseen expenditure increases or reductions in income may lead to liquidity problems.

Unemployment went down for some years up to and including 2008, but 2009 saw an increase, and the prospect for 2010 is a further increase in unemployment.

The education programme has contributed to keeping the increase in unemployment at a moderate level. Today, an additional 600 persons or so are enrolled in education or training programmes compared to 2005, and this has contributed to curbing unemployment while creating a basis for higher productivity and earnings in the future.

More education, training and further education are the prerequisites for solving Greenland's structural problems, and the education initiative must be stimulated even further. The purpose of this is to curb unemployment and to transfer people from low-productivity occupations to occupations which have or will have employment opportunities. However, training, education and further education are tantamount to enabling the individual families to obtain good jobs and the basis for a good life, and hence to contribute to the development towards a self-supporting Greenland.

1.2 The Treasury and foreign loans

The development in 2009 was characterised by a few important events that increased the pressure on the Treasury's liquidity.

It became necessary in 2009 to contribute a total of DKK 500m to Royal Greenland A/S in the form of a loan of DKK 250m and a capital injection of DKK 250m. In addition, it was necessary to contribute capital to Great Greenland A/S, just as it was necessary to contribute additional funds to production plants in the settlements.

In 2009 some of the new large municipalities encountered liquidity problems, and towards the end of the year it became necessary, amongst other things, to provide Qaasuitsup Kommunia with a Treasury loan of DKK 50m.

This, together with some other initiatives that necessitated additional expenditure, resulted in a deficit for the Treasury of approximately DKK 1bn in 2009. This was reflected by the Treasury's liquidity, which was reduced from approximately DKK 2bn at the end of 2008 to approximately DKK 1bn at the end of 2009.

The Treasury has not been indebted since 2005. However, as a result of the extraordinary expenditure in 2009, the Finance Act for 2010 is based on the assumption that it will be necessary to raise loans in 2010 and in the budget years 2011-13 totalling some DKK 600m, especially for financing the hydroelectric plants in Sisimiut and Ilulissat.

It is Naalakkersuisut's evaluation that the Treasury's liquidity should always exceed DKK 600m, or 10 % of the total operating and investment budgets. This will ensure that the Treasury will always be solvent, even if unforeseen situations should occur, for instance in the form of demands for capital injections in companies, payment of guarantees or conversion of payment patterns. It is expected that the Treasury will raise loans or obtain drawing rights with banks in the autumn of

2010 at the latest in order to ensure that its liquidity will remain above the planned minimum liquidity of DKK 600m.

The Treasury's borrowing is not in itself alarming, as the funds are used primarily to finance hydroelectric plants, which in the years ahead will be a source of income in the form of interest and instalment payments from Nukissiorfiit, and which will help Greenland to live up to its obligations to reduce CO2 emissions.

On the contrary, the development of Greenland's total net foreign debt is a cause of worry. The debt of the Government owned companies has risen considerably in recent years, and mortgage credit debt in connection with the construction of housing has also risen significantly. As a result thereof, Greenland's total foreign interest and instalment payments are increasing. Companies and households must spend an increasing share of their earnings on foreign interest and instalment payments, and their economic freedom of action will consequently be diminished. In the years ahead Naalakkersuisut and Inatsisartut will face the task of ensuring that the country's total foreign debt is offset by other improvements on the balance of payments with other countries by reducing oil imports and generating new export income.

1.3 Finance Act 2010

With Finance Act 2010 Naalakkersuisut has tightened the financial policy while providing a scope of action for implementing a number of welfare improvements.

As Treasury's deficit has been increasing in recent years, it has been important to reverse this development. Thus the effort to strike a balance with regard to operating and investment costs in 2010, which will grow to a profit of approximately DKK 95m in 2013, has been successful.

Finance Act 2010 still posts an overall deficit for the period, however, as the investments in new hydroelectric plants involve loans to Nukissiorfiit which will be repaid over a number of years. But as these loans are used for sound investments that will generate income, it is not, seen in isolation, a problem that the Treasury ends up with an overall deficit as a result of these loans.

Table 1: Operating, investment and lending balance in Finance Act 2010 DKK million.

	2010	2011	2012	2013
Operating & investment balance	0.2	49.5	79.4	95.4
Operating, investment and lending balance	-227.0	-163.4	-144.5	-32.1

Source: Ministry of Finance

Even if the financial policy has been tightened, a scope of action has been created to implement welfare improvements, especially for children and the young, with a DKK 25m annual contribution. Initiatives have been introduced to reduce waiting lists for operations in the health sector, and additional funds have been found to increase early retirement pensions. At the same time, funds for housing investments have been redirected for use in those towns which have the longest waiting lists.

Finally, a reserve of DKK 15m will be allocated in 2010 to special initiatives, including promotion of employment, education and training, mobility and re-education in certain settlements and small towns, where a continued appropriate employment and activity level will thus be ensured.

Financing of these activities was primarily generated by administrative Government savings, and in addition the municipal block grant has been reduced by DKK 30m annually, as the merger of 18 small municipalities into four large municipalities would result in administrative savings. Moreover, user fees have been introduced for services so far financed by the Government, for instance with regard to control of fisheries and Mittarfeqarfiit.

Direct and indirect taxes will increase moderately in 2010, but increases totalling DKK 115m are expected from 2011, unless new income can be provided or new savings implemented. Hence, Finance Act 2010 reflects a sound economic policy where the development towards balanced public finances has been initiated.

2. Financial policy challenges

Even though Finance Act 2010 has initiated a balanced development, we are still facing major economic challenges both on the short and on the long term, which will need to be addressed. These challenges are:

- Imbalances in the development of municipal and Treasury income
- Demographic development and income differences in the community
- Business sector and labour market structure
- Maintenance backlog
- Society's indebtedness

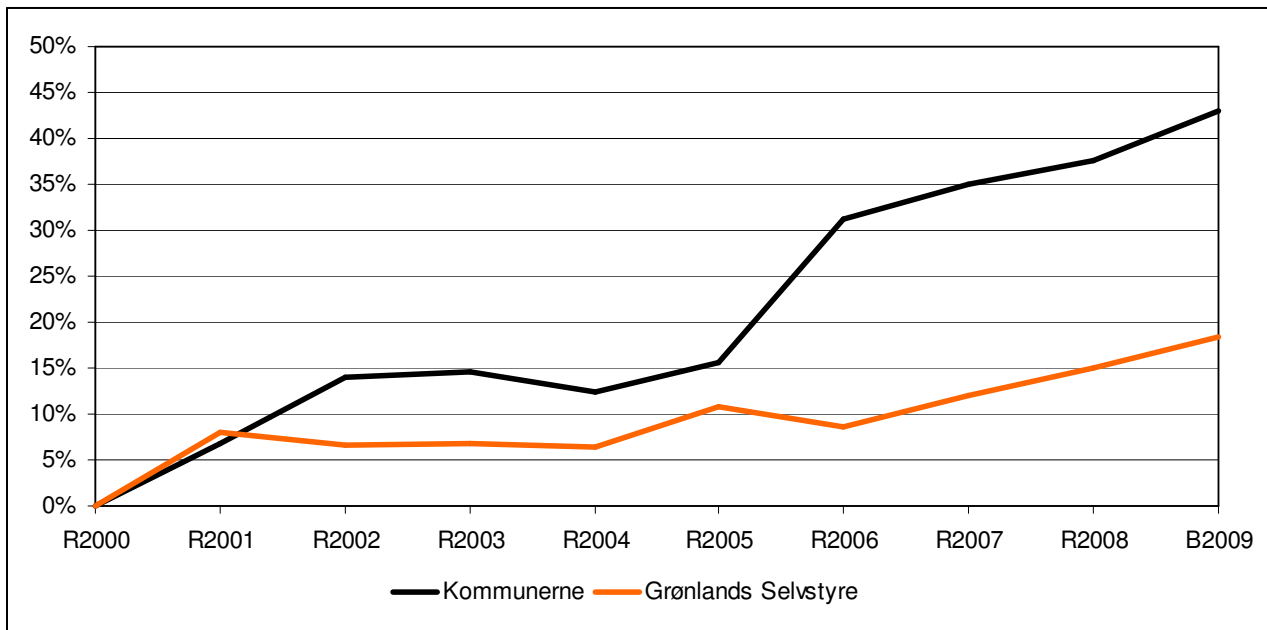
2.1 Imbalances in the development of municipal and Treasury income

According to Finance Act 2010, the total income of Government of Greenland will only increase by DKK 25m, while the total income of the municipalities is budgeted to increase by DKK 51m. At the same time, the municipalities' total budgeted expenditure will increase by DKK 120m, while Government of Greenland has budgeted a DKK 51m reduction of its expenditure.

These figures reflect that so far it has primarily been Government of Greenland that has taken the required measures of financial policy restraint, seen in relation to the municipalities.

The income development of Government of Greenland and municipalities during the period 2000-2009 indicates that the accumulated income of Government of Greenland has increased by 18 %, whereas the accumulated income of the municipalities has risen by 43 %.

Figure 1: Accumulated annual income increase of the municipalities and Government of Greenland for the years 2000 to 2009, in %.



Source: Ministry of Finances

Legend: Kommunerne = the municipalities; Grønlands Selvstyre = Government of Greenland

The municipalities' primary source of income is taxes, of which 74 % go to the municipalities and the rest to Government of Greenland. In addition, Government of Greenland receives the block grant from the Danish Government, income from the fishery and partnership agreements with the EU, and income from various indirect taxes.

The reason for the differences in income development is that income from taxes has increased more than the block grant from the Danish Government over the years. The block grant is in principle constant, as it is subject only to price index adjustment. As the municipalities' share of tax revenues is bigger, the increase in their income is also higher. Consequently, the economic scope of action of Government of Greenland has become relatively smaller over the last decade compared to the municipalities.

2.2 Demographic development and income differentials in the society

Over the next decades the number of elderly citizens in Greenland will increase, whereas the number of people in active employment is expected to diminish moderately. This development will lead to increased public budget expenditure constraints, as the higher number of elderly citizens will result in increased expenditure for old-age pensions, senior citizen services and health care services.

An important factor behind Greenland's health costs is the average life expectancy, which has increased over the past decades, and this trend is expected to continue in the future, especially as a consequence of continued technological improvements within medical science and improvements in Greenland's diagnosis and treatment system. Seen in isolation, a longer average life expectancy will cause health expenditure to rise.

Table 2: Average life expectancy in Greenland

	1990	1993	1996	1999	2003	2004	2005	2006
Men	60.7	61.7	62.8	62.7	64.1	64.6	65.5	65.8
Women	68.4	68.5	68.4	68	67.8	70.4	70.9	71.2

Source: The Health Inspector Institution in Greenland

One of the objectives of Greenland's health services is to postpone the demographical constraints of health care costs through preventive measures and hence to defer health care costs to a later stage in life. Health care costs will continue to be incurred primarily during the last years of life. But with average life expectancy on the rise, the share of health care costs defined as terminal costs will also be deferred. (Terminal costs are health care costs for patients dying within a given period.) If the objective of "healthy ageing" is to succeed, this will require added incentives to shift to a healthier lifestyle. Greenland still has a backlog of lifestyle-related diseases already at the age of active employment, compared to other OECD countries.

The increase in the number of elderly compared to the number of people in active employment over the next decades is a development which is common to countries in the western world.

The below table shows Statistics Greenland's population projection for the period 2009-2040.

Table 3: Population projection 2009-2040, selected years, index 2009=100, and number of persons

	0-5 years	6-17 years	18-24 years	25-64 years	65+ years
2009 – number	4,935	10,715	6,147	30,716	3,681
2009	100	100	100	100	100
2015	106	88	98	102	115
2020	106	86	92	102	136
2030	99	88	89	97	205
2040	96	84	92	96	223
Number of persons					
2009	4,935	10,715	6,147	30,716	3,681
2040 – number	4,737	9,016	5,649	29,496	8,205

Source: Statistics Greenland, "The Main Scenario" of the population projection for 2009-2040.

As it appears from the population projection, the number of people in all age groups is expected to drop as we approach 2040, except the elderly; the age group 65+ years is expected to double during the period 2009-2040. The number of elderly citizens is expected to increase drastically during the period 2020-2030, due to the large birth cohorts in Greenland in the 1960s.

Population projections are based on assumptions regarding the size of three parameters, comprising mortality, fertility and immigration/emigration. Population projections are traditionally subject to major uncertainties, primarily related to the assumptions behind the fertility and especially the immigration/emigration parameters.

In Greenland in particular, immigration and emigration are uncertain factors. The uncertainty is due to the large traditional emigration and immigration from and into Greenland of both Greenlanders and Danes. To this should be added that major industrial projects in the form of aluminium and raw materials projects etc. may result in a significant immigration into Greenland of temporary as well as permanent manpower in the next decades.

Despite the inherent uncertainty, the current population projection indicates that the increase in the number of elderly will lead to increasing constraints on public budget expenditure items in the years ahead. By way of example, the Government's current old-age pension expenditure is in the region of DKK 300m per year; twice as many persons above 65 years of age will, all things equal, lead to expenditure for old-age pension of twice that amount, DKK 600m.

The demographic development with more elderly citizens and fewer children is a societal challenge. It means that we need to provide a good basis for families with children if it is to be attractive for people of childbearing age to have children. And what is more, this should not be at the expense of education.

The Tax and Welfare Commission

Recognising the large income differential in the society and based on experience with public subsidy and grant schemes, Naalakkersuisut has appointed a Tax and Welfare Commission to submit proposals for initiatives to generally increase the citizens' welfare, especially among the least well-off families.

It is Naalakkersuisut's objective that as many as possible should provide for themselves and be part of and contribute to the development of the community. The aim is for the standard of living to be raised in general, and to focus on the living conditions of the lowest income groups in particular. According to the Commission's terms of reference, it will submit a proposal for reduction of the largest income and cost differentials. The Commission must include aspects related to direct and indirect taxes, subsidy schemes, prices and profits in its work, with a view to ensuring that the different schemes and mechanisms do not collide.

The objective of the Commission's work is to prepare a report for Naalakkersuisut to be used for submission of a number of proposals to Inatsisartut. The Commission is to accomplish a detailed inspection of the design, size and effect of direct and indirect taxes and of the entire social and housing subsidy scheme and of their interaction.

The Tax and Welfare Commission comprises persons who between them have substantial legal, economic, social and administrative insight into all areas. The Commission is to submit a status report in the spring of 2010 and a final report in February 2011. The Commission started working in the autumn of 2009.

The Commission is to analyse and submit recommendations on:

- The basis for the future financing of the public sector, including the welfare sector, to enable the development of a durable future financing basis for the Government and the

municipalities, based on a continuation of the Government block grant and financing of tasks to be taken over from the Danish Government.

- The basis for the future financing of the public sector, including the welfare sector, based on the future demographic composition of the population, with a large group of elderly citizens compared to the group in active employment.
- Support of the short, medium and long-term socio-economic development in general, including improvement of the conditions for increasing production and employment.
- It must be attractive to work, run a business and invest in Greenland. Taxation of earned income and income from business undertakings and companies must therefore be competitive compared to other welfare societies.
- Tax administration and levying of outstanding debt to the public sector in the form of direct and indirect taxes and other debt must be simplified.
- Environmental and energy objectives must be furthered by encouraging private individuals and business undertakings to act in an environmentally friendly manner and to save energy.

Concurrently, the Commission is to undertake a detailed analysis of the entire welfare area, covering all social benefits, including public aid, pensions, child allowances, rent allowances, etc.

The Commission is also to analyse the benefit scheme in the housing area, including rent allowances, subsidies to cooperative and owner-occupied dwellings and rent in the public housing stock as well as the interaction between these allowances on the one hand and direct and indirect taxes on the other. Based on these analyses, the Commission is to submit proposals for changes, restructuring, new direct and indirect taxes as well as social and housing benefits. This should be organised so as to ensure better welfare and an improved economic situation and distribution for citizens, business and industry, especially for the least well-off citizens.

In this context, the Commission is to include, analyse and ensure the following:

- That the benefit and subsidy schemes are designed in a manner ensuring support for the group whose need for help is the biggest. Furthermore, the schemes are to be developed so as to encourage people with the necessary qualifications to be in active employment, and generally to ensure a basis for social security and balance.
- That social benefits, such as housing allowances, are not paid inappropriately to persons without a need for such benefits.
- That recommendations and proposals for future schemes are presented with a view to improving welfare and the economic situation and distribution for citizens, business and industry, especially for the least well-off.

The Commission's report, which is expected to be published in February 2011, is to present proposals for an overall action plan for the implementation of recommendations and proposals in the tax, housing and social area over a number of years.

2.3 The structure of business, industry and the labour market

In order to reach the objective of balanced public finances and a more self-supporting economy it is decisive that as many as possible in the potential workforce are engaged in active employment, and

that their remuneration is as high as possible. To achieve this, the unemployed must, if possible, get a job, and the low-pay group should be transferred to higher-income professions. These jobs would naturally have to be independent of public subsidies.

The report “Adjustment of the workforce to new growth industries” from 2008 lists a number of visible imbalances in the structure of industry, business and the labour market. A brief and slightly edited compilation is given below:

- 40 % of all persons with a salary or wage income earn less than SIK’s minimum wages. This results in welfare problems for the individual citizen and his or her family. It contributes largely to the country’s poverty problems.
- There are a relatively large number of people registered as unemployed, and in addition a number of people, especially in the settlements, are unemployed without being registered as such. A number of these are not really available for the labour market.
- Imports of manpower are quite substantial, also for non-specialised job functions.
- There is a net emigration of manpower. Moreover, not all students following an education programme outside Greenland return to Greenland after graduation.
- A disproportionately large part of the population is on early retirement pension.
- Many individuals in the potential workforce are neither registered as employed, unemployed, students or on early retirement pension. Consequently, these are to be considered as not being in active employment, and therefore they do not contribute to the communal economy via income tax payments.
- Quite considerable public funds are used to secure the employment as well as the sales potential in certain trades and areas of the country.
- A large part of the workforce is employed by the Government or the municipalities, including Government-owned utility companies. 44.3 % was employed in public administration and services in 2006. (Source: Statistics Greenland)
- There is a widespread shortage of manpower in a number of sectors.

To this should be added that despite the extraordinary education initiative a very large share of the young generation is still found to leave elementary school without attending a qualifying programme of education and hence these young people do not help to bring about a more productive workforce.

Moreover, there are imbalances in Greenland’s most important export trade, fishery. This is in particular illustrated by comparing wages in coastal as opposed to deep-sea shrimp fishing.

Table 4: Wages in deep-sea and coastal shrimp fishing, 2008 level

	Cost of labour (DKKm)	Number of man-years	Annual cost of labour per man-year (DKK 1,000)
The shrimp fleet	305.9	857	357
- Deep-sea	239.6	390	614
- Coastal	66.3	467	142

Source: The Fisheries Commission’s report (2009)

Furthermore, the Fisheries Commission's report shows that the earnings problems are even bigger for other types of coastal fishery. More than half the registered fishermen had an annual income in 2006 of less than DKK 100,000. This amount does not include figures for benefits in kind, however.

The income level is so low that it calls for considerations as to how this occupational structure can be improved. The objective is that the fishermen, after the necessary structural adjustments, should shift to other occupations to obtain a higher income and hence contribute to the political objective of achieving a less biased income distribution in Greenland.

This perspective becomes even clearer when comparing with today's earnings potential in some of the sectors which currently import manpower and in the growth industries that are being established. Today there is quite an important import of unskilled and skilled manpower, especially for the construction and civil engineering sector and different service occupations, where wages and salaries are much higher than in large parts of the traditional occupations.

The fisheries sector remains the most important export industry by far. Earnings from production and sale of shrimp account for the highest export value. As a result of the falling prices of shrimp and biological counselling resulting in smaller catch quotas, it has over the years been necessary to adjust the structure of this sector, most recently in 2003-2004. This applies to deep-sea and coastal fishing as well as to land-based production.

In order to ensure a self-supporting and profitable fisheries sector in Greenland, it is necessary to regularly adjust the structures of the entire sector. This is decisive for enabling a fair remuneration of the workforce in this industry, and for this important industry to contribute further to the country's general household in the form of direct and indirect taxes.

However, the status is as follows:

- Large parts of coastal shrimp fishery have in recent years operated at a deficit or had unsatisfactory, low earnings. The owners of coastal vessels generally have difficulties financing new and more adequate types of vessels that could give them added flexibility and improved earnings. The current economic situation and parts of the Fisheries Act make it difficult to solve these problems.
- Following a major structural adjustment at the beginning of the 1990s, the earnings capability of deep-sea shrimp fishing is far better than that of its coastal counterpart. However, the privately owned part of deep-sea shrimp fishing faces considerable problems related to the transfer of the fleet to the younger generation. The Fisheries Act makes it difficult to do anything about these problems today.
- The competitive strength of the land-based shrimp production is relatively poor, and the number of factories will have to be reduced gradually to render this production more efficient. Recent years' falling quotas contribute further to this development. As shown by the Fisheries Commission's report, the coastal shrimp fleet is faced with artificially low sales prices due to the 100 % catch landing obligation imposed on most coastal shrimp fishermen. In other words, the coastal shrimp fishermen pay for the maintenance of jobs in the factories. This enhances the structural problems of coastal fishing.
- There are many small actors in coastal halibut fishery, which is practiced from dinghies/sledges and small mobile crafts without much earnings potential. As the resource is

under severe pressure, the quotas need to be controlled to remain sustainable. This gives rise to considerations of how best to administer fishing in the future so that it can provide a reasonable yield for the individual fishermen.

2.4 The maintenance backlog

Buildings and other infrastructure installations are maintained regularly in order to avoid expensive demolition, construction of new buildings and renovation. In principle, the useful life of a building can be extended indefinitely by carefully planned regular maintenance.

The Government of Greenland has for many years spent a relatively modest amount on maintenance. However, all operation of buildings, whether they belong to Government of Greenland, underlying institutions, related companies or the municipalities, should include funds for regular maintenance that are not to be cut back.

There is consequently quite a substantial maintenance backlog in housing, infrastructure, municipal and Government of Greenland owned institutions, harbours, airports and other infrastructure installations in towns and settlements. Today, catching up with this backlog will require comprehensive renovation, urban renewal and construction of new buildings. If this backlog is not addressed, the values which the total building stock and infrastructure represent for the community risk being lost.

In recent years the Treasury has allocated, amongst others, DKK 100m to the renovation and renewal of elementary school buildings that would not have been required if this building stock had been regularly maintained. The same problem applies to the public building stock, where clearance is the rule rather than the exception.

KNI A/S's Polaroil has recently observed that the need to start renovation of the tank installations along the coast is compelling.

In connection with Finance Act 2004, funds that were not to be eliminated by savings were allocated to the maintenance of various sectors. These still exist in the annual Finance Acts, although the degree of application varies somewhat from one sector to the other of Government of Greenland. At the same time a working group concluded that the building stock of Greenland's Home Rule Government and its underlying institutions had a maintenance backlog of some DKK 2.5bn. In Naalakkersuisut's estimate this figure has not changed significantly since then.

With these quite considerable maintenance funds allocated by Government of Greenland, it is Naalakkersuisut's wish that the municipalities also commit funds to the regular maintenance of their share of the community's building stock, including elementary school buildings.

Naalakkersuisut consequently concludes that this area should be studied in more detail, also with a view to the future, in order to enable the launch of targeted efforts. For this purpose it will be necessary to establish a solid framework for the maintenance backlog, both in the area covered by Government of Greenland and with regard to the municipal building stock.

2.5 Society's borrowing

In recent years, Greenland's borrowing has increased in a number of areas. This increased borrowing can be observed through the substantial investments made by a number of companies owned by the Government of Greenland: TELE Greenland A/S has invested approximately DKK 700m in a submarine cable, while Royal Arctic Line A/S is planning to invest a large amount in new vessels. Residential construction is another area where borrowing is on the rise, since financing of housing construction is increasingly based on mortgage-credit loans in Danish mortgage credit institutions. Moreover, being a Government-owned corporation, Nukissiorfiit has in recent years accumulated a large debt to the Treasury, as it has borrowed funds for the construction of hydroelectric plants that will provide Qaqortoq, Sisimiut and Ilulissat with electricity.

The increased borrowing can be expected to continue in the years to come. On the one hand, Air Greenland is facing large investments in renewal of its domestic aircraft fleet over a number of years. On the other, mortgage-credit loans are expected to be used increasingly for the construction of new housing through the newly established limited liability company Illuut A/S. Moreover, the implementation of the aluminium project can be expected to result in massive investments of public funds in the building of a new neighbourhood in Maniitsoq, creating a need for public borrowing. Finally, it may be desirable to extend the construction of hydroelectric plants to other towns in order to reduce CO₂ emissions.

Increased borrowing can be expedient: Borrowing is necessary to carry through major investments such as laying of the submarine cable or building hydroelectric plants, which are seen as sensible investments.

Steadily increasing borrowing, however, involves a considerable risk for the Government of Greenland's economy, as it is the Government and hence the Treasury that guarantees a major part of the accumulated debt. Consequently, if one of the Government owned companies is unable to honour its debt commitments, it may become necessary for the Treasury to take over the commitment, which will deteriorate the Government's financial standing and creditworthiness. This can result in a domino effect, where other lenders will demand repayment of their loans, as they fear for their safety.

When assessing whether new capital investments should be implemented, it will in the years ahead become increasingly necessary to take Greenland's total debt commitment into account. This means that the profitability and safety of the individual projects will be weighted more heavily.

The below table gives an outline of the municipalities' outstanding bond debt. This debt consists primarily of loans granted for the building of owner-occupied and cooperative housing and less so for commercial buildings in the form of office and business premises. The debt has more than doubled over the past five years. A continued rapid growth of this debt in the years to come can create problems for the continued mortgage-credit financing of housing construction.

Table 5: The municipalities' outstanding bond debt, DKK million, year-end

	2002	2003	2004	2005	2006	2007	2008	2009
Kommune Kujalleq	128	124	131	131	134	135	145	159

Kommuneqarfik Sermersooq	738	708	744	817	958	1.142	1.547	1.841
Qeqqata Kommunia	135	130	135	147	177	195	226	249
Qaasuitsup Kommunia	151	153	147	151	146	176	204	215
Total	1,151	1,114	1,157	1,246	1,414	1,648	2,122	2,464

Source: The Supervisory Committee for mortgage credit in Greenland

The below table shows the size of the interest-carrying net indebtedness at year-end 2008 for the five largest companies owned by the Government of Greenland. As it will appear, the debt in Royal Greenland A/S exceeded DKK 2.1bn at year-end 2008, while the indebtedness of KNI A/S exceeded DKK 1bn.

Table 6: Net interest-carrying indebtedness, DKK million.

Year-end	2008
Royal Greenland A/S	2,114
KNI A/S	1,067
Air Greenland A/S	0
Royal Arctic Line A/S	167
TELE Greenland A/S	727
Total	4,075

Source: Naalakkersuisut, the Chairman's Department

3. Focal areas

The financial policy challenges both on the short and on the long term make it necessary to launch initiatives to obtain a greater economic freedom of action.

Naalakkersuisut has a vision of creating a society where everyone is needed and with space for everyone. The basis for a dignified life will have to be created through dialogue and interaction with the population, giving everybody the possibility of development and of sustaining their livelihood by becoming actively self-supporting.

As we recognise that the country's size and pattern of settlement gives us different conditions and possibilities, Naalakkersuisut finds it important to map the strengths and potential of all regions.

For this reason Naalakkersuisut has launched the work to establish a regional plan, which will provide the framework for the necessary initiatives to be implemented in the following areas:

- children and the young
- structural reform of the health care sector
- housing and infrastructure area
- structural adjustments of traditional occupations
- new growth industries
- education, training and the labour market

In order to ensure the development of the unique possibilities of the individual regions, Naalakkersuisut has decided to divide Greenland into six regions, corresponding to the four large municipalities, with Sermersooq and Qaasuitsup further divided into east/west and north/south regions, respectively.

The initial work to collect data has been launched. Subsequently, a working group will be established that will involve the municipalities in the continued work to establish a strategy for the development of the individual regions.

3.1 Children and the young

Children and young people constitute a central political theme for Naalakkersuisut, and efforts are continuously made to strengthen vulnerable children's and young people's family conditions and possibilities for a good life. As the main responsibility for the tasks related to children and the young lies with the municipalities, these are and will be involved in the future strategy.

However, Government of Greenland has an overall responsibility for ensuring our children's well-being and economic co-responsibility for ensuring that these tasks can be handled in a qualitatively good manner. Initiatives for children and the young in Greenland are based on a strategy directed at two focal areas: on the one hand preventive measures, which will on the longer term contribute towards reducing the scope of social problems. On the other, the treatment measures which will seek to solve the most acute needs.

Children and health

Being present in all towns and settlements, the health care sector plays a central role in the improvement of social circumstances for children and the young. The health care sector implements screening programmes that enable mapping of those factors in the families that may indicate a failure to provide care for children or maladjustments in children that need to be handled in order for the child to profit from its full potential later in life.

The health care sector's initiatives are already partly integrated with the educational and social systems through local prevention committees; nevertheless, it will be necessary in the future to further improve and integrate these initiatives with the child at the centre of attention through a wide range of activities.

Prevention of unwanted pregnancies is a core area among the initiatives to improve the living conditions for children and the young, as very early parenthood can lead to a significantly increased risk of marginalisation.

Additional investments should be made to ensure children's physical and mental health all over the country, with special focus on programmes that may contribute towards neutralising the differences for children and the young in towns, remote districts and settlements. This will be done through improvements of midwife services, health care services for families with small children, allocation of additional hours for visiting nurses in the schools, increased paediatric services and a significantly increased focus on child and youth psychiatry.

There is a special need for more initiatives in the psycho-social area over a broad range: from intensifying the tracking down of problems and improving the access to treatment to supervision of the professionals in charge of treatment. A central element of these initiatives is the treatment of addiction and family treatment for the young.

Special initiatives for children and the young

The Finance Act for 2010 allocates funds for strengthened initiatives aimed at children and young people, which will contribute towards improving both treatment and preventive measures. The intention of the planned initiatives is to act as catalysts to improve the overall social initiatives aimed at children, young people and families.

A number of projects have already been implemented; among these a "children's house" in Nuuk can be mentioned, which offers treatment for children who have been subject to sexual abuse. Moreover, the groundwork has been launched to establish an advisory body with regard to children, which will form the basis for decisions on how children's rights can be safeguarded in the future. Furthermore, the intention is, in cooperation with the municipalities, to establish refuges for children and the young as well as friendship family and "school fairy" schemes.

In addition, initiatives have been taken to cooperate with volunteer organisations which will to begin with comprise the following: a programme for implementing attitudinal change and social

responsibility; strengthening the possibilities for monitoring and evaluating the effect of initiatives targeting children and proposals for standards for the professional work with children, as well as initiatives to strengthen the civil society, especially targeting NGOs working with children.

Finally, the Finance Act for 2010 allocates funds to initiatives aimed at children, young people and families, in the form of a pool aimed at specific geographical initiatives, a pool for distribution between family centres/family high schools, and a pool for distribution among safehouses, and initiatives to prevent failure to provide for children. These funds will be allocated as applications are received from the municipalities and through internal measures. These are just a few of the central initiatives that are being contemplated to improve the quality of life and future prospects for vulnerable children and young people in Greenland.

Future-oriented perspectives for children and young people

Although the above initiatives will improve the situation for children and the young in Greenland, there is a need for additional measures.

Cross-sectoral cooperation between ministries, municipalities and organisations is fundamental for the creation of long-term sustainable improvements for children and young people. Across the Ministry of Health and the Ministry of Social Affairs coordinated measures will be introduced in the following three areas:

- Early measures to assist pregnant families
- Parental education “Ready to Have a Child”
- The “Doll project”

These three focal areas contribute, each in its way, towards improving the conditions of living for children and young people.

The health care sector plays a major role in improving the social situation of children and young people. Its work is already partially integrated with the educational sector and the social system through local prevention committees, but it will be necessary to further improve and integrate these measures in the future, with the child at the centre, through a broad range of initiatives.

There is a need for extending measures aimed at sexually abused children by setting up geographically dispersed “children’s houses”, where children that have been subject to sexual offences can benefit from a comprehensive elucidation and treatment programme. At the same time, the work done in the “children’s house” must also be preventive so that the “victims” do not subsequently become violators themselves. Moreover, the “children’s house” plays a central role as knowledge centre for the collection and communication of knowledge in this area.

Finally, there is a need for establishing measures for adults with late consequences of sexual abuse, for instance by establishing a travelling team consisting of psychologists.

There is also an urgent need for increasing the number of places in residential institutions for children and young people. There are currently 30 children and 3 families on the Central Waiting List waiting for a place in a residential institution targeted to their needs. The waiting list problems are to be considered from the perspective that the existing residential institutions are being “clogged

up”. The reason for this is that according to legislation on extended child care, a large number of young people between the age of 18 and 23 are in their care and hence take up space. Consequently, the residential institutions are unable to receive new children and young people from the waiting list as required.

One way of solving this problem in the future is to establish halfway houses targeted at the 18–23-year olds’ needs for continued support and preparing them for an adult life based on training, education or work. At the same time, the “bottleneck problems” can be reduced, as spaces will become available in the residential institutions for children from the waiting list. Another possibility is to combine halfway houses with extended possibilities for providing after-care. Many young people between 18 and 23 who have lived with a foster family or in a residential institution still need care and support, although this need is of a less radical nature. It has turned out to be fundamental for young people with psycho-social problems that they are offered relevant social-psychiatric help in terms of housing, work, training, education or employment after being discharged from the institution.

The supervision of municipal and private residential institutions is currently in the hands of Greenland’s Self-Government and takes place at least once during each local government election period. There is a need to strengthen and enhance this supervision so that it takes place once or twice annually, with focus on pedagogical, administrative and economic supervision.

There is still a need to strengthen the work in the family care area, including upgrading of foster families through more intensive and longer educational programmes. Moreover, foster families have an explicit need for continued supervision. A model for this could be to continue the subsidy scheme for recruitment of foster family consultants in the municipalities.

There is still a need to launch attitudinal change and information campaigns. The project “Early intervention” has proved that social problems are identifiable and localisable, but in order to benefit as much as possible from the intervention it is important that funds are allocated to the subsequent work. Among these initiatives are: establishment of additional family centres and extension and orientation of the existing family centres’ services, including longer and more intensive parental guidance programmes.

If we look at the future, three aspects should be at the centre of our attention. Firstly, we need to follow up on the numerous initiatives that are being contemplated, and their effectiveness must be secured. In addition, the catalogue of ideas established while preparing these initiatives will form part of the future overall strategy in this area and also involve other ministries. In other words, future work in the social area will be increasingly cross-ministerial.

Secondly, the preventive programmes have a large inherent development potential. The preventive programmes are aimed at both providing vulnerable children and young people with a better life and quality of life, but they also involve socio-economic improvements: The more efficient the preventive measures, the fewer the number of people in need of treatment, and the more citizens can become a useful resource for the community. Obviously, the effects of the numerous preventive initiatives will not be visible for a number of years. But as Greenland’s Self-Government is unable to accomplish this task alone, it is important to involve the municipalities.

Thirdly, there is a need to coordinate the work done by stakeholders in the social area. The conference held recently, “Pulling together”, illustrated the importance and the many positive perspectives of enhancing cooperation. Especially, the increased coordination between municipalities, Self-Government, NGOs and the business community has illustrated that the potential for strengthening the quality of social work is real. Hence, this is another development potential to be pursued.

The structural reform of the health care sector

2010 was the year when the biggest reform ever in the history of Greenland’s health care sector took off. As a result of this reform, the 16 health care districts are converted into 5 regions, with the pilot projects in Central Greenland and the Disko area as frontrunners. The experience from the pilot projects will enter into the planning of the future structure of the health care sector.

The reform of the health care sector involves a much needed modernisation of the current 83-year-old structure, which will be adapted to the challenges of the health care sector today and to the technological possibilities brought about by society’s investments, including improved telecommunications.

The reform is intended to rationalise the management and administrative work by reducing the number of administrative units. This will ensure a more rational operation, and resources will be released for the clinical work that constitutes the core services of the health care sector.

The reform of the health care sector is intended to ensure a more centralised role for the regional hospitals, so that the health care sector can meet its obligations with regard to services and quality in the primary health care sector. The vision is still to maintain a decentralised, local health care system through, for instance, the use of telemedicine etc. in connection with primary visitation and diagnosing of patients. The objective is to secure equal and direct access to health care services through safe and fast communication between settlements and regional hospitals and to reduce the need for transportation of patients.

The aim to upgrade all professional groups within the health care sector in the years to come is a prerequisite for successful regionalisation.

In order to enable doctors to contribute towards meeting the citizens’ expectations with regards to basic health care services in the regions, it is necessary to upgrade doctors by arranging for additional training in “Greenlandic medicine”.

As a result of the structural reform of the health care sector, the transition between doctors’ and nurses’ tasks will have to be less stringent, with new and heavier demands on nurses in the regions. These demands are beyond the competencies acquired during their basic training. In order to meet this challenge at a high professional level, it is extremely important to develop a qualifying superstructure of specialised studies for nurses.

It will also be necessary to continuously develop and upgrade the basic health care training programmes for health assistants, health helpers and hospital orderlies, as these groups are often the front staff of the health care sector which have the first contact with the citizens/patients.

3.2 Housing and infrastructure

Based on the coalition agreement, building of rental and owner-occupied housing will be prioritised in those towns that have the greatest shortage of housing. The supply of housing must be balanced, with construction of public rental dwellings as well as co-ownership and owner-occupied dwellings.

A housing analysis has been launched to identify the need for additional new dwellings in the following towns: Nuuk, Sisimiut, Ilulissat and Qaqortoq. This analysis will be the first element in the preparation of a housing reform that will become effective from 2010-2020. The dwellings are expected to be built through Illuut A/S, and depending on their purposes these new buildings will be financed by external sources to a varying degree. Close to 1,000 new dwellings are expected to be planned and implemented in the years ahead.

It is Naalakkersuisut's vision to ensure broad political agreement on a 10-year plan for the housing area with the following elements:

- Construction of no less than 4,000 dwellings to be launched within the next ten years, comprising both non-profit rental dwellings and owner-occupied dwellings.
- At the same time, 2,000 obsolete rental dwellings will be demolished. Citizens waiting for a dwelling will be awarded 2,000 dwellings net.
- The Government of Greenland will participate in the financing and be in charge of the construction of 3,000 dwellings.
- Municipalities, companies and private citizens are expected to build the remaining 1,000 dwellings.

This process will be evaluated regularly with a view to undertake the necessary adjustments with regard to the contractors' capacity and potential and to developments in the housing needs at the different localities.

The Government of Greenland will be in charge of building 215 new dwellings in 2010, whereas the figure for 2011 will be 192 new dwellings. On the other hand, 185 obsolete dwellings have been demolished over the last few years, so that the total number of dwellings will have increased by 222 at the end of 2011.

The transport sector

In order to establish a long-term traffic policy and traffic structure, Naalakkersuisut set up a Transport Commission in November 2009.

Based on the Government's long-term objective that Greenland is to be economically self-supporting, the Transport Commission has the task of drafting a vision for the transport area in

Greenland and preparing scenarios for ways of realising this vision. The Transport Commission is expected to present its recommendations in June 2010.

Generally, the Transport Commission is to examine the following main areas:

- Analyse system correlations, including identification of who makes which decisions and who distributes which public funds,
- Analyse central challenges and potential for development,
- Map and evaluate instruments, strategic choices and potential priorities,
- Identify external financing sources and models,
- Analyse and evaluate the organisation and concrete arrangement of the transport sector,
- Present proposals for a vision as well as recommendations.

Naalakkersuisut is currently investigating the possibilities of concluding a 20-year agreement with Royal Bygdeservice in order to secure new tonnage to supply the settlements with goods, as the existing settlement vessels are worn down.

The action plan for waste management

There is a great need for ensuring a modern waste management system which is sound environmentally and in terms of health. We have for far too many years unfortunately had to accept an obsolete waste management system, and we have therefore drawn up a waste management plan describing what is needed to upgrade this area. The waste management plan has eight subsidiary goals, each of which lists concrete objectives and activities with a discussion of the economic and administrative consequences and derived environmental and health improvements.

The establishment of a contemporary waste management system will result in increased costs for producers of waste. The total investment requirement will be approximately DKK 400m over a 12-year period. When all measures have been implemented after 12 years, the operating and overhead costs in the waste sector will be approximately DKK 75m higher than today. This means that huge amounts will have to be found. Consequently, initiatives in the waste area will also have to be prioritised and seen in relation to the other tasks we are facing.

There is consequently a need to start negotiations with the municipalities with a view to reaching a funding agreement for the waste area. The Minister (Naalakkersuisoq) for Domestic Affairs, Nature and the Environment and the Chairman of Kanukoka have agreed to set up a working group to deal with the waste management plan, and this group will also examine how any residual heat can be used, the plan financed, etc. The working group will also among its participants have representatives of the Naalakkersuisut area for Housing, Infrastructure and Transport and from Nukissiorfiit.

3.3 Structural adjustments in the traditional occupations

Coastal shrimp fishery

The continued need for structural adjustments in the coastal shrimp fleet is especially due to low sales prices and to biological counselling resulting in smaller fish quotas. A large part of the coastal shrimp fleet is no longer able to generate a profit. As regards certain existing coastal vessels, an

increase in the quota cannot be expected to improve their profitability due to high unit and maintenance costs. Hence, it is unlikely that coastal shrimp fishermen will be able to reinvest in new vessels under the prevailing conditions.

Coastal halibut fishery

Biological counselling regarding the halibut stock at Disko Bay and Upernavik recommends smaller quotas. In addition, certain factors indicate that the stock at Uummannaq is going down. Biologists have published a warning. The coastal fishing fleet is generally too big and too incoherent. In addition, the capacity of land-based plants in certain areas of the country is excessive, with shortages in other places; this should be discussed as part of the future regional sectoral strategy.

The current structural problems of the fisheries sector are now so big that we should not hesitate to reform the Fisheries Act in order to implement a series of necessary changes in the sector's framework conditions.

Introducing this kind of structural adjustment will be a delicate balance:

- The fleet must acquire new vessels while reducing the existing fleet through continued breaking up of old vessels. It is necessary to break up more tonnage than the tonnage of new acquisitions. This development, which will result in a reduction of the catch capacity while the remaining fleet will be modernised and renewed is the only way in which the fisheries sector can become competitive, with improved earnings for its stakeholders, and become self-supporting in the future.
- As a result of the structural adjustments, there will be a need for canalising liberated manpower to other existing occupations which currently have a shortage of manpower, and into the future growth sectors. This requires especially a more active policy with regard to training and education and the labour market as well as successful interaction between the public and private sectors. For more details see chapter 3.6.

Modernisation of the coastal fishery fleet is demanding in terms of funding. Several factors slow down this development:

- The stakeholders in the coastal fisheries sector do not have the capital required to undertake a much needed modernisation of the fleet.
- Shifting from fishing from dinghies and small vessels to being responsible for managing the operation and economy of large, expensive vessels will require upgraded management skills.
- In the current Fisheries Act several provisions have a dampening effect on the desired development.

The current fisheries legislation makes ownership of a shrimp quota and operation of a shipping company conditional upon Greenlandic ownership. Moreover, individuals must have been employed in commercial fishery during the two preceding calendar years. As regards companies, the entire equity capital must be owned by persons domiciled in Greenland, and half the capital must be owned by individuals who have been employed in commercial fishery during the two preceding calendar years.

Certain provisions in the Fisheries Act partly prevent the shrimp fishery sector's access to domestic capital, and also to foreign capital. It is expected that these provision in the Fisheries Act will

constitute a major problem for the structural adjustment and generational change within shrimp fishery within a short period of time.

The implementation of a structural adjustment of the coastal fisheries sector involves difficult political choices, even with the current division between coastal and deep-sea fishing.

Based on the present framework conditions, this will require an increased public commitment with finance policy consequences in the shape of co-financing of acquisitions and possibly other types of subsidies. If the structural adjustment is to be implemented without public subsidies, it will require an amendment of several provisions in the Fisheries Act and its administration:

- This applies to the access to acquire a larger share of the coastal shrimp quota than the present 10 %. The Fisheries Commission has recommended that this figure should be increased to at least 15 - 20 % in order to enable fishermen to acquire more suitable types of vessels. Furthermore, they should be entitled to a certain own production in order to make their operation economically sound.
- The Fisheries Commission has recommended that the so-called “wellington section” of the Fisheries Act be amended, as it very much restricts the possibility of capital injections from other sectors to the fisheries sector. Liberalisation can also pave the way for a broader spread of ownership, which has also been requested in political circles. This could be ensured by allowing new vessels to be financed by, for instance, pension funds. However, this is a decision of general importance, as ownership in the fisheries sector has been reserved for the sector’s stakeholders.
- In addition, the Fisheries Commission has recommended that individually negotiable quotas be introduced in several types of fisheries, or that the use of multi-annual quotas be introduced as a minimum in order to ensure added security for investments in this sector, also when new vessels are acquired.
- Changes in the fisheries legislation in the years ahead must also enable young fishermen to access the trade as owners.

The problems of generational change in the shrimp fishery sector

Another important challenge in shrimp fishery in the years ahead is the generational change in the shipping companies. This applies to the deep-sea fleet as well as the coastal fleet.

The necessary structural development of the coastal shrimp fleet will probably lead to fewer but larger units. It is also expected that there will be a need for generational change in several coastal shipping companies in the nearest future. Many coastal shipping companies are unable to operate their vessels with a profit. It is consequently difficult for the existing fishery sector to refinance the fleet. A shift to larger units will make heavier demands on the investors’ equity capital and on their financing possibilities.

The deep-sea fleet’s need for generational change will in the nearest future become urgent; however, due to the value of the shipping companies, considerable capital will be needed, which is difficult for young fishermen to provide. It is estimated that the value of the assets alone of the five private shipping companies exceeds DKK 500m. Total financing requirements, including those of Royal Greenland’s shipping company, amount to DKK 1.5 - 2bn. If the fishermen are unable to cash in a minimum price when selling some of the vessels, there is a risk that it will be more

lucrative to sell the vessels to a foreign purchaser without fishing rights and to wind up the shipping companies. Thus Greenland risks losing its modern factory fleet, which again will result not only in a loss of export value and added value, but also of places of work and of direct and indirect taxes.

It is a prerequisite for investing in a shipping company or a fishing vessel that the investor has a reasonable economic strength. Banks and financial institutions require the investors' equity capital to constitute an increasing share of the investment. Hence, it can be difficult for Greenland's investors/fishermen to accumulate sufficient capital to invest in shrimp fishery and secure generational change. The reason for this is that there is an insufficient number of financially strong investors in Greenland capable of investing in the shipping companies.

However, public subsidies to set up business within the fishery sector are, from an economic point of view, a poor and inefficient solution. This should be the last way out, not least in the difficult economic situation which Greenland is facing today and will face in the years to come, as will large parts of the world.

At Inatsisartut's autumn session in 2010, Naalakkersuisut will seek to present a proposal for an amendment of the Fisheries Act, which will respond to the most urgent problems of the current Act and improve the framework conditions for this sector while constituting the smallest possible burden on public funding. This will create the basis for improved earnings in the fisheries sector, and hence also a higher resource interest. The amendments of the Fisheries Act must ensure that also young fishermen will be able to access the trade. It will be attempted to implement the travaux préparatoires of the future bill within this framework in cooperation with the stakeholders of the fisheries sector.

Ownership of Royal Greenland A/S

Via its ownership of Royal Greenland A/S, The Government of Greenland is the biggest actor in the fisheries sector and will consequently be influenced by future changes to the framework conditions for this sector.

The company is the biggest with regard to quota shares, sales and number of employees; however, this does not apply to its earnings.

Royal Greenland A/S's government ownership, in combination with its status as a very large place of work with regional-economic importance, has made it impossible for Royal Greenland's management to run the group in the same way as a privately owned company can run its business. This has resulted in poorer economic results than in relatively comparable privately owned companies with an increased focus on earnings.

Consequently, Royal Greenland A/S is presumably burdened by very heavy borrowing and by a certain excess capacity in land-based production. The costs incurred by running and maintaining Royal Greenland A/S on a political basis are consequently high. In 2009, Royal Greenland received a cash capital injection of DKK 250m and a loan of DKK 250m. This is problematic for several reasons. Firstly, it is costly for the Government; secondly, it creates a distortion of the market in the fisheries sector.

Therefore, Naalakkersuisut wishes to increase the focus on reducing Royal Greenland A/S's debt and on restoring its economy in the years to come. Only when this process is completed, the politicians will decide whether the company will continue to be wholly or partly Government owned. Until then, Naalakkersuisut wishes, to the extent possible, to give the management of Royal Greenland A/S the peace needed to secure a sound economic development in the company and, hence, less exposure for the Treasury in terms of risks.

Great Greenland A/S

In recent years, Great Greenland has experienced a marked reduction in the sale of sealskins, both on the European market and on the world market. This is primarily due to the EU's ban on imports of seal products, which has ruined the market.

However, the company is obliged to buy skins due to the service contracts concluded. A large stock of skins is consequently being built up, with no sales potential. At 1 March 2010 a total of 250,000 sealskins are stored at great cost.

In 2009 and 2010, The Government of Greenland supported the company with extraordinary capital injections. The prospects for the company are challenging, however, which is why Naalakkersuisut will initiate the work to establish a durable plan for the company and the sealing trade. It is Naalakkersuisut's intention to deal with the sealskin problems in the same context as the regional development strategies that will be formulated, as part of the sealskin production is unique and continues to have a branding value for Greenland.

Structural adjustment of agriculture

The economic recession that has hit agriculture during the last couple of years necessitates a structural adjustment, so that only farmers who have managed to perform well economically should continue. The economic analysis from 2008 is to be revised and will provide Naalakkersuisut with a tool to chart the course of this structural adjustment.

3.4 Increased income and more jobs through new growth trades

Adjustment of the workforce to new growth trades

With regard to the growth industries, such as the mining industry, the aluminium industry and the construction and civil engineering sector, several problematic issues will have to be solved if Greenland's manpower is to become more efficient, and more competitive compared to foreign manpower.

A project group dealing with adjusting the workforce to the new growth sectors has drafted a number of recommendations for the focal areas mentioned in the paragraphs below.¹

¹ Greenland's Home Rule Government: "Tilpasning af arbejdsstyrke til nye væksterhverv" (Adjustment of the labour force to new growth sectors) Volume I, Main Report April 2008

In addition to promoting mobility, it will be necessary to increase Government initiatives to upgrade the workforce for new job functions, and to strengthen the effort to upgrade and rehabilitate the group of marginalised or outcast citizens for other training and education activities. The municipalities' incentives to improve teaching, upgrading and rehabilitation must be enhanced. Moreover, a higher degree of coordination between social and health policies and general simplification of public administration will help to bring about a more effective Government contribution.

The labour market parties will have to be more actively involved, for instance by introducing school apprenticeships/traineeships as well as bonus schemes for employers who recruit trainees or apprentices. This effort could become more effective if the employers are subject to mandatory reporting on their training and education activities. It will be necessary for Government and employers to cooperate in order to ensure a reasonable level of income for the marginalised, unskilled part of the workforce, and possibly to introduce guaranteed rooms in student dormitories in connection with vocational training and education.

Adjusting the workforce to the new growth sectors, however, will require more analyses, in particular of how labour market and education authorities can be strengthened both centrally and locally. It will also require analyses of year-groups to permit an evaluation of which demographical, cultural or attitudinal problems create the serious educational backlog. It will also be necessary to study analyses of subsidy schemes in connection with mismatch and bottleneck problems in the labour market. In addition, a strategy and action plan for the weak groups on the labour market will be a useful tool in adjusting the workforce.

Mobilisation of the potential

Naalakkersuisut clearly believes that there is a large, unused potential among the group of people on early retirement which can be useful in the effort to expand the workforce.

By tightening the rules for obtaining early retirement pension and making them more flexible, it is Naalakkersuisut's impression that fewer will be on full passive welfare, and more could contribute to the best of their ability.

By letting a person, who is on early retirement but is partly fit for work, perform a job to the best of his or her ability, we achieve the double goal of expanding the workforce and increasing the quality of life and self-confidence of the person who now sees himself or herself as an active member of the society.

The raw materials area

During the autumn session 2009 it was decided that The Government of Greenland will take over the raw materials area and the working environment in connection with offshore installations. At the same time Inatsisartut's Act on Mineral Raw Materials and Activities of Importance for These (the Raw Materials Act) was adopted. This means that The Government of Greenland has taken over the full responsibility for the raw materials area, and the Joint Council for Mineral Raw Materials in Greenland has consequently been abolished.

It is Naalakkersuisut's goal to develop the raw materials sector into a self-supporting sector that will contribute positively to the economic development and the creation of new jobs.

This goal is an important element in the long-term economic policy which is intended to support the development of new business sectors and to reduce the current dependence on annual block grants from Denmark.

All projects are to be implemented in a manner that is sustainable for the society, and it must be ensured that:

- Society obtains a fair and competitive share of the profit from extraction.
- Greenlandic manpower and Greenlandic companies must be used whenever possible.
- The competencies of Greenlandic companies and Greenlandic manpower are to be developed.
- All raw materials activities must be sound from a point of view of safety, health and the environment.
- The population must have a contributory influence and knowledge in connection with the development of the raw materials sector.
- The development must respect Greenlandic values.

In order to ensure that these objectives are achieved, a cooperation agreement will be concluded between Government of Greenland, the relevant municipality and the company.

Especially in the oil and gas area the activities in 2010 may give a decisive indication of whether the exploitation of oil and gas can be developed into a new important business sector.

Subject to Naalakkersuisut's approval, Cairn Energy is thus planning the implementation of one or more exploration drillings in the course of 2010 in the sea west of Disko-Nuussuaq.

As preparation for this drilling activity the authorities have for several years carried out comprehensive environmental research and analyses and drawn up rules. The environmental research was carried out by Denmark's National Environmental Research Institute (Danmarks Miljøundersøgelser, DMU) and Greenland Institute of Natural Resources. Following up on recommendations from DMU, samples have been taken from the seabed, seawater, microorganisms etc. to form part of the data on which the environmental impact assessment (EIA) will be based, and to clarify whether special considerations must be taken if and when the drilling begins.

An evaluation of societal sustainability will also be carried out, with the subsequent conclusion of an agreement between the Government and the company on the use of domestic manpower and domestic companies.

It is planned to submit the EIA study, the evaluation of societal sustainability etc. to a public inquiry on 1 March 2010. Everybody will have the opportunity to discuss possibilities, risks, the environment etc. in public meetings with Cairn and the relevant authorities.

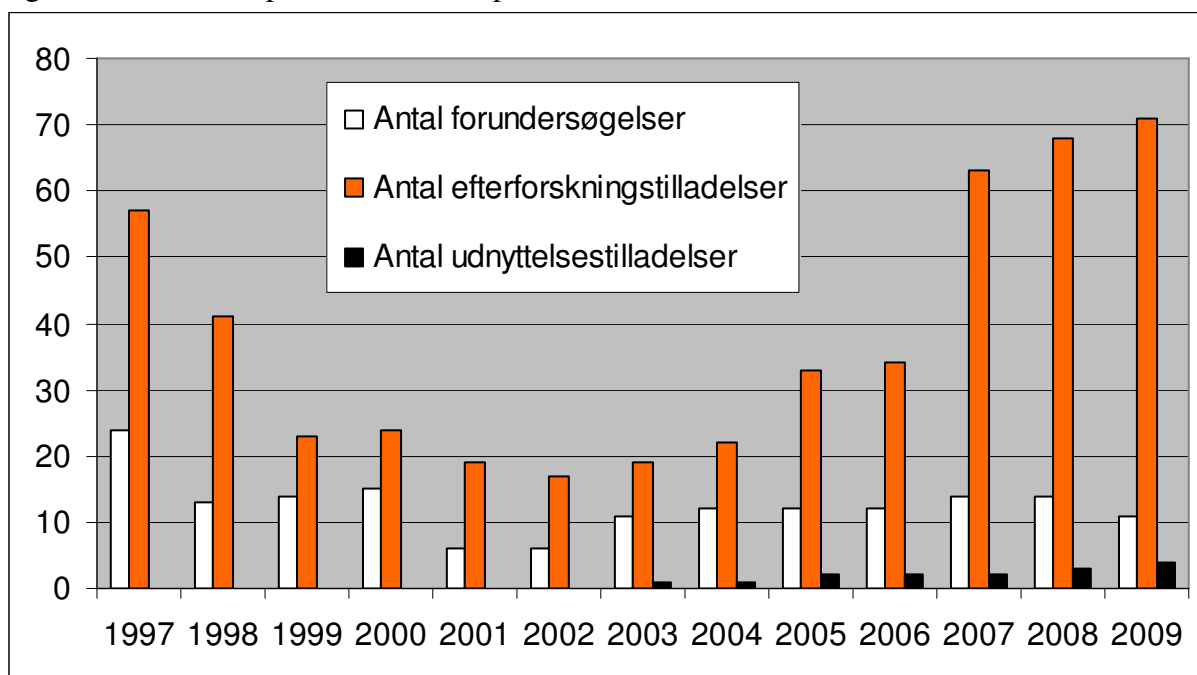
At the end of the time limit for the public inquiry, a basis for a decision will be drawn up and presented to Naalakkersuisut for final decision.

It has also been decided to go through with a licensing round in Baffin Bay in North-West Greenland in 2010. The selection of the licensing area will take the environment into consideration

by keeping a due distance to coastal areas, as it is located at a distance of 40-70 km from the coastline. Moreover, the fauna-sensitive areas in Melville Bay are taken into consideration, as the northern limit of the licensing area is drawn along 75°30' N.

The area is subdivided into 14 license blocks, with a total license area of 151,358 km². In 2009, 13 companies were pre-qualified as operators in connection with the licensing round, including some of the world's biggest oil companies. The time limit for submitting bids for exploration and exploitation permits is 1 May 2010.

Figure 2: The development in mineral permits issued, 1997 – 2009



Source: The Raw Materials Directorate

Legend:

Antal forundersøgelser = Number of feasibility studies

Antal efterforskningstilladelser = Number of exploration permits

Antal udnyttelsestilladelser = Number of exploitation permits

Even though the financial crisis continued in 2009, exploration activities continue at a historically high level. One of the reasons for this is that world market prices for a number of raw materials, including in particular gold, lead and zinc, rose significantly in the course of 2009.

In 2009, the Nalunaq gold mine at Nanortalik was sold to Angel Mining plc. Contrary to the previous owners, the new owners now plan local physical and chemical processing of the extracted ore into gold. Production will commence during the first quarter of 2010, after a pause of about one year. The operating stage is expected to involve approximately 60 employees.

Angel Mining plc. also continues the work to build infrastructure etc. at Maarmorilik, so that production can begin during the second half of 2010. The operating stage is expected to involve approximately 110 employees.

On the contrary, the world market price of molybdenum remains low, and it is unlikely that the work to establish infrastructure etc. for the Ore Mountain project will be initiated in 2010.

However, other projects in the minerals area have the potential of passing from the exploration stage to the exploitation stage in the course of a few years. Especially the iron ore project at Isua in Nuuk Fiord is already quite advanced, and a decision as to whether the company will apply for an exploration permit can be expected early in 2011.

Among other advanced projects in the minerals area can be mentioned: the eudialyte project in South Greenland, the zinc project at Citronen Fiord in North Greenland, the diamond project at Kangerlussuaq in West Greenland, the ruby project at Qeqertarsuatsiaat and the gold-palladium project in the Skerry intrusion at Kangerlussuaq in East Greenland.

The aluminium project

Studies regarding the establishment of an aluminium plant with appurtenant hydroelectric plants continue in 2010 in cooperation with Alcoa Inc. This project has not been threatened by the financial crisis, but there has been a need for further research, which has delayed the time schedule twice.

Employment during the civil engineering phase is expected to reach a peak with 3,300 employees, of whom almost 2,600 will be attached to the establishment of the aluminium plant and the hydroelectric plants. The remaining 700 employees will assist in the building of housing and infrastructure and provide various services.

Employment in connection with the construction of the aluminium and hydroelectric plants will primarily be provided by foreign companies and staff, whereas the construction of infrastructure and housing in Maniitsoq is expected to be carried out by domestic business enterprises. However, both during the construction phase and when the plants become operational, it will be possible to expand the initiatives to provide training and education for domestic manpower, for instance electricians and engineers, but also to upgrade the competencies of unskilled manpower, which is discussed in more detail below. Moreover, it is expected that a large number of apprenticeships/traineeships will be created.

It is expected that a total of 1,100 – 1,200 new jobs will be created during the operating stage, distributed as follows: 600 on the melting plant proper, 50 on the hydroelectric plants, 100 to service these and 200 indirect jobs. In addition, it is expected that 200 jobs will be created in private and public service.

Based on experience from Iceland regarding the operating stage, it is expected that 57 % could be unskilled, 24 % must have completed a basic vocational education, 8 % must have completed a medium-length education programme and 11 % must have completed an advanced education programme.

During the autumn session 2010 Naalakkersuisut expects to present a motion regarding the overall strategic environmental assessment (SMV) and a socio-economic report and an analysis of population mobility. The reason for the postponement is, in particular, a delay in the field studies.

Naalakkersuisut expects to present a motion regarding the ownership model during the spring session 2011 at the earliest. It will be necessary to qualify the project economy in cooperation with Alcoa, which needs more time for a thorough clarification of technical issues.

If Inatsisartut chooses an ownership model with Government of Greenland as co-owner, this will result in a financing requirement for the Treasury. If the total capital investment is DKK 20bn, and there is a wish for a 10 % ownership, the Treasury would be required to contribute DKK 800m. If the contribution is to be 25 % equity capital, the capital requirement will be about DKK 2bn. The investment will be inclusive of the Government's share of joint feasibility costs. The remainder is expected to be financed by loans raised by the joint aluminium company.

The total need for investments in the expansion of infrastructure and housing is estimated at about DKK 2bn. The distribution between public and private investments and the raising of loans for housing and the aluminium company's possible share of the investments in housing and other infrastructure cannot be determined at this stage. The question is discussed in more detail in the NIRAS analysis.

The aluminium production will result in a considerable increase of Greenland's emission of greenhouse gases. The emission will be approximately 700,000 tonnes, which is a twofold increase for Greenland. The emission will come from the melting process only. As documented in a Life Cycle Analysis in 2009, the CO₂ emission will in a global perspective be 3-12 times less than from aluminium plants whose energy source is natural gas or coal.

In conformity with Naalakkersuisut's climate policy it must be ensured that a future quota system, if any, that includes emissions from aluminium production will not be an economic burden for the Treasury. We must consequently ensure that a climate agreement will not prevent an internationally competitive exploitation of our hydroelectric resources.

Tourism

Tourism strategy 2007-2010

Based on the evaluation of the current strategy, Naalakkersuisut will identify future focal areas that will strengthen the continued growth of the tourism industry, both nationally and regionally.

This work will be carried out in cooperation with the regional tourism and business development companies and Greenland Tourism and Business Council (GTE).

Hunting for a fee

The hunting trade has a great growth potential, considering the large stocks of both reindeer and musk ox.

Today, there are 21 registered trained organisers of paid hunting. Most activities are in the Kangerlussuaq area, with trophy hunting from dog sled in the winter and ordinary hunting in the summer. Naalakkersuisut will continue its work on growth plans for this trade, also in other regions. On the longer term it may be considered to introduce trophy hunting for polar bears, when the

voluntary export ban (CTES) is repealed. This can result in much bigger earnings locally per polar bear than is the case today.

Food production

In the years 2005 – 2008 there was continued focus on the development of products made from Greenland's raw materials for the domestic market. The Home Rule Government thus supported workshops as well as mind-labs and the innovation house ATI in Maniitsoq. From Finance Act 2009, however, no funds have been allocated to support further development in this area. Several regions (South and North Greenland) currently have activities that focus on the launch of productions in the private sector for sale on the domestic market. As the production units will be relatively small, it is recommendable that funds are allocated to support projects that could help these manufacturing units to develop productions that ensure broad utilisation of the raw materials in order to enable increased earnings and more earnings possibilities. With its coupling to both tourism and the event industry, this will be a focal area in the regional business development strategy.

Promotion of mobility

Due to Greenland's specific structural and labour market political challenges, certain localities have a shortage of manpower, whereas others have problems of declining employment, with unemployment on the rise. Against this background it has since 2007 been possible to grant mobility-promoting subsidies. The annual budget for this in the Finance Act for 2010 and in the budgets until 2013 is DKK 4.1m.

Supporting manpower wishing to take up permanent employment at another location in Greenland by granting mobility-promoting subsidies has a major socio-economic utility value. The grant can be formulated as a subsidy towards relocation, conditional upon the recipient having a place to live at the new location. Moreover, it is possible to grant a subsidy for purchase of furniture and household effects, just as persons who have been out of work for a long period can be offered upgrading.

In connection with relocation the experience is that it is not possible, as a matter of course, to grant relocation subsidies, including for spouse and children, and to believe that the grant will produce the desired result and effect. The unemployed lack in particular the necessary qualifications, and may even have been out of work for a long time and may have acquired life-style problems etc. This indicates that preparatory measures must be taken, before the unemployed can be expected to remain and feel comfortable in the new place. Naalakkersuisut considers the mobility grant to be a useful tool, and is currently working on an evaluation of the scheme and its results.

The mobility study

After the presentation of the report "Basis of decision regarding the establishment of an aluminium melting plant in Greenland" during the spring session 2008 it was clear that there was a need for broad cooperation in order to obtain more factual, general basic knowledge on, amongst others, the population's mobility.

The aim of the mobility study was in the first place to describe the population's relocation patterns, and secondly to study the population's attitudes to relocation, their relations with their home base and their possibilities of moving elsewhere. The mobility study was organised around three main questions:

- 1) How was the relocation pattern in Greenland in the years 1996-2006?
The primary source of information is existing recorded data from Statistics Greenland. The study included data on the level of training and education among the part of the population that has received study grants in Greenland and/or Denmark, based on recorded data from Statistics Greenland and Statistics Denmark.
- 2) How do people formulate that they consider moving in the nearest future?
Questionnaire study via telephone and Internet of approximately 1,600 persons.
In-depth personal interviews with approximately 175 persons.
Special study of Greenlanders in Denmark.
- 3) How have big industrial and minerals projects proceeded and materialised at other Arctic locations?
Mineral, gas and oil projects as well as aluminium projects have been considered.

In order to examine the expected population development in the years ahead, a special analysis task was accomplished, with projections of the population development. A projection until 2050 with adjusted parameters indicates, amongst other things, that Greenland will already in a few years face a significant challenge from a rapidly growing group of elderly citizens, the so-called 'burden of the elderly'. Moreover, the projection indicates that the number of inhabitants will decline in the years to come.

Some of the most important results of the mobility study are:

- High-income groups are more mobile than low-income groups, when it comes to permanent relocation. People typically move from small towns or settlements to larger ones to pursue a career.
- On the contrary, low-income groups more frequently move temporarily and return to their point of origin at a later stage. When people move temporarily, they do so to earn additional income.
- Hunters and fishermen belong to the population group that is least likely to move.
- Beneficiaries of pensions, both age-related and social pensions, also belong to the population group that is least likely to move.
- The younger part of the population – especially age group 15 to 30 years – move much more frequently than older citizens, and part of the young people who move end up moving permanently. Especially the group of young people seeking – and completing – an education programme will end up moving from small towns or settlements to larger ones. They often find partners who are receiving training or education or have a job away from their home base. A couple who has established a home under these circumstances will rarely return to either party's original home base.
- Persons who have completed a training or education programme are more mobile than low-

income groups when it comes to moving permanently. These persons typically move from small towns or settlements to larger ones to pursue a career. On the contrary, persons with limited or no formal training or education more frequently move temporarily and return later to their original home base. People who move temporarily do so for a period to earn additional income.

- Men move more frequently than women, but often on a temporary basis, as men often return to their original home base at a later stage. When men move, they do so to get a job, a better income and possible better working conditions.
- Women move permanently more often than men, and women typically move from small towns or settlements to larger ones. When women move, they do so to get a job, to make better use of their formal qualifications, to receive further education or qualifications, and to ensure that their children have these possibilities.
- The small settlements find:
 - That the younger age groups leave the settlement, and fewer by far return at a later stage.
 - That especially young women leave the settlement, because they wish to use or acquire qualifications, a wish that cannot be fulfilled in settlements or small towns.
 - That persons with formal qualifications, irrespective of gender, move away.
 - That persons who are building a career or have ambitions to do so move away.
- If the relocation pattern that has applied for the last ten years continues, this will lead to the following results:
 - The settlement population will be halved within the next 20-30 years.
 - The population of remote towns will be reduced, in some cases by up to 20 %.
 - The central towns will absorb the exodus.
 - The total number of inhabitants in Greenland will decline due to the diminishing birth rates and the emigration excess.

It is important to note that with the mobility study the population's real relocations and expected future relocations have been studied systematically and extensively for the first time. It is also the first time that a population study has been carried out which can say something, with normal statistical certainty, about the mobility pattern of the entire population of Greenland in a larger context.

The results of the mobility study are thus an important fundamental contribution to the basis for a number of important political decisions that will have to be made in the time to come. In order to secure the value of the completed basic study in relation to the social development in the years ahead it is of vital importance to secure regular follow-up and monitoring of the results of the study.

The future challenges in the health care area and for public health are closely interwoven with the future settlement pattern and occupational structure. Here, the challenge is especially the effect of external factors such as: the importance of increasing globalisation, changes in the occupational structure, mining etc. These effects are expected to have a major influence on the health area in the future. In this connection the public institutions have a responsibility for adjusting in accordance with these societal changes.

The results of the mobility study constitute an important background study for the strategic environmental assessment which is performed as part of the aluminium project. Hence, the results are made available on the website of the strategic environmental assessment: www.smv.gl.

3.5 The area of training, education and the labour market

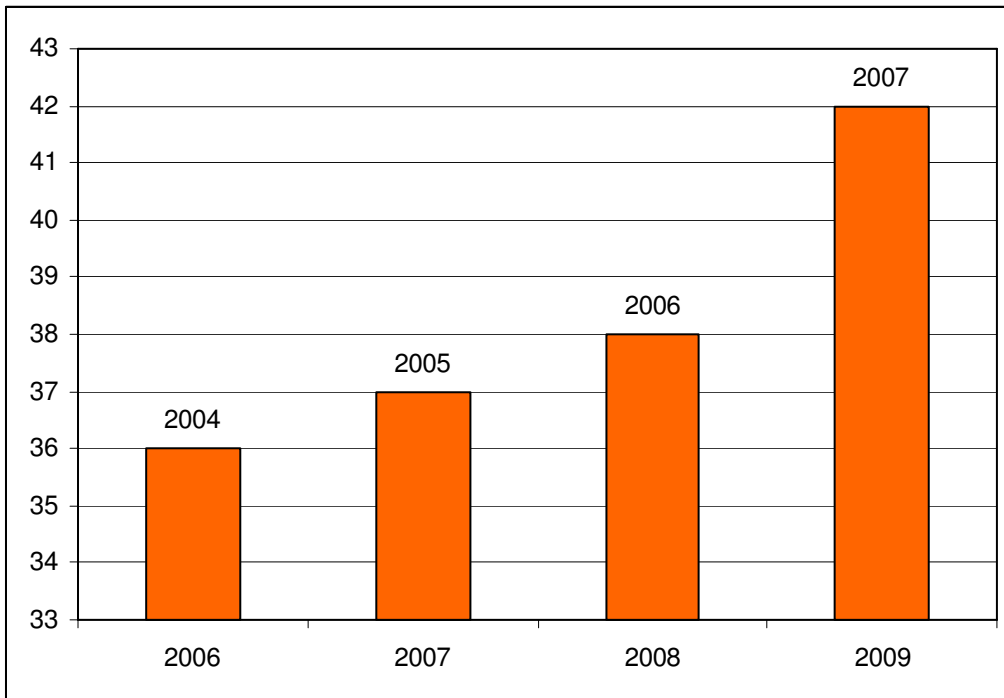
As it will appear from the preceding chapters in this report, training, education and development of competencies are among the most important factors for the future growth and welfare of the society. Hence, this area has a high priority when public funds are distributed. Approximately 20 % of our total public expenditure is spent on education, which is considerably more than other countries in the OECD area, including the other Nordic countries. We have a long-range education programme, which in the first stage until 2012 will focus on preparatory education programmes, vocational training and education and other education programmes directed at the growth industries. In addition, the initiatives focus especially on unskilled labour and persons in threatened occupations in need of re-education.

The education programme receives an annual sector budget support from the EU of approximately DKK 200m. These funds are not earmarked, but prioritised in connection with the drafting of the Finance Act.

The initiatives taken under the education programme are already showing results. The number of students enrolled on a programme of education is increasing, drop-out rates are declining, and the number of graduates is on the rise, cf. tables 7 and 8. Despite this positive trend, there is still a long way to go, if the objective of the education programme – that two thirds of the workforce will have completed a formal programme of education or training in 2020 – is to succeed.

It has turned out in recent years that young people wait longer before embarking on an education programme after they finish elementary school. Only 42 % of the young people leaving elementary school in 2007 could be found as active students two years later, cf. the below figure. In the coming year, Naalakkersuisut will therefore try to identify the reasons why a large group of young people do not start on an education programme immediately or shortly after leaving elementary school.

Figure 3: Share of an elementary school year-group enrolled on a programme of training or education two years after leaving elementary school (% / year)



Source: KIIIN

Table 7: Development in the number of active participants in youth education programmes at year-end in the year in question

	2005	2006	2007	2008
Greenland's University, commercial and technical high school	827	831	865	971
Vocational training and education	1098	1246	1313	1439
Total	1925	2077	2178	2410

Source: Statistics Greenland

Table 8: Development in the number of graduates in the years listed

	2005	2006	2007	2008
Vocational training and education	247	251	292	309
Greenland's University, commercial and	173	213	221	237

technical high school				
Higher education	161	133	166	170
Total	581	597	679	716

Source: Statistics Greenland

From elementary school to further education

At first, the focus will be directed towards the elementary school. The elementary school reform, “Atuarfitsialak”, which became effective in 2002, contains an extensive reform of elementary school pedagogics and teaching methods, which it will take years to implement in all 24 town schools and 54 settlements schools in Greenland (school year 2009-10). Naalakkersuisut will in the autumn of 2010 carry out an evaluation of the elementary school ordinance in order to identify its impact and to establish how advanced the implementation is locally.

The remote districts present a special problem. Although we have more than twice as many settlement schools as town schools, only about 16 % of elementary school pupils live in the settlements, that means the number of pupils in the settlement schools is low. For these pupils, the majority of their teaching (53 %) is conducted by teachers who are not qualified as such. Nine settlement schools, with a total of 104 pupils, have no qualified teachers. Only ten settlement schools, with a total of 466 pupils, have a share of qualified teachers exceeding 2/3, and only three settlements have full teacher coverage.

Against this background it is to be assumed that teaching in the remote districts can be deficient or non-existent, and this can in some instances be the reason why young people do not start on a programme of education after they finish elementary school.

If this situation is to improve, it would involve relocation from the home base to a bigger town with sufficient teacher capacity. This is a difficult step, however. But for many it can be a necessity for good schooling and for qualifying for an education programme. In order to find solutions to these problems, a targeted effort will be made in the coming year to establish relevant remote teaching initiatives at elementary school level and at several levels in the education sector.

Continuation schools

For many young people, continuation schools are the first step forward in life after leaving school. Before continuation schools were established in Greenland, 20-25 % of an elementary school year-group attended a continuation school in Denmark. The influx into Danish continuation schools continued in 2008 and 2009, but at the same time there was a big influx of students into the continuation schools in Greenland, which could take in a total of 160 students in 2009. In contrast to the students enrolled in Danish continuation schools, where applicants tend to come much more often from the large towns, a large part of the applicants for Greenland’s continuation schools come from remote districts.

In the autumn of 2009, the continuation schools in Qasigiannuguit and Kangerlussuaq could take in virtually all students, and the waiting list was short. From the autumn of 2010 only the continuation

school in Qasigiannugit will be continued, whereas the continuation school in Kangerlussuaq will be closed upon recommendation from the board of governors of Villads Villadsenip Efterskolia.

However, Naalakkersuisut intends to find a suitable location on the coast in 2010 for establishing another continuation school for start-up in the school year 2011/2012.

Youth education/training programmes

There is a need also in other areas for an increased effort to encourage more young people to enrol on an education programme:

- *New models must be devised* for young people who are not ready to start right away on an academic qualification programme, and for whom a vocational education introduction (AEU) course is not the right choice. In this case learning could be in the form of practical work and creative projects or courses, similar to the systems in, amongst others, Denmark and Iceland.
 - During the past year, a production school was started in Nuuk as part of a municipal initiative, and another is planned to start up in Tasiilaq in the course of 2010. At the same time it is important that the production schools do not appear as isolated, encapsulated programmes, but function in close interaction with Piareersarfiit as well as the trade schools.

- *Basic vocational training and education*

It is important that the programmes available in this area are on an as-needed basis, both in relation to the needs of the labour market and in relation to the target group of the programmes. Young people coming straight from elementary school, who have become one year younger since the elementary school reform, are today virtually non-existent in vocational training and education. Considering the expectations of the Ministry of Industry and Mineral Resources regarding the activities and employment in the raw materials sector in the years ahead there is a need for education initiatives aimed at a broad recruitment base, including young people leaving elementary school who wish to complete a basic vocational training programme. On this basis, the Occupational Committee of the Contracting and Mining Sector have recommended that basic vocational training is developed and, on the longer term, established in the raw materials area, in order to contribute towards providing as much domestic manpower as possible for this sector.

Considering the major challenges that Greenland's trade and industry and labour market are facing in the years to come, trade and industry have expressed a wish for closer interaction between the trade schools and the business sector recruiting students from the respective programmes. Naalakkersuisut will continue the work to strengthen this interaction and the synergies existing between vocational training and education, the business sector and the labour market.

- *Preparatory Adult Education Programmes* that will give adults the possibility of improving their basic skills in reading and mathematics – especially aimed at dyslexic adults. Today, Greenland's education system does not include a systematic preparatory adult education programme.

From training and education to the labour market

The growing challenges of Greenland's business structure call for a more flexible labour market, offering relevant courses and supplementary training and education for re-education of the workforce. Considering the current business and occupational perspectives, Greenland will, due to the modest size of its population, find it difficult to cover its need for manpower itself. Naalakkersuisut is therefore determined to work towards a situation where virtually the entire potential workforce will be activated, as this is decisive if we are to draw the full socio-economic benefit from the new possibilities. The initiatives, which form part of the education programme, focus on upgrading and competency development of the unskilled part of the workforce.

Piareersarfiit

An important link between elementary school, further education and the labour market is Piareersarfiit. The Recognised Vocational Training and Education Introduction Courses (AEU) were established in connection with Piareersarfiit. The aim is to qualify young people for joining – and completing – a vocational training and education programme. However, it is important that this possibility is extended to comprise also alternative training and education; here some young people would benefit from being placed in other towns than their home town, as this would strengthen their personal development.

Detailed statistics will be gathered from 2009 regarding course attendees, tests and percentage of completion, however for the time being only for the AEU courses, which are to provide vocational training and education. The AEU courses enable participants to upgrade their skills in a maximum of four subjects: Danish, English, Greenlandic and mathematics.

The first figures show a considerable number of course attendees with a relatively high success percentage. As mentioned, course attendees can pass a test in a maximum of four subjects, so the number of tests is much higher than the number of course attendees. The average age is between 23 and 24 years. The share of women is approximately 70 %.

Table 9: Survey of 1st and 2nd part of AEU courses

	Autumn 08	Spring 09
Number of course attendees entered for test	262	336
Total number of tests	781	884
Percentage of completion	75	79
Average age	24	23
Gender balance M/F	82/149	107/225

Source: Report from Piareersarfiit

Naalakkersuisut will also in the future focus on the Piareersarfiit centres, which solve a major task in the society by providing guidance for young people as well as the unemployed and/or unskilled wishing to enrol on an education programme or a qualifying course.

Re-education and formal competency (skills training) evaluation

An important focal area is re-education and the development of the competencies of the unskilled members of the workforce. Naalakkersuisut focuses on qualifying this part of the workforce, so that some of the challenges of the business and growth sectors can be solved in the years ahead. This work is done through the project PKU (Project Competency Development for the unskilled). So far courses have been held within the following occupational areas: mining/contracting, construction and civil engineering, social, shop, languages, fishing industry and food. In 2008 and 2009, some 2,000 course attendees participated in PKU courses and between them completed 3,253 course weeks. With courses in 14 towns, these are distributed almost all over Greenland.

In 2010 the subject areas are planned to be extended with tourism based on development work carried out by the Naalakkersuisut area in cooperation with Greenland's Tourism and Trade Council (GTE). Moreover, added activities are planned at the newly built mining and contractor school in Sisimiut, and the Iron and Metal School will include certain new subjects in its curriculum.

Recognition of formal competencies has become an important element in the development of adult and further education all over Europe. This is naturally linked to the general wish for a mobile, flexible workforce that has the competencies needed in the society. Seen from a societal point of view, recognition of formal competencies enables optimisation of the funds earmarked for education through more efficient and shorter adult and further education. For the individual citizen recognition of formal competencies can lead to increased motivation as regards learning, and at the same time the starting point of learning can become much more concise.

Consequently, Naalakkersuisut has launched an initiative for evaluation and recognition of formal competencies, and in the course of 2010/11 a pilot project aimed at developing and testing a concept for systematic formal competency clarification and evaluation (RKV). In this connection, Naalakkersuisut will continue the work to organise the wage determination on the labour market in a way that will provide the individual citizen with an economic incentive to participate in adult and further education activities aimed at developing their formal competencies.

4. The Finance Act 2011

With the Finance Act for 2010 Inatsisartut took the first step towards a self-supporting society. Financial policy was tightened, and at the same time some latitude was created for a number of welfare improvements to secure social strengthening of our society.

The Treasury's deficit has increased in recent years. As this is not a tenable situation on the longer term, it has been important to reverse this development. Thus we managed to achieve a balance on the operating and investment in 2010, which will achieve a profit of about DKK 95m in 2013.

Naalakkersuisut's attitude is that this development must be supported and continued in the Finance Act for 2011.

This task will not be an easy one, as western economies are caught in a recession or even or depression after the financial crisis, and this will rub off on Greenland. One result of this is that proceeds from our direct and indirect taxes are expected to drop by some DKK 50-75m in 2010 alone.

The expected drop in income is attributable to, amongst other things, the generally declining level of activities, declining shrimp prices and diminished tourism due to the financial crisis.

To this should be added that the Finance Act for 2010 incorporates an income reserve of DKK 105m annually, which is to be implemented in the form of socially balanced direct and indirect taxes in connection with the Finance Act for 2011.

In addition it is to be expected that extra allocations will have to be found for current activities. The health services, amongst others, expect consumption to increase in the present budget year. The pressure on health service economy is due to an increased demand for health services. The reason for this is an increase in the number of elderly citizens, longer life expectancy and an increased occurrence of life-style related illnesses, such as cancer, cardio-vascular and lung diseases, as well as better knowledge of treatment possibilities and an increased demand for treatment in the population in general.

In order to keep the expense pressure down, the health authorities have launched a number of initiatives which are to ensure optimum use of the economic resources. In order to target these initiatives, an economic and structural study of the health care sector, which will be accomplished in 2010, is expected to form the basis for improved utilisation of the resources.

The economic liberty of action with regard to new costly initiatives in the Finance Act for 2011 will consequently be limited. Already before the drafting of the Finance Act has started, we have a shortage running into millions of DKK if we are to reach the objectives laid down in the Finance Act for 2010.

This challenge is not the only one. We also need to find funds to continue the work to strengthen the social aspects.

There is a need for further initiatives with regard to children and the young. We must continue the work to secure contemporary housing for all citizens. We must ready society to live up to the challenges of the new growth sectors that are emerging.

These initiatives can only be successful if we provide the necessary manpower with the right educational background for these sectors. This calls for launching a structural adjustment of our business community as of today. First of all, the number of persons employed in traditional occupations will have to be reduced. These citizens will have to be re-educated so that they are able to participate in, for instance, work involving children and the young, in the construction and civil engineering sector and, on the longer term, in the new growth sectors.

In other words, social strengthening of our society will continue to require new initiatives. These will have to be financed either through a reshuffle of direct and indirect taxes or through implementation of savings on current activities. Alternatively, an evaluation could be undertaken to assess whether existing allocations could be used better by coordinating the work across the sectors.

In connection with the Finance Act for 2011 it will thus be important to clarify which sector areas can generate synergies so that the activities can be maintained at the same level within a reduced economic framework, without allocation of more funds.

Annex A: The economic situation

According to preliminary estimates, the economic development in 2009 is negative, with a reduction in the gross domestic product and a negative balance of trade. Moreover, there has been an increase in the number of unemployed, primarily in towns where fish production plants have been closed down.

This trend continued from 2008, where the effect of low shrimp prices, high fuel prices and increases in indirect taxes on the economic development was significant.

Table A1 sums up the economic key figures for the period 2004 to 2009.

	2004	2005	2006	2007	2008	2009
Gross domestic product ²	2.6	1.0	2.6	1.0	1.5	0 - -2 ³
Unemployment (number of persons) ⁴	1,854	1,682	1,543	1,498	1,134	1,313
Balance of trade (DKK mill.)	-987	1,166	-1,308	-1,310	-1,941 ⁵	-2,002 ⁶
Imports (DKK mill.)	3,269	3,591	3,656	3,643	4,421	4,075 ⁷
Exports (DKK mill.)	2,282	2,426	2,348	2,332	2,480	2,074 ⁸
Retail sales ⁹	-0.2	3.7	2.6	-1.7	-0.3	1.0
Consumer prices ¹⁰	2.3	1.4	2.9	1.7	9.2	0.6
Income tax payments ¹¹	6.2	11.0	5.1	4.4	3.3	1.8 ¹²

Sources: Statistics Greenland and the Ministry of Finance

Growth

According to preliminary figures, the real growth of the gross domestic product is expected to be negative in 2009. The drop in GDP is partly due to the international recession now being felt in Greenland's economy, partly to the diminished shrimp quotas and shrimp prices.

² Real growth in %

³ Preliminary estimate

⁴ Average number of unemployed per month, mid-month, in the towns. 'Mid' refers to the share of the unemployed who were jobless both during the first and the second half of a given month. This figure is an approximation of the average unemployment. The figures comprise individuals between 15 and 62 years (15-63 years in 2009) born in Greenland and domiciled in the towns.

⁵ (Preliminary figures)

⁶ Estimate: 2009 1st - 3rd quarter + 2008 4th quarter

⁷ Estimate: 2009 1st - 3rd quarter + 2008 4th quarter

⁸ Estimate: 2009 1st - 3rd quarter + 2008 4th quarter

⁹ Change in % over one year from 1st quarter to 1st quarter

¹⁰ Change in % over one year from July to July

¹¹ Change in % / Source: The Tax Ministry

¹² Preliminary estimate

Unemployment

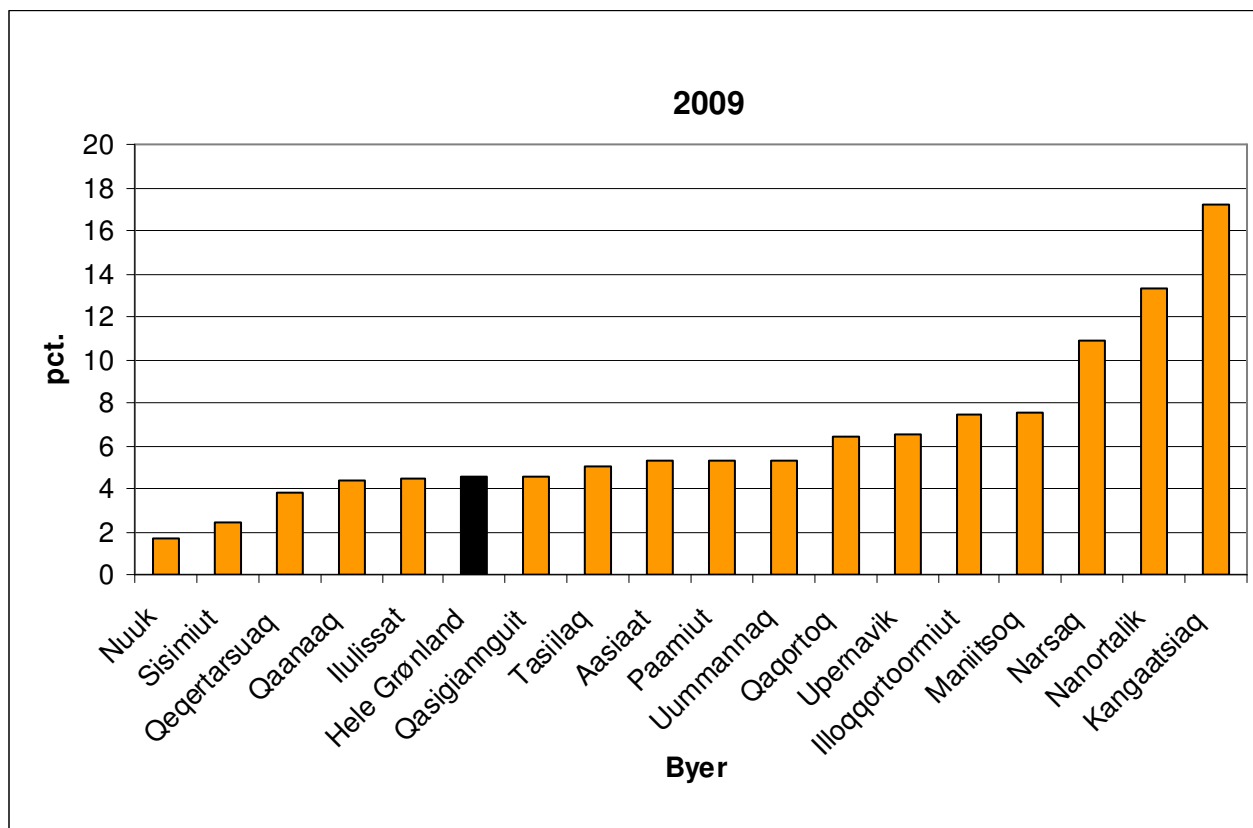
The average number of unemployed per month in the towns in 2009 is larger than in the previous year. The recession has been instrumental in increasing unemployment, which has hit small towns the hardest, as well as the unskilled. In addition, the winding up of several production plants along the coast has resulted in higher unemployment figures in the fisheries sector.

Table A2: The number of unemployed, average figure per month, mid-month, in the towns, 2005-2009.

	2005		2006		2007		2008		2009	
	%	Number	%	Number	%	Number	%	Number	%	Number
Towns, total	6.2	1,684	5.6	1,543	5.4	1,498	4.0	1,134	4.6	1,313
Nanortalik	10.6	98	10.6	96	9.1	81	8.0	72	13.3	119
Qaqortoq	7.0	132	5.4	106	5.8	119	5.7	116	6.4	134
Narsaq	5.3	56	5.2	55	7.1	72	6.8	69	10.9	108
Paamiut	4.9	54	2.4	26	4.2	46	3.4	36	5.3	55
Nuuk	4.8	372	4.2	336	4.1	333	2.4	198	1.7	149
Maniitsoq	8.6	149	7.4	129	6.6	116	6.6	114	7.5	130
Sisimiut	5.0	160	3.8	122	2.4	78	1.7	57	2.4	81
Kangaatsiaq	7.5	29	7.6	30	10.2	42	9.2	38	17.2	68
Aasiaat	8.3	161	10.5	204	11.6	215	6.3	114	5.3	102
Qasigiannugit	7.5	62	8.5	68	6.5	50	3.9	28	4.6	34
Ilulissat	4.0	108	4.0	107	2.5	69	2.5	71	4.5	126
Qeqertarsuaq	4.5	27	3.5	22	2.4	15	2.8	17	3.8	22
Uummannaq	9.6	79	6.4	52	6.0	50	5.5	46	5.3	44
Upernavik	7.0	47	6.5	44	6.0	42	4.9	35	6.5	47
Qaanaaq	5.9	22	7.6	29	7.2	28	-	-	4.4	17
Tasiilaq	7.8	81	7.1	73	10.5	113	9.4	102	5.0	56
Ittoqqortoormiit	15.0	46	14.0	44	10.0	31	8.1	24	7.4	21

Source: Statistics Greenland

Figure A1: Average number of unemployed per month, mid-month, for the whole year distributed on towns, 2009.



Source: Statistics Greenland
 Legend: Byer = Towns

Foreign trade

According to provisional estimates, the balance of trade in 2009 shows a deficit of approximately DKK 2bn. This indicates that the trend of growing balance of trade deficits from 2007 continues.

The trend also indicates that imports and exports both dropped in 2009. Imports dropped because of the recession in Greenland's economy, and exports dropped especially due to lower TACs (Total Allowable Catches) in shrimp fishery, and to discontinuation of gold ore exports.

Private consumption

In 2009, retail trade increased a little in % compared to 2008, after several years of decline. Consumer prices stabilised after the marked increases in indirect taxes, especially on alcohol and tobacco, in 2008.

The price development

The development in the consumer price index shows that consumer prices rose significantly more in 2008 compared to prices in Denmark. This is due to increases in indirect taxes, especially on alcohol and tobacco. In 2009, prices stabilised, and increased less compared to prices in Denmark.

Table A3: Change in the Consumer Price Index in Greenland and Denmark 2004-2009, in %.

	2004	2005	2006	2007	2008	2009
Greenland	2.3	1.4	2.9	1.7	9.2	0.6
Denmark	1.2	1.8	1.9	1.7	3.4	1.3

The calculation of the increase in % is based on rounded-off indexes.

Sources: Statistics Greenland, Statistics Denmark

Public spending and income

The Government of Greenland's income and spending during the period from 2006 to 2013 and municipal income and spending during the period from 2006 to 2009 are shown in Table A2.

The Government of Greenland has pursued a tight fiscal policy with major planned savings in capital expenditure for 2010 of approximately DKK 45m.

The Finance Act for 2010 and until 2013 has a budgeted deficit on the operating, investment and lending account of DKK 227, 163, 145 and 32m, respectively. The total budgeted deficit on the operating, investment and lending account is thus DKK 567m.

Table A4: Economic key figures for the public sector 2006-2013 DKK million.

	2006	2007	2008	2009‡	2010‡	2011‡	2012‡	2013‡
Treasury expenses	5,444	5,925	6,144	6,319	6,262	6,347	6,334	6,231
- hereof capital expenditure	700	1,003	930	815	758	938	906	803
Treasury income	-	-	-	-6,009	-6,035	-6,184	-6,199	-6,199
	5,484	5,659	5,863					
Operating, investment and lending account	-40	267	318	311	227	163	145	32
Municipal spending	2,717	2,863	3,076	3,125				

- hereof capital expenditure	265	259	391	309				
Municipal income	- 2,866	- 2,966	- 3,009	-3,147				
Results	-149	-102	-67	-23				

Sources: Finance Act and KANUKOKA's budgets and financial statements.

‡= Budget figures

Arrears

Debt collection was centralised as per 1 April 2008, and like in the fiscal area a number of unforeseen problems have emerged, although not to the same extent as in the fiscal area, as it has been possible to draw on previous experience.

A number of tasks are still outstanding and will have to be solved when the debt collection area is centralised; however, it has been possible to maintain the level of total outstanding arrears, and in addition centralisation has resulted in increased transparency and consistency in connection with collection, and not least centralisation has brought about a higher level of procedural safeguards for the individual debtor.

The level of total arrears declined throughout 2009; it is assessed, however, that the majority of this drop is attributable to claims that are either obsolete or otherwise irrecoverable and thus written off.

Table A5: Comparison of outstanding arrears August 2009 against January 2010.

Type of arrears	January 2010		August 2009	
	No. of cases	Amount	No. of cases	Amount
	No.	DKK 1,000	No.	DKK 1,000
Maintenance payments	61,315	237,452	59,202	218,090
Tax underpayments	7,625	82,824	18,987	130,560
Business Support Commission	124	71,917	121	71,301
Regular income tax	1,448	199,030	1,494	208,082
Company tax	48	2,294	50	2,433
Rent	15,808	70,193	15,270	69,856
Tax interests	28,658	40,805	31,896	34,285
Misc. municipal arrears	22,540	39,606	10,861	33,556
Aid with repayment obligation	7,013	25,557	6,754	21,874
Study loans	857	12,618	922	12,482
Day-care institutions	19,647	18,373	18,461	15,282
Refuse collection	60,328	16,183	54,932	12,590
Municipal loans to commerce and industry	513	6,574	520	6,544
Misc. Self-Government arrears	1,100	3,271	1,233	10,053

Housing subsidy loans	146	4,286	112	4,275
Loans to build own house	657	7,203	639	7,887
Electricity/water	8,274	5,599	5,998	3,743
Parents' payments for children in foster families	4,935	9,079	4,736	7,037
Nordic claims	1,558	28,023	1,692	30,810
Other arrears	4,223	1,674	10,323	8,206
Total	246,817	882,561	244,203	908,946

Source: The Tax Agency

The figures concerning regular income tax arrears for 2009 include regular income tax arrears figures (DKK 176.35m) from the tax authorities that have not yet been referred to debt collection. For January 2010 the figure is made up at DKK 168.45m. Developments show that efforts to stabilise the arrears at this level have been successful. It should be noted that this is a dynamic process, mainly because old arrears are being paid while new ones emerge. The Tax Agency believes that there will be "arrears" of approximately DKK 75 to 100m even in the most favourable situation, due to the time lag between the registration of claims/reports and registration of payments.

Throughout 2009, the debt collection work primarily focused on collecting regular income tax and labour market tax dues, as the time lag between the time of centralisation of the fiscal area (01/01-2007) and the debt collection area (01/04-2008), respectively, has resulted in accumulated regular income tax arrears at the turn of the year 2008/2009 of about DKK 350 – 400m, which amount has been reduced through targeted debt collection activities to DKK 170m (corresponding to 5 weeks turnover).

As far as the arrears of Greenland's municipalities are concerned, the principal amount – approximately DKK 237m – concerns maintenance payments, an increase compared to previous years.

Since 1 April 2008 and until and including December 2009, a total amount of approximately DKK 109m was thus recovered for Greenland's municipalities.