Ministry of Finance and Gender Equality

NAALAKKERSUISUT
GOVERNMENT OF GREENLAND

Political and Economic Report

2022

Pursuant to Greenland Parliament Act no. 26 of 28 November 2016 on the budgets and accounts of the municipalities and the Greenland Government Authorities, the Government of Greenland (Naalakkersuisut) presents an annual report at the spring session of Parliament (Inatsisartut) on the economy of Greenland, including trends in public expenditure and revenues.

The annual report contains analyses of the economic trends and activities in one or more key expenditure and revenue areas.

The report thus identifies key issues and developments, and it has a broad scope and form that allows it to be incorporated into the deliberations of Naalakkersuisut and Inatsisartut on economic development and priorities.

Hence, the present Political and Economic Report for 2022 must also be considered within the context of Naalakkersuisut's work on the upcoming draft national budget for 2023.

Foreword

The 2022 Political and Economic Report was initiated at a time when the impact of the COVID-19 pandemic was gradually waning, giving rise to optimism and positive expectations for the future.

This changed, however, with Russia's invasion of Ukraine in February, which has destabilised the world economy and given rise to a rather different outlook for the future, with negative consequences for businesses and consumers globally. No country in the world will remain unaffected by the new situation, and that includes Greenland.

Consequently, the 2022 Political and Economic Report reflects the uncertainties and concerns arising in the wake of developments in Ukraine, and it highlights the impacts of the conflict on the Greenlandic economy.

In addition, the report takes stock of the economic situation, long-term challenges and structural developments in key areas, based on concrete indicators.

The 2022 Political and Economic Report addresses these issues by focusing on the following core areas:

- Housing, with benchmarks for a clear, up-to-date and long-term housing policy
- Infrastructure, with the status of airport construction and hydroelectric power development
- Health, focusing on the Health Commission's discussion paper and observations
- Fisheries, focusing on the follow-up to the Fisheries Commission report
- Prevention and early intervention for children and young people
- The area of gender equality, with upcoming points of focus
- Significant external impacts

A common denominator for all future reform measures is that they must contribute to forging an economically sustainable society with a greater degree of equality. Accordingly, our political work continues to focus on improving people's living conditions, health and access to education. A sustained high level of activity in existing industries is also important, as is capitalising on the business opportunities presented by the Green Agenda in the years ahead. In this respect, it is essential to work on increasing the labour supply. The overall goal is the safety and well-being of our citizens in a society with a robust economy.

I hope everyone enjoys reading the report.

Naaja H. Nathanielsen

Minister of Finance and Gender Equality

Contents

Foreword....3
1 Introduction....5
1.1 The Economic Council chairmanship assesses the current situation....5
1.2 Key figures for economic development in Greenland....6
1.3 Trends in commercial fishing....6
1.4 Possible impacts of the war in Ukraine....13
1.5 Agreements with other countries....15
1.6 Other commercial sectors....17
1.7 Employment and unemployment....22
1.8 Expenditure on children and young people....25
1.9 The Treasury's accounts for 2021....31
1.10 The ties with municipal finances....32
1.11 Taxes and duties....33
1.12 Tax arrears....35
1.13 Debt trends....36
2 Goals and principles of safeguarding capital assets....38
3 The framework for the 2022 budget and preparation of the 2023 draft national budget....40
3.1 Basis for the upcoming budget....40
3.2 Drafting of a block grant agreement with the municipal authorities for 2023....41
4 Benchmarks and indicators....42
4.1 Economic governance....42
4.2 Use of benchmarks and performance indicators....42
4.3 Measuring poverty....53
5 Political priorities....56
5.1 Preparation of Sustainability and Growth Plan II....56
5.2 More people in education and more in the workforce....56
5.3 Sustainable growth....58
5.4 Benchmarks for personal tax reform....61
5.5 Benchmarks for a clear, up-to-date and long-term housing policy....62
5.6 Benchmarks and projects in waste management and a deposit-refund system....63
5.7 Benchmarks in health – the Health Commission....64
5.8 Benchmarks for gender equality....66
5.9 Prevention and early intervention for children and young people....67
5.10 Needs and concrete actions for developing the public sector....69
List of figures and tables....71

1 Introduction

A society characterised by stability and security is a core ingredient for developing a healthy economy. It is a natural goal of the Government coalition to strive for improved living conditions, economic development and employment, and to pursue economic policies that reduce inequality and ensure equal access to social goods.

The following is an overview of the Greenlandic economy, based on previous years and with an eye to what lies ahead.

1.1 The Economic Council chairmanship assesses the current situation

In its Policy Brief 2022:1, the Economic Council chairmanship provides the following assessment of the current situation:

'Greenland currently has a booming economy with full utilisation of its production capacity and a great need to attract foreign labour and resources. The negative impact of the war in Ukraine is expected to slow growth by between ¼% and ½% in 2022 and 2023. This slowdown will be driven primarily by increases in prices of petroleum products and imported foodstuffs, which will erode purchasing power and reduce private consumption, etc.

Growth slowed slightly in 2020, but Greenland managed to weather the COVID-19 pandemic far better than most other countries. The negative impacts of the pandemic were mainly felt by the tourism and travel industries. Total employment continued to grow in 2021, as reflected in the number of registered jobseekers. Growth continued in the construction sector and private consumption was buoyed by the rise in incomes.

Catches in the fisheries sector appear to have peaked for the time being after several years of growth. In the first three quarters of 2021, the catch of shrimp in Greenlandic waters was approximately 10% lower than in the same period of 2020. Local conditions may affect catch rates and the quotas recommended by marine biologists do not indicate a need for reduced fishing pressure in marine shrimp fisheries. Quotas have reflected the recommendations of the scientific community for several years and the shrimp fisheries – just like offshore halibut fisheries – are MSC certified as sustainable.

The war in Ukraine and sanctions against Russia may also affect sales opportunities for fisheries, even if the products in question are not subject to sanctions. Russia ranks among the largest consumers of Greenlandic fisheries products, and the partial exclusion of the country from international financial markets and payment systems makes trade more difficult. Approximately 14% of seafood exports go to Russia, and it may prove difficult to rapidly replace this with other export markets. If trade is rendered impossible, it may be necessary for a limited period to sell fish products at a lower price on other markets.

Prices for seafood declined slightly throughout 2021, as measured by the average price per kilo of selected fish products. This has resulted in lower profits for shipowners and a reduction in income for many workers employed in the sector.

Future price developments are always subject to uncertainty, but the trend towards rising global food prices will presumably have an impact on fisheries. International food prices are closely interlinked, and rising prices for one type of food generally lead to rising prices for other foodstuffs. In March 2022, the FAO reported the highest food prices ever and warned of a looming food crisis this year. This points to rising seafood prices throughout 2022 and into 2023. Given that fish products are also Greenland's main export product, rising export prices could offset rising import prices to some extent. Rising seafood prices are necessary to avoid a deterioration in the balance of trade (i.e. the difference in the monetary value of exports minus imports) and thus limit the impact of more expensive imports on consumer pocketbooks.

Growth in 2022 is expected to remain below 2%. Tourism may make a strong comeback as a result of the vaccine rollout both here and abroad, although uncertainties related to the war in Ukraine and inflation's erosion of purchasing power may slow tourist flows. However, preliminary figures for foreign overnight stays indicate increased foreign interest. Some of the increase in foreign overnight stays in the second half of 2021 may be linked to incoming labour'.

Naalakkersuisut takes note of the Economic Council's assessment and, in the following sections, will supplement this with its own appraisal of the situation.

1.2 Key figures for economic development in Greenland

The Economic Council prepares an annual economic forecast. The most recent forecast from September 2021 covered the period 2020 to 2022. Hence, the Economic Council's policy brief serves as a follow-up to last year's forecast and includes an initial forecast for 2023. In view of the ongoing volatility of the current crisis and its global economic impact, this forecast is subject to a particularly high degree of uncertainty. Based on the deliberations within the Council and the statistics that will become available during the spring and summer, a new economic forecast will be prepared for the Economic Council report in September 2022. The current preliminary economic assessment is based on the latest available statistics, including provisional data, and should therefore be treated with caution. In contrast to the September 2021 economic forecast, in which the Council projected growth of 2.5% in 2022, it has revised this growth estimate down to 1.8% this year and 1.3% in 2023.

Table 1. Supply balance, annual real growth as a percentage of GDP and gross investments in chained prices

	Percentage of GDP in 2019	2016	2017	2018	2019	2020	2021	2022	2023
							Forecast		
Private consumption	35.0	1.5	0.9	1.5	-0.1	1.6	1.5	0.2	0.3
Public consumption	43.8	1.8	1.7	3.0	4.4	-2.1	0.4	0.4	0.4
Gross investments	31.3	10.9	-4.1	-6.9	53.3	5.9	3.3	5.2	-1.4
Export of goods and services	41.1	15.2	-3.8	3.6	-10.4	-6.2	1.5	2.0	2.0
Aggregate expenditure	151.2	5.9	-1.4	1.7	6.8	-0.7	1.6	1.8	0.3
Imports of goods and services	51.2	11.0	-3.5	2.4	14.5	-2.8	2.5	2.0	-1.5
Gross domestic product	100.0	4.7	0.1	0.6	2.3	0.4	1.1	1.8	1.3

Note: 2016-2018 are final figures; 2019-2020 are provisional figures; 2021-2023 are Economic Council estimates.
Source: Statistics Greenland and the Economic Council, Policy Brief 2022:1.

Table 1 shows the supply balance, which is a summary of the total demand and supply of goods and services over a year. GDP and imports represent the total supply of goods and services, whereas consumption, investment and exports represent the total demand.

1.3 Trends in commercial fishing

Fishing is the main export industry and crucial to the country's economy and local communities.

The last decade has seen some very favourable economic developments in the fisheries sector. This is partly due to an increase in catch volumes, but mainly to high fish prices.

Figure 1 illustrates the price trends for shrimp, halibut and cod for 2010-2021.

The average price of cod increased by around 26% in 2011 compared to 2010, before declining in 2012 and dropping significantly in 2013. In the period from 2013 to 2019, the average price of cod increased significantly in all years except 2016, when there was a slight decrease. Cod prices rose to

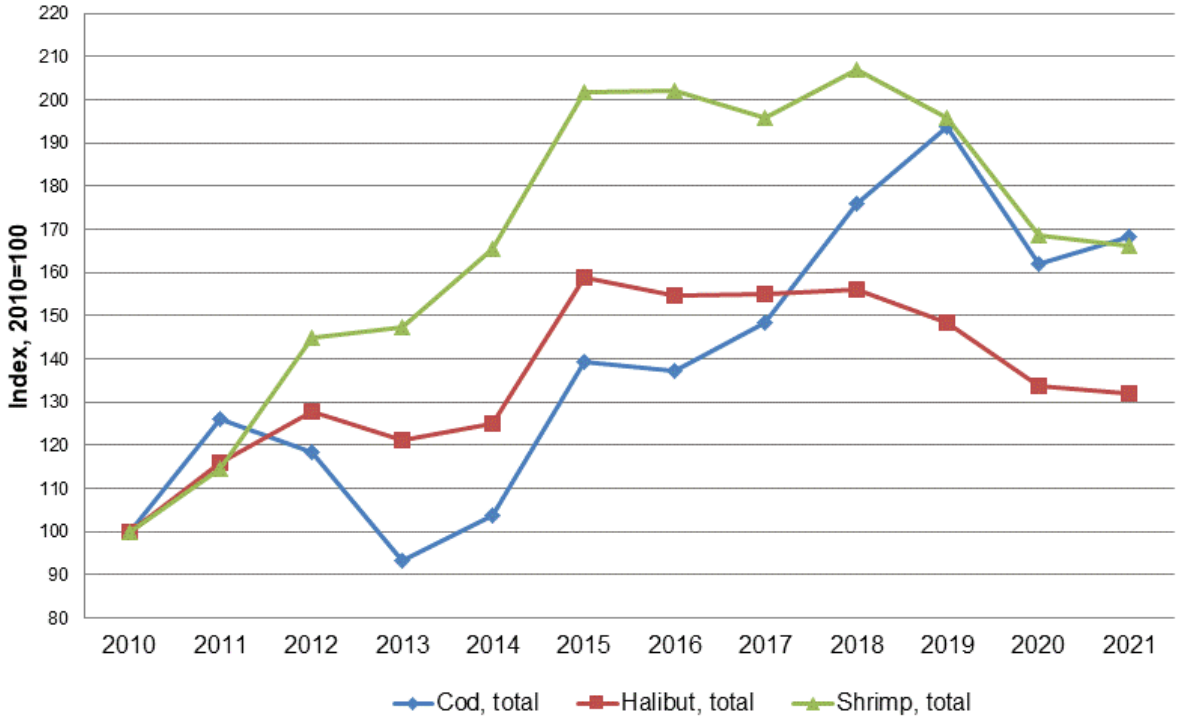
historically high levels in 2019, with an increase of roughly 107% compared to 2013. The price of cod fell sharply in 2020 as a result of the COVID-19 pandemic, but rose again in 2021.

The average price of Greenland halibut increased by about 28% in 2012 compared to 2010. The price fell in 2013, but rose again in 2014 and 2015. The price level of Greenland halibut remained at a fairly constant high level in the years 2015 to 2018. The average price of Greenland halibut has been decreasing since 2018, mainly due to the pandemic in 2020 and 2021.

There was a very favourable trend in the average price of shrimp in the period 2010-2016, with the price in 2015 and 2016 more than double that of 2010. Shrimp prices fell slightly in 2017 and then rose to historically high levels in 2018. Since 2019, shrimp prices have been in a downward trend. It was mainly the COVID-19 pandemic that negatively affected shrimp prices in 2020 and 2021.

The reopening of markets after the pandemic and the growing demand for fish products are expected to have a positive impact on fish prices in 2022. The war in Ukraine is also expected to have a major impact on fish prices. Russia is one of the largest exporters of cod in the world. If the international community imposes import bans on Russian cod, prices are expected to rise. Russia is one of Greenland's largest markets for shrimp. In 2021, about one-third of the Greenlandic catch of shrimp was exported to Russia. If Greenland is hit by export bans to Russia under Western sanctions, this could have major consequences, especially for sales of shrimp abroad, at least in the short term. Indeed, Greenlandic fishing companies are not expected to be able to develop new markets in the near future for the fish products currently sold to Russia. There is thus a high risk that shrimp prices will fall in 2022 if the ban on exports of fish products to Russia is implemented.

Figure 1. Index of average prices per kilo for fish and shrimp, 2010-2021



Source: Statistics Greenland. Index: 2010=100 The cod index is the average of the prices of whole cod, cod fillets and salted cod. The halibut index is the average of the prices of whole halibut, halibut fillets and other halibut products. The shrimp index is the average of the prices of shrimp and cooked & peeled shrimp.

The most valuable species, shrimp, Greenland halibut and cod, accounted for about 80% of the total value of Greenland's commodity exports in 2020 and about 82% in 2021. Shrimp exports alone

accounted for about 45% of the total value of commodity exports in 2020, rising to about 47% in 2021.

Catches have been rising since 2015 due to increasing shrimp stocks. In 2015, the shrimp quota had dropped to 73,000 tonnes in West Greenland, but due to an improvement in shrimp stocks, the quota was increased to 115,000 tonnes in 2021 and 2022. Of the total shrimp quota in West Greenland, Canada and the EU will be allocated a total of 3,823 tonnes in both 2021 and 2022.

As shown in Table 2, catches of cod rose rapidly during the period 2013-2016. Total catch volumes of cod decreased from 2016 until 2020, mainly due to large declines in catch volumes in the inshore cod fishery. Cod catches rose again in 2021, mainly due to an increase in the offshore cod quota.

Greenland halibut catches increased between 2012 and 2016. Catches decreased in 2017, but rebounded in the period 2018-2021 due to larger catches in both offshore and inshore fisheries.

There has been a major modernisation process in the Greenlandic offshore fishing fleet, with companies investing heavily in newly built trawlers. Between 2016 and 2022, 8 newly built trawlers were introduced to the shrimp, cod and Greenland halibut fisheries, replacing older vessels. An agreement on the construction of an additional deep-sea halibut trawler has also been concluded, with delivery scheduled for 2023.

Table 2. Catches by fishermen and vessels under Greenlandic licences, 2013-2021

Tonnes	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mackerel, total	52,797	78,382	30,390	36,031	46,568	63,510	30,259	26,613	33,360
Cod, total	25,504	31,117	49,045	56,408	54,304	45,145	42,359	37,628	42,246
Cod, offshore	*11,976*	*12,619*	*23,668*	*21,747*	*22,329*	*22,146*	*22,006*	*19,315*	*28,285*
Cod, inshore	*13,528*	*18,497*	*25,376*	*34,662*	*31,975*	*22,999*	*20,354*	*18,313*	*13,961*
Halibut, total	34,829	38,209	38,191	42,231	38,144	41,072	45,841	42,816	45,390
Halibut, offshore	*11,348*	*11,464*	*13,318*	*11,564*	*13,402*	*13,724*	*15,819*	*15,032*	*16,146*
Halibut, inshore	*23,482*	*26,745*	*24,873*	*30,667*	*24,742*	*27,347*	*30,022*	*27,784*	*29,244*
Shrimp, total	88,532	83,419	70,289	80,906	87,166	88,710	96,144	107,470	108,494
Shrimp, offshore	*44,879*	*45,287*	*36,346*	*40,662*	*43,963*	*48,967*	*51,526*	*57,891*	*61,205*
Shrimp, inshore	*43,654*	*38,132*	*33,944*	*40,244*	*43,202*	*39,743*	*44,618*	*49,578*	*47,289*

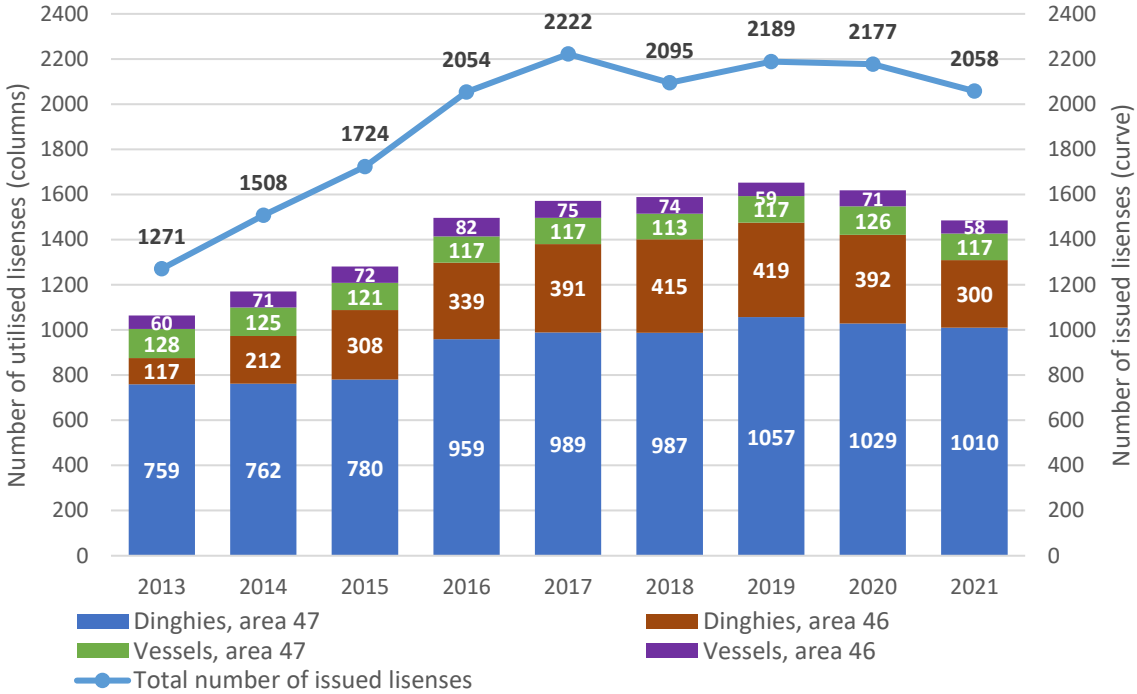
Source: Greenland Fisheries Licence Control Authority (GFLK).

More inshore licences

The inshore halibut fishery is of great significance as a source of employment and an economic driver for local communities and for Greenland as a whole. During the period 2013-2021, approximately 27,000 tonnes of halibut were caught by the inshore fleet on average each year.

Figure 2 illustrates the trend in the number of licences for inshore halibut fishing from 2013 to 2021. There has been a sharp increase in the total number of licences issued during the period 2013-2021. However, a large number of licences issued each year were not actually used. The number of licences issued rose from 1,271 in 2013 to 2,222 in 2017, representing an increase of approximately 75%, while the number of licences actually utilised went from 1,064 to 1,572 over the same period, representing an increase of approximately 48%. In the period 2018-2021, the number of annually issued licences exceeded 2,000, while the number of licences that were utilised ranged from 1,485 to 1,652. The number of licences used has been slightly decreasing since 2019. This big rise in the number of licences utilised, which started in 2013, has led to a very substantial increase in fishing capacity.

Figure 2. Number of licences issued and utilised in the inshore halibut fishery, 2013-2021



Note: Area 47 covers the fishery management areas in Upernavik, Uummannaq and Disko Bay. Area 46 covers fishery areas in the rest of Greenland. Note that the total number of licences issued is shown by the curve, whereas the number of utilised licences is indicated by the columns.
Source: Statistics Greenland.

The largest increase in the number of dinghy licences was in the period between 2013 and 2021, which peaked in 2019 with a total of 1,476 active licences, with 1,057 licences in Area 47 and 419 in Area 46. It should be noted that there may be multiple vessels or dinghies per licence. This means that the number of licences does not correspond to the number of vessels or dinghies in the fleet. Consequently, the fishing capacity can theoretically increase even if the number of active licences is reduced.

The TAC (total allowable catch) and the total catch of Greenland halibut in Area 47 have been well in excess of the recommendations of researchers during the period 2013-2021. Area 47 is divided into three management areas, Disko Bay, Uummannaq and Upernavik. Between 2013 and 2021, total annual Greenland halibut catches in all three management areas averaged around 38% above the limits advised by marine biologists. This means that the fishery was not managed on a sustainable basis during this period and, in 2022, is still biologically unsustainable.

The fact that for a number of years now catches of Greenland halibut in Area 47 have far exceeded the level recommended by the scientific community, owing to the increase in the number of licences and hence in fishing capacity, has resulted in a reduction in the average size of the Greenland halibut landed. In practice, this means that far more Greenland halibut must be caught in the areas in question in order to catch the same tonnage of fish.

In its July 2021 report, the Fisheries Commission pointed out, among other things, that the increase in fishing capacity in recent years has put pressure to set inshore halibut quotas well above sustainable catch levels. This has led the Fisheries Commission to call for urgent structural adjustments with reductions in inshore halibut fishing capacity to bring it into line with sustainable catch levels. A majority in the Commission recommends that this be implemented over a period of 5 years. Setting quotas far above sustainable levels will erode the future earning potential of the industry.

The forthcoming new Fisheries Act will address a number of key issues related to the status and development of fisheries, including whether to restrict access to fisheries to benefit, for example, young fishermen, whether to introduce transferable quotas, individual quotas or a different quota

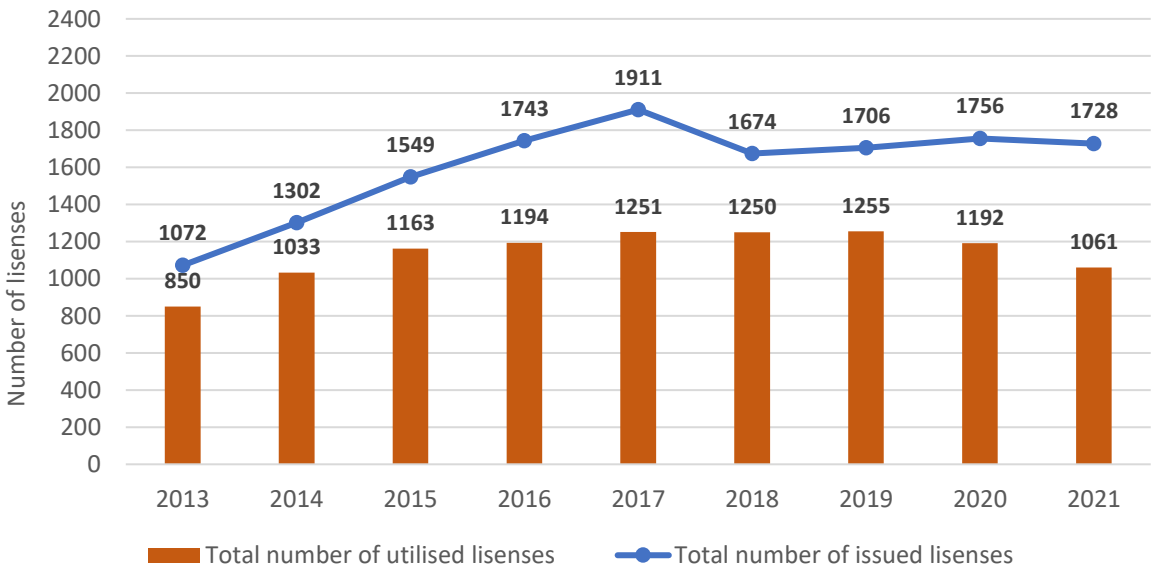
system in those parts of the industry where it is not already in place, a possible diversification of ownership, ensuring generational transfers, etc. It is essential for the country's economy that sustainable policy solutions be found on these issues.

As with the catch of Greenland halibut, inshore cod fishery is of great importance to local communities and to society as a whole. There has been considerable variation in annual catches, as shown in **Table 2.** For the period 2013-2021, catches have been significantly in excess of the level recommended by scientists.

Figure 3 illustrates the trend in the number of commercial licences issued for inshore cod fishing in the period from 2013 to 2021. As can be seen here, there was a sharp rise in the number of licences issued over the period 2013-2017, amounting to an increase of 78%. The number of licences peaked in 2017, with a decreasing number issued over the subsequent years. Consequently, there were 183 fewer licences issued in 2021 than in 2017. As indicated in Figure 3, there are a large number of licences issued that are not used each year. There was a large increase of 563 in the number of licences utilised in the period from 2012 to 2017, corresponding to an increase of approximately 81%. Since 2017, the number of licences utilised has remained fairly constant.

A majority in the Fisheries Commission has recommended that inshore cod quotas be gradually reduced to sustainable catch levels over a period of 5 years.

Figure 3. Number of licences issued and utilised for inshore cod fishing, 2013-2021



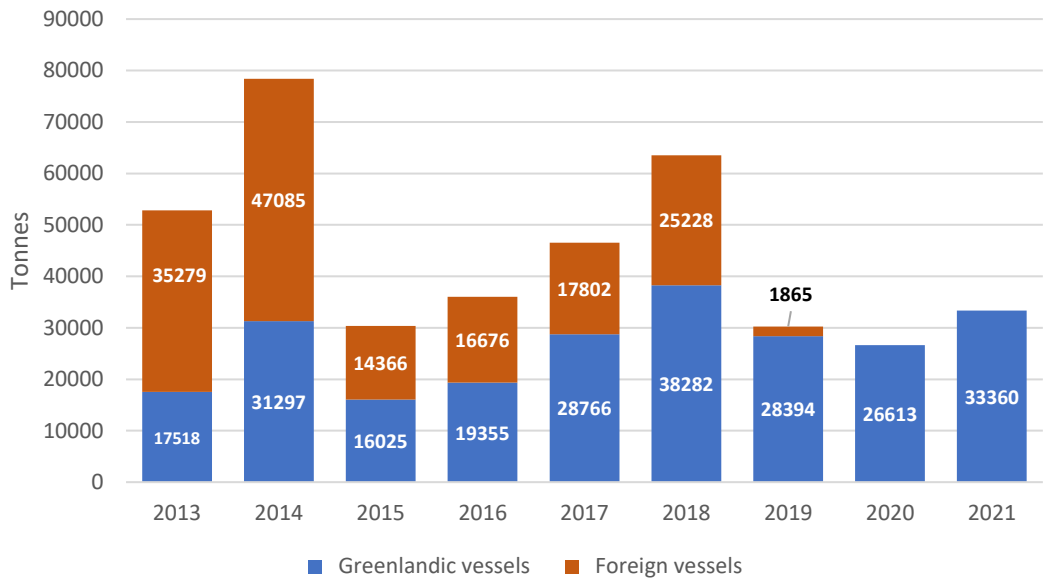
Source: Greenland Fisheries Licence Control Authority (GFLK).

Pelagic fishing

Naalakkersuisut aims to increase the focus on exploiting both new and existing species in new areas of the fishing industry. The new species consist mainly of pelagic stocks such as mackerel, herring and blue whiting in East Greenland. However, herring has not been fished in East Greenland in significant quantities since 2017 and only modest quantities of blue whiting were last caught in the period 2012-2014. These stocks are migratory species that are periodically present in the waters of different countries and in international waters.

Mackerel fishing has in recent years provided Greenlandic companies with a broader income base and contributed to greater public revenues through resource rent taxation and taxes. This can make companies less vulnerable to fluctuations in quotas and prices for other individual species. Figure 4 shows the size of mackerel catches in the period 2013-2021, broken down according to catches by Greenlandic and foreign vessels.

Figure 4. Mackerel catches off Greenland, 2013-2021

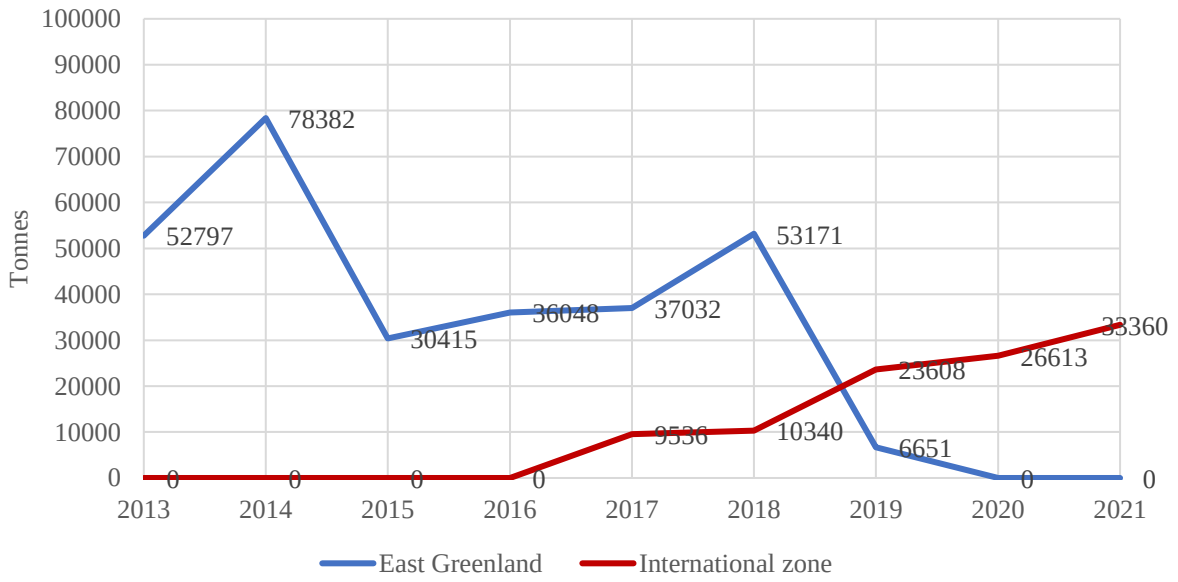


Source: Greenland Fisheries Licence Control Authority (GFLK).

Figure 4 shows that mackerel catches have fluctuated over time, reaching their highest level so far in 2014. Since 2015, Greenlandic vessels have consistently fished an increasingly large share of the catch. In 2019, total catches decreased compared to 2018, and in 2020 catches declined even further. Catches in 2021 then increased to 33,360 tonnes, which is the highest level in the period 2019-2021.

Throughout this entire period, the proportion of overall catch volumes for Greenlandic vessels grew from approximately 32% in 2013 to over 60% in 2017 and 2018, and 100% in 2020 and 2021. Greenland was recognised as a coastal state for mackerel in autumn 2016. Recognition as a coastal state means that since 2017 Greenland has also fished for mackerel in international waters. Only Greenlandic vessels may fish for Greenland's quota in international waters. Figure 5 shows Greenland's mackerel catches in the period 2013-2021, distributed according to the East Greenland area and NEAFC area, which is an international zone.

Figure 5. Mackerel catches off East Greenland and in the international zone, 2013-2021



Source: Greenland Fisheries Licence Control Authority (GFLK).

The option of fishing in international waters helps to extend the fishing season and thus maximise utilisation of Greenlandic capacity.

The mackerel fishery remains quite uncertain, as demonstrated by the 2019-2021 seasons. With the unpredictable migration pattern of mackerel, it remains uncertain whether large quantities of mackerel can be fished annually in Greenlandic waters, which may affect Greenland's future allocation of quotas in international waters.

As a coastal state for mackerel in the North-East Atlantic, Greenland attends annual Coastal States meetings on stock management together with the UK, Faroe Islands, Norway, EU, Iceland and Russia. The 2014 mackerel agreement between the EU, Norway and the Faroe Islands expired at the end of 2020. Iceland and Greenland, which are both coastal states, were not party to the mackerel agreement.

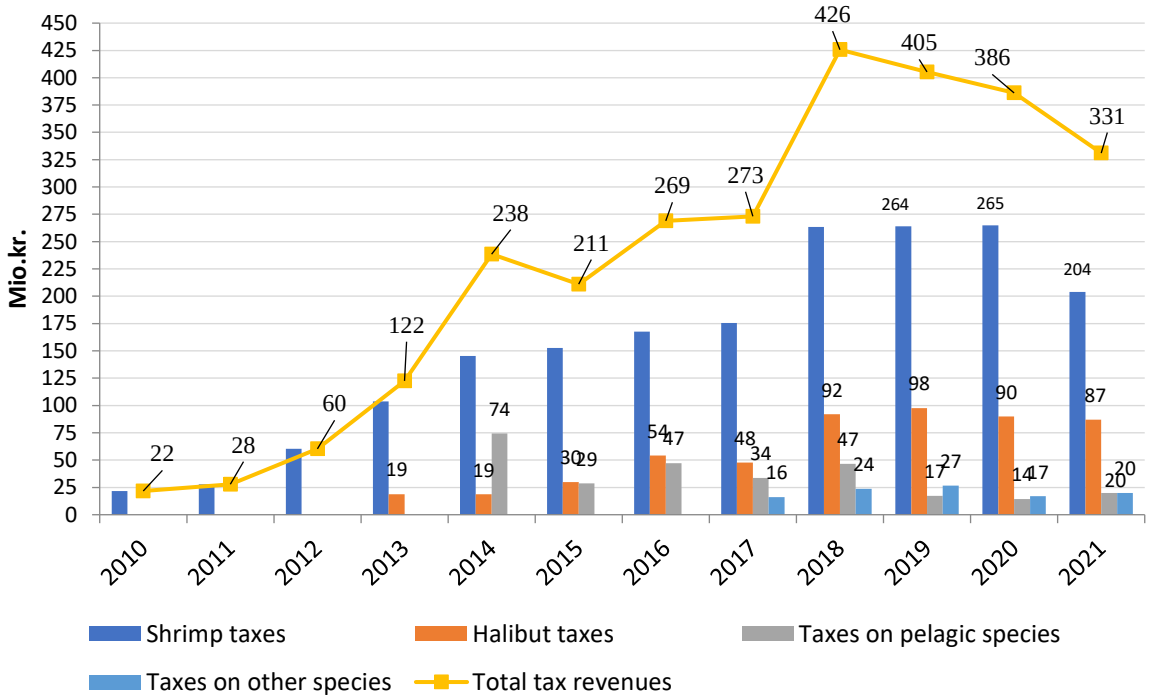
As a result of Brexit, from 1 January 2021, the UK has become a new and large coastal state for mackerel. It remains uncertain how this will affect future coastal state negotiations. The complete absence of mackerel in East Greenland in 2020 and 2021 has significantly weakened Greenland's negotiating position at the Coastal State meetings. Greenland can only set quota requirements based on what Greenland fishes in its own zone.

To further the development of its pelagic fisheries, Greenland has conducted bilateral negotiations with the Faroe Islands to gain access in 2022 to fishing a total of 18,776 tonnes of blue whiting and 6,500 tonnes of herring in Faroese waters.

Revenue from resource rent taxation in the fishing industry

The fishing industry makes a significant contribution to revenues with fishing taxes (resource rent tax), see Figure 6. However, the COVID-19 pandemic has had a negative impact on the level of activity and turnover in the industry.

Figure 6. Revenue from fisheries resource rent taxation, 2010-2021



Source: Greenland Tax Agency.

The substantial revenues from fishing taxation have been driven by a long period of historically high prices for shrimp and Greenland halibut, as well as taxes and duties levied in the mackerel fishery. Revenues peaked in 2018, but remain at high levels.

A new resource rent taxation model entered into force in 2018 for all fisheries in Greenland. The resource rent taxation model covers all offshore fisheries, inshore fisheries for Greenland halibut and shrimp, and pelagic fisheries for mackerel, herring, capelin, blue whiting and greater argentine.

The level of revenue generated from resource rent taxes has been rising rapidly since 2010. Revenues have thus increased from DKK 22 million in 2010 to DKK 426 million in 2018, compared with budgeted revenues of DKK 384 million. Revenues exceeded DKK 400 million again in 2019, when they were DKK 405 million. Revenues in 2020 were DKK 386 million, compared with a budgeted revenue of DKK 393.5 million, despite expectations of even lower revenues due to falling fish prices as a result of COVID-19. Compared to 2021, lower revenues of DKK 329.8 million were budgeted for 2021, which was also the result for that year.

One of the main reasons for the lower revenues in 2021 compared to 2020 was that export prices and shrimp landing prices in 2021 continued to decline as a result of COVID-19. The average export price of shrimp decreased by 5% in 2021 compared to 2020.

Revenues from resource rent taxes in 2018-2021 remain at a historically high level. The fact that a large proportion of public revenue is derived from fishing taxes and duties implies a degree of economic vulnerability, and the fishing industry has a history of revenues that fluctuate over time. The COVID-19 pandemic and the war in Ukraine clearly show the vulnerability of the market and the volatility of sales of Greenlandic fish products. Consequently, the high level of revenue from the fishing industry should not stop Greenland from continuing its ongoing efforts to broaden the revenue base of the Treasury.

1.4 Possible impacts of the war in Ukraine

The war in Ukraine has destabilised the world economy with negative consequences for businesses and consumers everywhere. No country in the world will remain unaffected by the new situation, and that includes Greenland.

Economic impact of possible sanctions on exports to Russia

Russia has been an important export market for shrimp and pelagic fish species like mackerel, capelin and herring. According to calculations conducted by Statistics Denmark for the Ministry of Finance and Gender Equality, Greenlandic fish products were sold for a total of DKK 607 million in 2021, of which DKK 436 million came from shrimp and DKK 171 million came from pelagic fish, which represented approximately 13% of Greenland's total fish exports in 2021[1]. The data provided by the Greenlandic fishing industry do not indicate the quantities and values of individual pelagic fish products sold to Russia.

The Russian market became even more important during the COVID-19 crisis due to severe import restrictions in China, meaning that some of the shrimp normally sold to China was sold to Russia instead. In 2020, 9,200 tonnes of shrimp were sold to Russia at a value of DKK 250 million. In 2021, shrimp sales rose to 16,900 tonnes, with a value of DKK 436 million.

Greenlandic fish was also exported to Belarus and Ukraine at a value of DKK 66 million in 2021. These are the same products that are sold to Russia. The combined export value for Russia, Belarus and Ukraine amounted to DKK 674 million in 2021, which corresponds to about 14.6% of Greenland's total fish exports.

The export figures provided by Statistics Denmark for Russia, Belarus and Ukraine are subject to uncertainty and may therefore be underestimates because companies exporting Greenlandic fish from Denmark to other countries are not obliged to declare the origin of the fish in their export documents.

[1] Statistics Greenland compiles statistics on exports and imports broken down by country. However, these statistics cannot be used to estimate how many products originating in Greenland end up in Russia because most of Greenland's fish exports to Russia first pass through Denmark before being shipped to Russia.

It is not anticipated that Greenlandic fishing companies will be able to establish new markets in the short term for the fish products that were, until recently, sold to Russia. Experience in the industry has shown that it takes time to develop new markets. However, it is expected that the shrimp that is normally exported to Russia can be sold to other countries, most notably in Asia. Nevertheless, in the short term, companies will probably have to sell their shrimp at a lower price. A decline in the price of shrimp is expected to affect the selling price of other exports as well.

It is estimated that it will be more difficult to reposition sales of mackerel, herring and capelin – particularly mackerel, as Russia has been one of Greenland's main markets for this fish. However, there are other major markets for mackerel, including Egypt, China, Japan, Nigeria, South Korea and the Ivory Coast. It is therefore anticipated that mackerel exported to Russia can be sold to other countries. In the short term, shifting to other markets is expected to have a negative impact on the price.

Greenland does not catch much herring, so it is expected that the quantity landed can be sold in other countries. In the period 2018-2020, the capelin quota for the Greenland fleet was zero tonnes. But for the 2021/2022 quota year, the Greenlandic fishing fleet has been allocated a capelin quota of over 60,000 tonnes. Part of the capelin catch in 2021 and 2022 is sold to Icelandic and Faroese fish processing plants, part to Japan, which is a major market for capelin and capelin roe, and the rest to Russia, Belarus and Ukraine. It is expected that capelin sold to Russia today can be shifted relatively quickly to the Asian market.

As mentioned by the Economic Council of Greenland in their Policy Brief 2022:1, one consequence of the war in Ukraine is that food shortages will lead to an increase in food prices, which is expected to spill over into fish prices. There is thus a possibility that the loss of revenue from the decline in available markets and the development of new markets could be offset to an unknown extent by an increase in the price of fish. This is one of the uncertainties associated with forecasts for 2022.

Finally, it should be noted that if the war spreads to countries other than Ukraine, a whole new scenario will come into play. Such developments are beyond the scope of this report and will be addressed separately should they occur.

Energy prices and their impact on the economy

Fuel imports in 2017 amounted to 209,000 tonnes, but in 2020 they declined to 80,000 tonnes. The low figure for 2020 is clearly based on the greatly reduced transport activity associated with the COVID-19 pandemic and therefore does not reflect a typical year. There are also significant fluctuations between the other years. This is due to changes in storage inventory. On average, imports from 2016 to 2019 amounted to 190,000 tonnes annually, which can be considered a reasonable estimate of the 'normal level'.

Prices also fluctuated widely during this period. 2020 had the highest import prices in the period at DKK 6,327 per tonne. Normal imports would, at 2020 price levels, cost DKK 1.2 billion.

The war in Ukraine has already significantly driven up the global price of Brent oil since 25 February 2022. If Europe and the rest of the world decide to suspend all purchases of Russian oil and gas, or if Russia stops exporting gas to certain countries, it is to be expected that the supply on the world market will decrease significantly and, consequently, that the global price will rise sharply. Greenland does not buy oil directly from Russia, but on the world market, so Greenland's ability to purchase oil is not directly affected. However, Greenland will be affected by rising global oil prices.

For example, a 50% price increase from current levels would increase imports by DKK 600 million annually. Such a sharp price increase is unlikely to be permanent, but a prolonged period of price increases is a more probable scenario if the war in Ukraine lasts for several years. This would result in a sharp reduction in the supply of oil and gas.

Polar Oil's price hedging arrangements are quite noteworthy. In the spring of 2020, the then Government of Greenland authorised KNI A/S to take price hedging measures within the service contract for the period 2021-2023. In practice, this means that it is expected that consumer prices within the service contract can be maintained at the current level up to and including the first quarter of 2024. Outside the scope of the service contract (trawlers, cruise ships, mines, etc.), purchases are

made and settled at current world market prices. As a result, the country's core industries are more immediately affected by price rises than private households.

Consequently, price hedging can only delay the effects of oil price increases for a certain amount of time, and thus this strategy has no long-term decisive impact on prices in Greenland. In any event, the decisions taken by Inatsisartut to expand hydropower production will, over the long term, help to some extent to shield Greenland from higher energy prices.

Furthermore, KNI A/S has stated that the war in Ukraine will not affect the current price-hedging agreement unless direct supply channels are severed.

Rising costs in the construction and building trades

During 2021, the construction industry warned of impending price hikes. This is partly due to higher energy prices, but also to supply constraints stemming from the pandemic – which are expected to continue for several years – and to a beetle infestation that has had major consequences for timber production. The war in Ukraine has exacerbated this situation. This is partly because a number of wood products are produced in Russia and Belarus and are now subject to sanctions, and partly because products produced elsewhere will become more expensive to produce due to rising energy prices. This mainly involves energy-intensive building materials like bricks, cement, plaster, insulation, aerated concrete, tiles, etc.

Major ongoing construction projects undertaken by the Greenland Government Authorities remain generally unaffected by the anticipated price rises, as the cost of materials is already locked into the contracts that have been concluded. However, it is to be expected that price increases will affect future projects. Finally, exceptionally long delivery times for certain building materials may, to a certain extent, affect the timetable of ongoing and future projects, which may lead to delays in the expected completion dates.

Spiralling costs and longer delivery times in the construction industry and building trades are thus also anticipated to adversely affect efforts to clear the maintenance backlog in housing, ports and airports.

1.5 Agreements with other countries

Partnership agreement with the EU

The new partnership agreement between Greenland and the European Commission was officially adopted on 5 October 2021 under the Overseas Countries and Territories-EU association. Officially known as the 'Overseas Association Decision (OAD), including Greenland', the agreement formally came into force on 1 January 2021 and will remain valid until 31 December 2027.

The partnership established by this decision between Greenland and the European Commission ensures that Greenland will be able to boost its economic performance in comparison with the previous agreement, which formally expired at the end of 2020. The new agreement will increase the overall allocations by approximately DKK 54 million, bringing the total agreed amount to approximately DKK 1.7 billion.

In addition, the conclusion of the new agreement has resulted in a new payment plan for education funding and a new component of the agreement, known as the Green Growth Grant. Naalakkersuisut had previously given the go-ahead for funds under this initiative to be allocated to initiatives related to biodiversity, renewable energy, hydrogen production, climate and research. A 'programming document' is being drawn up for these initiatives and must be approved by both the EU and Greenland.

There exists a programming document with an associated payment plan for education that is expected to amount to approximately DKK 1.5 billion over the agreement period, corresponding to around 90% of the total agreed amount. Naalakkersuisut is working with the EU on a payment plan for the area of Green Growth, which will be allocated roughly DKK 0.2 billion of the total funds, corresponding to about 10% of the total agreed amount.

As under the previous EU agreement, Greenland and Greenlandic citizens and entities have the option of applying for various funding under a range of different EU programmes, such as Erasmus+, Horizon Europe, COSME, etc. Starting with the 2020 budget, additional funds have been allocated to the Representation of Greenland to the EU in Brussels, in a move that is expected to contribute significantly to the development of these opportunities.

The Fisheries Partnership Agreement between the EU and Greenland

On 8 January 2021, Greenland concluded a new Fisheries Partnership Agreement with the EU for the period 2021-2026 along with an accompanying Fisheries Protocol for the period 2021-2024, which will regulate EU fisheries in Greenlandic waters and EU payments for these catches. Naalakkersuisut reports on the progress of the agreement in its annual foreign policy statement, so the agreement is not further discussed in this report.

Negotiations on a new free trade agreement with the UK

Greenland is exempt from paying tariffs on fish products that are exported to the EU. This is provided for under Greenland's withdrawal treaty from the EU and is made possible by the Sustainable Fisheries Partnership Agreement between Greenland and the EU, which grants the EU fishing rights in Greenlandic waters in return for compensation payments.

Following the Brexit referendum, the UK officially left the EU on 1 January 2021. As a result, Greenlandic fish products will in future be subject to import tariffs in the UK, which has had – and will continue to have – major economic consequences for Greenlandic fishing companies. The estimated total cost of fish exports to the UK in the absence of duty-free status and duty-free import quotas is in the order of DKK 150 million.

The UK is one of Greenland's principal export markets for fish products – particularly for cooked and peeled prawns and for cod fillets. In 2021, 52% of Greenland's total export value of cooked and peeled shrimp went to the UK. Approximately 15% of Greenland's total export value from fisheries exports went to the UK in 2021. Exports of fish products to the UK are expected to increase in 2022 and the proportion of total exports that goes to the UK is expected to rise to 15-20%.

The Ministry of Foreign Affairs – working closely with the Ministry of Finance and Gender Equality – has been in close contact with the UK to pursue negotiations on a bilateral free trade agreement between Greenland and the UK. This initiative aims to restore duty-free status for exports of Greenlandic fish products to the UK. A bilateral free trade agreement between the UK and Greenland would be Greenland's first trade agreement. Greenland delivered a draft free trade agreement with the UK already back in November 2020, based on previous trade arrangements when Britain was still an EU member.

On 1 January 2021, the UK introduced preliminary duty-free import volumes for selected fishery products. This scheme is an attempt to secure and maintain the status quo on trade by establishing duty-free imports of various countries' fisheries products, including Greenland's. Among other things, duty-free quotas were introduced for 5,680 tonnes of cooked and peeled shrimp and for 40,140 tonnes of cod fillets. It was expected that Greenlandic fishing companies could use these tariff quotas to achieve duty-free status until a free trade agreement between Greenland and the UK was negotiated. The problem with tariff quotas is that any country can use them. Moreover, in order to benefit from the tariff quotas, it is required that the products be (further) processed or repackaged in the UK. Greenlandic fishing companies have currently managed to use the duty-free quotas for cooked and peeled shrimp. However, companies have not been able to benefit from duty-free quotas for cod fillets because they are a finished product when imported into the UK.

Negotiations are still ongoing and the British side has demanded that the free trade agreement be supplemented by a fisheries agreement. Linking the two agreements would essentially mean that Greenland grants the UK fishing rights to an as yet unknown extent in Greenlandic waters, or allows the UK to utilise stocks which Greenland has the right to fish in other countries' waters under existing agreements in return for duty-free access to the UK market. It is currently unclear whether the

conclusion of such an agreement would be beneficial for Greenland, but clarification on the matter is expected during the summer of 2022.

1.6 Other commercial sectors

The COVID-19 situation is taking a particularly heavy toll on the tourism and mining sectors. The description of other commercial sectors in the present 2022 Political and Economic Report thus focuses primarily on tourism and mining.

Tourism

The publication 'Tourism Promotion in Greenland – What will it take? (2016-2020)' is the latest approved national tourism strategy. This strategy came to a conclusion at the end of 2020 and focused on improving conditions for the tourism sector. The impetus for this approach was a substantial decline in tourist flows through 2014.

The main aim was to reverse the negative trend through a wide range of targeted initiatives that address three main areas: marketing, accessibility and enhancing the conditions that attract more private investment.

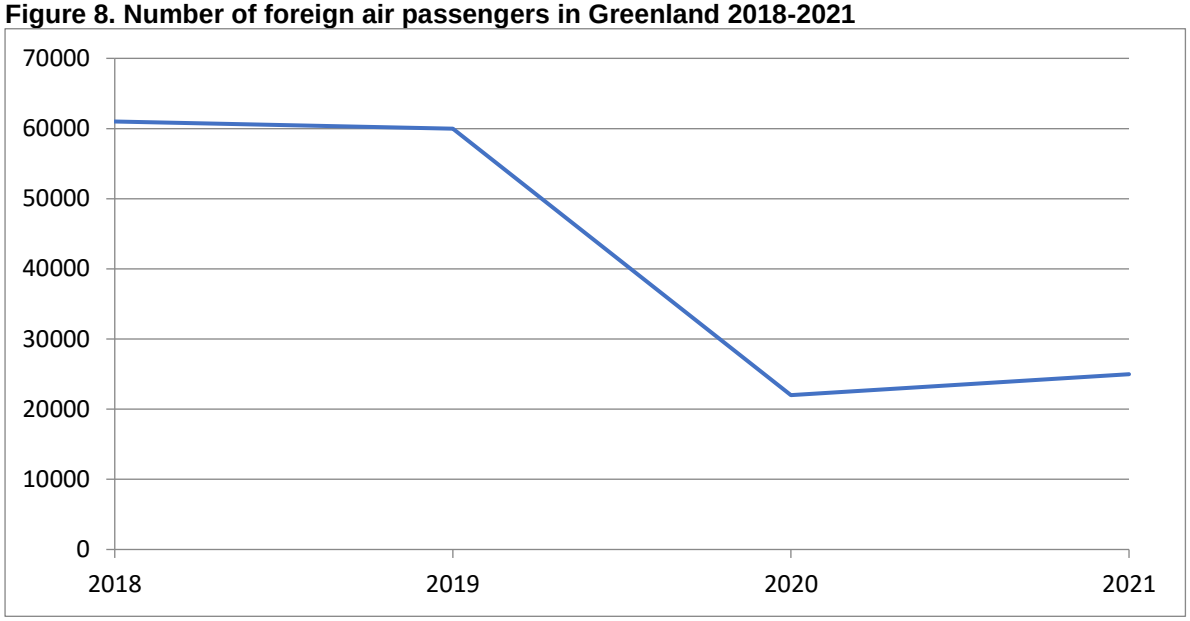
The strategy's recommendations included establishing visitor centres, building new transatlantic airports in Nuuk and Ilulissat and a new airport in Qaqortoq, fostering skills-building education in the tourism industry and promoting private investment through tourism concessions. Many of the initiatives in the strategy have been successfully implemented.

Figure 7. Number of cruise passengers, 2003-2021

Source: Statistics Greenland and Visit Greenland.

The various strategic initiatives have helped to boost tourism in Greenland. As shown in Figure 7, the downward trend in the number of cruise guests in the years 2012-2014 was followed by a sharp increase until 2019, when over 46,000 cruise guests visited Greenland. As also shown in Figure 7, due to the COVID-19 pandemic, no cruise guests were reported for 2020 and 2021.

Figure 8. Number of foreign air passengers in Greenland 2018-2021



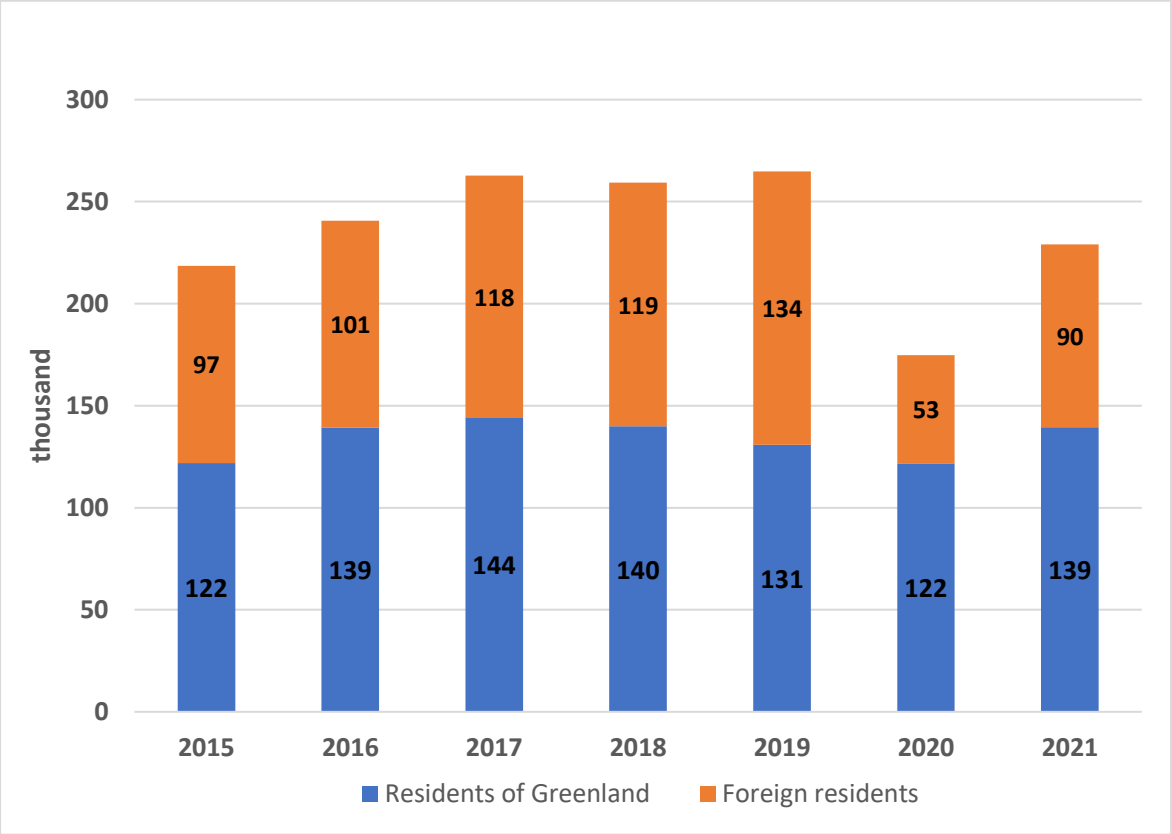
Source: Statistics Greenland and Visit Greenland.

The number of foreign air passengers increased slightly by 5.4% between 2015 and 2019. However, as shown in Figure 8, there was a drastic decline from 2019 to 2020/2021 as a consequence of the COVID-19 pandemic.

Figure 9 shows a substantial overall increase from 218,527 overnight stays in 2015 to 265,844 in 2019, corresponding to an increase of 21.6%. Overnight stays by foreign tourists increased most during this same period (2015-2019), rising by 38.5%, and in 2019, for the first time, more (foreign) tourists than Greenlandic residents stayed overnight in Greenlandic establishments. As a direct result of the COVID-19 pandemic, the number of overnight stays by foreign tourists declined substantially in 2020. Comprehensive data for 2021 is not yet available, but preliminary figures from the first three quarters of 2021 indicate an increase in the number of overnight stays compared to the 2020 figures.

Although a decline in the number of overnight stays was recorded, it was less severe than originally feared. The limited decline in the number of nights registered in Greenland can be at least partly attributed to the 'staycation' campaign 'Nunarput nuan' ('Our wonderful country'). The campaign was launched in response to the pandemic and its impact on the local tourism industry. The aim of the campaign has been to inspire local citizens to travel within their own country, while helping the ailing tourism industry and making it more sustainable in the long term. As part of the campaign, public subsidies covered part of the price of overnight stays. This scheme was renewed in 2021, and its future is subject to negotiations between stakeholders in the tourist industry.

Figure 9. Number of hotel overnight stays, 2015-2021



Source: Statistics Greenland.

The impact of the COVID-19 pandemic on the Greenlandic tourism sector

The outbreak of the pandemic put the global tourism industry under intense pressure. To support the domestic tourism industry, the Greenland Government Authorities offered various relief measures during the period 2020-2021. These initiatives were spurred by the suspension of all cruise traffic in 2020 and 2021 along with a sharp decline in the number of tourists flying to the country during the same period.

An analysis of the impact of the pandemic on Greenlandic tourism operators, commissioned by Visit Greenland and completed by HS Analysis in December 2020, describes the impact of the pandemic on the tourism industry in Greenland.

According to this study, 75% of the tourism operators surveyed reported that their turnover had declined significantly from 2019 to 2020. Furthermore, 19% of the companies experienced a total loss of turnover in 2020, while 56% lost between 50% and 99%. Nevertheless, it appears that many tourism businesses have managed to weather the pandemic. Virtually all companies expected to be operational in 2021. The study did not attempt to determine which firms, if any, had gone out of business as a result of the pandemic.

Reports from the tourism industry, including from the Vestnorden travel trade show in Iceland in 2021, are upbeat about the interest shown in Greenland and Greenlandic tourism products, and the industry is looking forward to an excellent peak season in 2022. Before the pandemic, the tourism industry had performed well in recent years, up to and including the 2019 season. However, it is unclear at this stage to what extent the pandemic can be expected to affect the fundamental structural drivers of the travel sector in future. Another unknown factor for the development of tourism is the impact of the war in Ukraine and rising inflation. This will make travel more expensive overall, as fuel prices will rise and the cost of food and other items will increase.

Extractive industries

The mining sector is highly dependent on global economic developments. There have been enormous fluctuations over the past 10 years, with peak investments of DKK 711 million in 2011 and, at the opposite end of the range, low investments of only DKK 85.5 million in 2020 as a direct result of the COVID-19 pandemic.

Final figures for 2021 are not yet available, but are expected to be somewhat higher for 2020, as there was a certain amount of activity in the sector in the summer of 2021. The outlook is positive for 2022, with pre-pandemic activity anticipated. The war in Ukraine is not expected to have an immediate impact on investment and activity this season. The global focus on the green transition and the resource shortages expected in the wake of the war in Ukraine and the sanctions imposed against Russia will affect the extractive industries over the coming years. This will provide new opportunities to market the country's resources.

Table 3. Annual investment in mineral exploration (in DKK million)*

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
711	520	306	236	168	130	190	239	212	85.5

** Note: Exploration investments include a 50% overhead allowance.*

Table 4 shows the most well-advanced mining projects that either have an exploitation licence or are in the process of seeking to obtain an exploitation licence.

Table 4. The most well-advanced mining projects

Project	Status	Workforce
Greenland Ruby A/S **Aappaluttoq (rubies and pink sapphires)**	Operations phase (Exploitation licence: 2014)	Approx. 55 employees
Lumina (formerly Hudson Greenland A/S **Kangerlussuaq (anorthosite)**	Operations phase (exploitation licence 2015)	Currently about 15 employees working on process optimisation. Expected to increase to approx. 30 employees
Ironbark A/S **Citronen Fjord (Zn, Pb)**	Initial construction phase (Exploitation licence: 2016) Rights holder is working to secure funding for the project	Construction phase: up to 300 Operations phase: up to 475
Nalunaq A/S **Napasorsuaq (Au)**	New exploration activities (exploitation licence: 2003)	Construction phase: 70-80 Operations phase: 150
Greenland Minerals A/S **Kuannersuit (Kvanefjeld Mountain)** **(REE, U, Zn, fluorite)**	Application for exploitation licence received. The project is unlikely to be implemented due to the reintroduction of the zero-tolerance policy on the extraction of uranium.	Construction phase: up to 1,121 Operations phase: 715

Tanbreez Mining Greenland A/S **Killavaat Alannguat (Kringlerne) (Zr, REE, Nb, Ta, Y)**	Exploitation licence: 2020 Rights holder is working to secure funding for the project	Construction phase: up to 140 (without chemical processing) Operations phase without chemical processing: 80
Dundas Titanium A/S **North-East Greenland (Ti)**	Exploitation licence: 2020 Rights holder is working to secure funding for the project	Construction phase: up to 270 Operations phase: 175
Greenland Anorthosite Mining ApS **Majoqqaq Qaava (anorthosite)**	EIA and SIA reports are being prepared.	Construction phase: estimated 30-40 Operations phase: Estimated 60-90, depending on the model selected.
Greenland Resources Inc. **Malmbjerget (East Greenland)** **(Mo)**	EIA and SIA reports are being prepared.	Construction phase: Estimated 500 Operations phase: estimated 300

Source: Mineral Licence and Safety Authority.

It should be noted that there are currently two projects in operation (marked by dashed lines).

- The Greenland Ruby A/S ruby and pink sapphire project at Aappaluttoq is in production and has commenced sales of rubies and pink sapphires mined during the exploitation phase.

- The Lumina anorthosite project near Kangerlussuaq went into production in 2019 when it made its first shipment.

The issuance of an exploitation permit does not imply the commencement of construction and exploitation activities. But obtaining an exploitation permit is an essential precondition for raising capital to finance a given project. Financing opportunities are influenced by a wide range of factors, including commodity price movements, the estimated demand for a resource, its importance to a number of industries and the degree of competition on the market.

At the annual international convention of the Prospectors and Developers Association of Canada (PDAC) in March 2020, the mood was optimistic and there were many indications of widespread and extensive exploration activity in the field. As a result of the COVID-19 pandemic, it became very difficult to carry out field activities in Greenland in 2020-2021 because of travel restrictions and other obstacles. Consequently, Naalakkersuisut adopted three initiatives aimed at limiting the impact on the extractive industries:

- Mineral exploration obligations for all exploration licences were reduced to DKK 0 in 2020-2021. An extension was granted so that 2020-2021 did not count towards the permitted time frame of the exploration licences.
- Deferral of payment of fees for official processing of applications until July 2021.
- Release of collateral from cash deposits of up to 50%.

The three initiatives were welcomed by the industry. Companies received a respite during a very trying period. The pandemic is now coming to an end and companies have had the regulatory processing deferred and are about to re-establish the cash deposit.

Regional geological mapping continues in North-East Greenland with GEUS in Hudson Land, resulting in a new 1:100,000 scale geological map. The geo-scientific databases are being further developed and work is underway to upgrade the mineral deposit database.

Existing and new data are made available to the industry online. In 2022, the Department of Mineral Resources and Justice also participated with a physical stand at the PDAC and the AME Roundup international mineral trade shows.

It should be noted that the Department of Mineral Resources and Justice has technical responsibility for initiating monitoring at Karrat Fjord to ensure continuous data that will allow for a better understanding of the dangers of landslides in the area. At the time of writing, it is unclear how this work will be affected by the discovery of another unsafe mountain area at Kangerluarsuk Fjord in the Uummannaq district. Naalakkersuisut is working with GEUS and other relevant agencies to investigate the matter. It also remains unclear to what extent buildings with special functions should be moved above the tsunami wave zones.

1.7 Employment and unemployment

In recent years, there has been a decline in the number of registered jobseekers. This positive development is mainly limited to larger towns and cities, while smaller communities and settlements do not experience the same positive development, mainly due to a lack of local employment opportunities. One of the major challenges in the Greenlandic labour market is the shortage of labour, both unskilled and skilled. Both private companies and public institutions find it difficult to recruit and retain workers. At the same time, many residents, especially young people, remain outside the labour market. Greenland's geography presents an obstacle to labour market mobility. It is virtually impossible to work in one community and live in another, so employment opportunities are limited to the town or settlement in which an individual resides.

A new employment strategy for 2022-2024 proposes labour market initiatives and reforms to tackle one of the country's major social problems – unemployment – by focusing on the following areas:

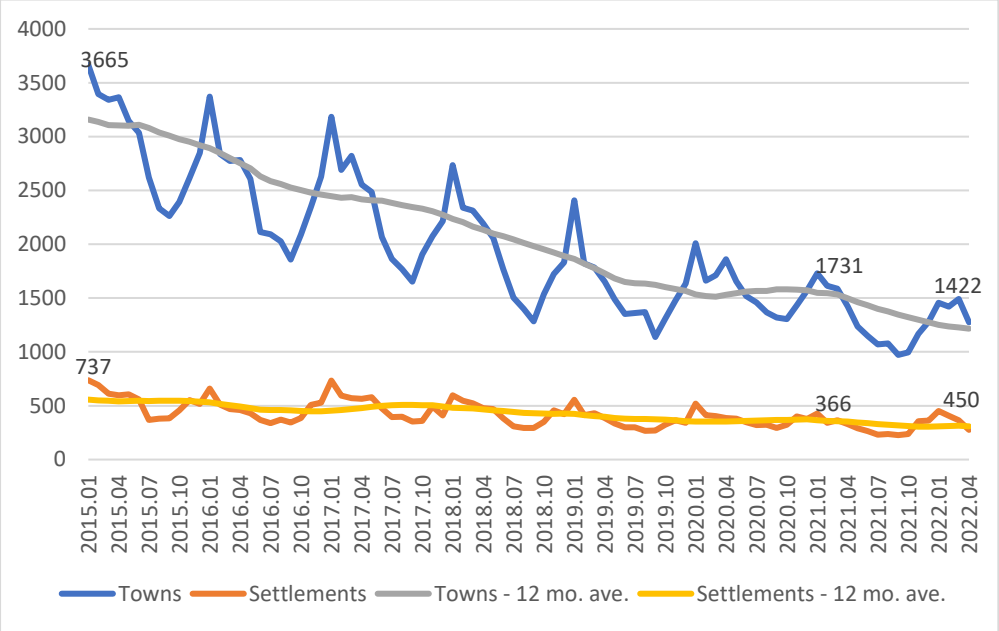
1. A self-sustaining labour market
2. Lower youth unemployment
3. Guidance, training and further education

With the formation of a new governing coalition, the current employment strategy is currently being revised to meet the new policy objectives of the strategy. It is expected that this will be reviewed and debated by Naalakkersuisut in the spring of 2022.

As an ongoing indicator of labour market development, Statistics Greenland publishes monthly figures on the number of registered jobseekers. This includes a tally of all individuals who have approached the municipality to become registered as jobseekers. In any given month, these individuals count as jobseekers, regardless of whether they have been registered as unemployed for the entire month or a single day. Statistics on registered jobseekers are not to be confused with actual unemployment statistics. In unemployment statistics, the 'number of unemployed' (1,431 in 2020) is calculated as the number of 'registered jobseekers' (1,946 in 2020) minus 'non-permanent residents' (35 in 2020) and minus 'gainfully employed in the same month' (480 in 2020), see the Labour Market ('Arbejdsmarked') publication issued on 13 January 2022 by Statistics Greenland. A person can be unemployed without registering as a jobseeker. Such an individual receives neither labour market benefits nor public assistance.

Figure 10 shows the trend in unemployment in recent years, broken down according to the number of registered jobseekers per month for the whole country over the period 2015-2021.

Figure 10. Trend in the number of registered jobseekers in towns and settlements (2015-2021)



Source: Statistics Greenland. Note: The data markers are for the month of January.

The number of registered jobseekers is generally highest in small communities and among young people. There is a disproportionate number of unskilled workers among the unemployed. However, this is a normal pattern that can be observed in other countries as well.

A generally low level of education and seasonal jobs mean that many residents have a fluctuating affiliation with the labour market over the year and that relatively few residents have the requisite professional skills to fill jobs requiring a specific education or professional qualifications. In addition, many people have to contend with a range of social problems. The structural challenges of fluctuating labour market affiliations and gaps between the skills of jobseekers and the requirements for vacant job positions necessitate a comprehensive approach to tackle these problems. One means of addressing this issue is early intervention to ensure that all children and young people acquire the basic skills for further learning through primary education and are prepared for vocational training and education immediately after completing compulsory schooling.

Another example of structural problems in the labour market is when unskilled workers move to some parts of the country, which fuels high unemployment in those regions.

Structural unemployment in Greenland is attributable to three key factors:

1. Locations with high unemployment typically have few jobs and commercial activities
2. There are geographical and housing-related barriers to filling vacancies, which often require that individuals and their families move to another location to find employment
3. A mismatch exists between the skills required by employers and the skills actually available locally

After several years of decline in the number of registered jobseekers, the COVID-19 pandemic temporarily stalled this positive trend in 2020. In 2021, the situation appeared to have improved again, and the average number of registered jobseekers in that year was lower than the average for the years preceding the outbreak of the coronavirus. This positive trend may have been fuelled by a number of factors, including three targeted economic stimulus measures launched by the Government: 1) emergency relief measures, 2) labour market relief measures and 3) activity relief measures for the tourism industry that could be applied for in the period from January to June 2021.

Status of relief measures targeting private sector activity

In response to the COVID-19 pandemic, a number of relief measures were put in place in 2020 to support businesses and workers during the lockdowns. These initiatives were phased out that same year, but new economic stimulus packages and a tourism activity package became necessary in 2021.

The guidelines for the relief measures were drawn up by the Ministry of Commerce and Industry, and the schemes were administered by Innovation Greenland, which has been responsible for granting aid and emergency loans.

Table 5 and Table 6 provide an overview of the use of the relief measures in 2021, broken down according to the individual municipalities:

Table 5. Economic stimulus packages in 2021

	Avannaata	Qeqertalik	Qeqqata	Sermersooq	Kujalleq	Total
Submitted applications	65	25	95	160	18	363
Allocations*	54	18	84	127	13	296
Completed projects	46	18	80	121	12	277
Amount applied for	10,448,731	1,000,839	73,003,288	96,904,672	1,712,053	183,069,583
Net allocations	5,964,388	467,464	2,828,852	12,000,363	1,163,422	22,424,489
Granted per allocation	110,452	25,970	33,677	94,491	89,494	75,758

*Note: * When a combined subsidy and emergency loan have been granted, the subsidy and emergency loan each count as a single allocation.*
Source: Innovation Greenland, status as of 8 February 2022

As shown in Table 5, as of 8 February 2022 a total of 296 allocations had been made and DKK 22.4 million disbursed. Total applications amounted to DKK 183.1 million, which means that an average of 12% of the amounts applied for was granted nationwide. The low approval rate can be largely attributed to the fact that the conditions for granting aid have been quite strict. Some applications could not be accepted, for example, to cover 100% of fixed costs without showing a corresponding drop in turnover. There have also been a number of applications for loss of earnings that have not been covered by the most recent relief measures.

The largest beneficiaries of the relief measures are Kommuneqarfik Sermersooq with 54% and Avannaata Kommunia with 27%.

It should be noted that Table 5 is not an exhaustive tally. There are still pending cases from the 2021 economic stimulus packages, and companies were able to apply for aid under the November and December 2021 relief measures until the end of March 2022. In addition, a COVID-19 subsidy scheme was approved in early 2022, which, in addition to supporting businesses and workers affected by the closures, allowed dinghy fishermen to apply for compensation.

Table 6. Tourism activity package 2021

	Avannaata	Qeqertalik	Qeqqata	Sermersooq	Kujalleq	Total
Submitted applications	55	18	33	205	21	332
Allocations	52	18	30	189	17	306
Completed projects	52	18	30	189	17	306
Amount applied for	1,582,279	254,473	542,341	4,927,769	587,297	7,894,159
Net allocations	1,348,814	272,161	552,990	4,574,902	520,609	7,269,476
Granted per allocation	25,939	15,120	18,433	24,206	30,624	23,756

Source: Innovation Greenland, status as of 8 February 2022.

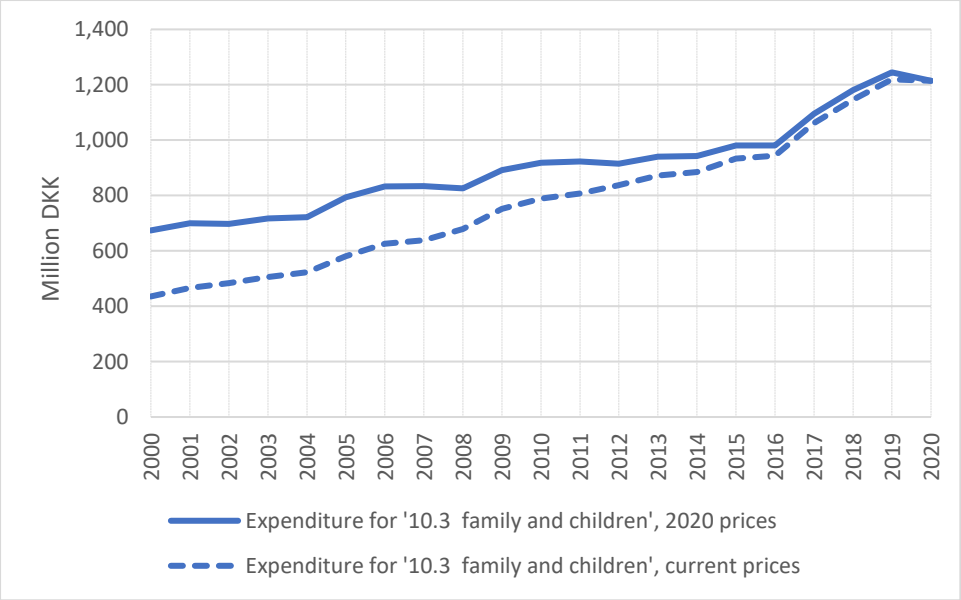
In 2021, a total of DKK 7.9 million was applied for and DKK 7.3 million allocated nationwide within the scope of the tourism activity package (92%).

The national average is DKK 23,800 per allocation, and this varies from municipality to municipality. All in all, Kommuneqarfik Sermersooq has received the lion's share of funds from the available tourism activity packages at DKK 4.5 million, while Kommune Qeqertalik has received the least amount at DKK 0.27 million.

1.8 Expenditure on children and young people

This section presents the finances and key figures for children, young people and families.

Figure 11. Public expenditure on families and children (2020 prices)



Source: Statistics Greenland. Public finances at 2020 prices based on Statistics Greenland's consumer price index (average for January and July).

Figure 11 shows the volume of cash and non-cash benefits for families with children, including maternity benefits, child allowance and child maintenance payments. This includes payments to social institutions, such as day-care centres, nurseries, children's homes, foster families and so on.

As shown in Figure 11, expenditure has almost doubled over the last 20 years. This includes several hundred million kroner spent on placing children outside the home.

Due to changes in accounting methods, it has not been possible to provide a breakdown of expenditure in this area. Work is underway to improve the database so that in future it will be possible to quantify expenditure on the administration of this area and conduct cross-cutting analyses of expenditure over time.

Activities and data relating to children and young people

The high level of expenditure in the area of children, young people and families reflects the magnitude of the existing problems.

Part of the challenge is that many members of previous generations have themselves experienced childhood neglect and trauma. For example, 36% of the 1980 cohort (measured in 5-year intervals) were sexually assaulted before the age of 18, over 50% grew up with alcohol problems at home and over 40% experienced domestic violence. The figures are comparable or higher for the 1980 to 1990 age brackets. However, the population survey of 2018 indicates that individuals born in 1995 or later were less likely to have grown up in a troubled home. Nevertheless, 28% of the youngest age groups in the survey still grew up with occasional or frequent domestic violence, and 20% were victims of sexual abuse before the age of 18.

The latest report on target monitoring and implementation of Greenlandic-Danish interdisciplinary work to boost efforts in support of children and young people in Greenland shows the status of the number of reports in 2021 for all 5 municipalities, along with the trend compared to 2019 in the number of reports based on 4 out of 5 municipalities (Kommune Kujalleq, Qeqqata Kommunia, Avannaata Kommunia and Kommuneqarfik Sermersooq).

Table 7. Number of reports on children and young people in Greenland

All 5 municipalities in Greenland	2021	2019-2021
Total number of reports	4,892	12%
No. of reports filed per child	2.3	12%
No. of children reported	2106	0.4%
Number of new children and young people with reports	947	Undisclosed
Number of children in Greenland (beginning of year)	12,330	0%
Proportion of children with reports, approx.	17%	0

Note: The number of reports per child and the increase from 2019 to 2021 are based on figures for 4 out of 5 municipalities.
Source: Based on figures for individual municipalities in the report 'Status of Target Monitoring and Implementation – Status Report Spring 2022'.

There were a total of nearly 4,900 reports in Greenland's 5 municipalities in 2021. In 4 out of 5 municipalities, there was a 12% increase in the number of reports from 2019 to 2021. Overall, there were an average of 2.3 reports per child in Greenland in 2021, which was 12-13% more than in 2019. In 2021, there were one or more reports for about 17% of all children and young people (0-17 years) nationwide in Greenland. Although the overall percentage of children was about the same as in 2019, there were fluctuations within the individual municipalities between 2019 and 2021. There were fewer reports in 2020 than in 2019, which is presumed to be because children were absent from school, for example, due to COVID-19 restrictions and lockdowns.

A multitude of reasons exist for filing reports, but they generally involve various forms of neglect and/or problems with the child or young person, including substance abuse (alcohol, cannabis, sniffing) and delinquency. According to its annual statistics, the Greenland Police received 377 reports of criminal offences in 2021 in which the perpetrator was 15-17 years old. This is on a par with 2020,

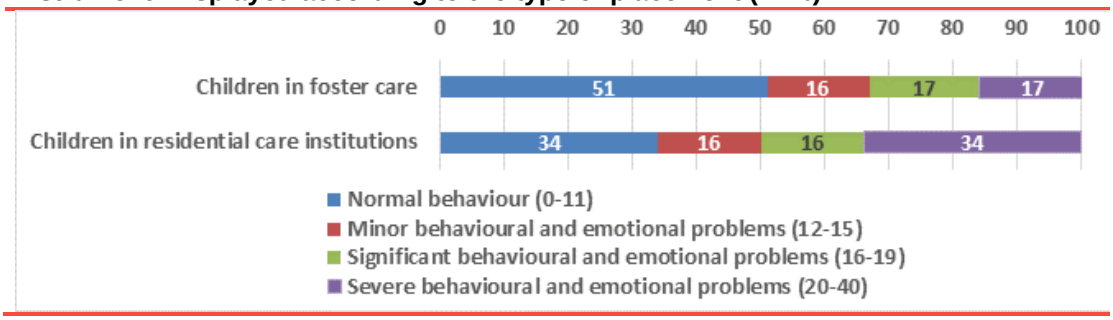
when 376 reports of criminal offences were received in which the offender was aged between 15 and 17 years old.

Focusing on this area and on data collection has in itself led to a deeper understanding of the situation in each municipality. However, caseloads and reports do not necessarily reflect the number of children who are experiencing difficulties. It is likely that there are many unreported children and young people who are neglected, disadvantaged and/or maladjusted, but who are not known to local authorities because no referrals have been made concerning them.

Municipalities face daunting challenges in the area of children, young people and families, and the volume is generally so high that it can be difficult for local authorities to provide individual children/young people and their families with the help that they need when they require it. To address this situation, the Greenland Government Authorities support the municipalities with a range of initiatives, including mentoring, counselling and education, along with visiting task force activities in the area of sexual abuse and violence. These issues are compounded by the difficulties generally experienced by municipalities in recruiting and retaining staff with the relevant skills to handle issues like case management and intervention measures. This is particularly true outside the main towns, but even in urban areas it can be difficult to recruit trained staff.

In 2021, VIVE (the Danish Centre for Social Science Research) published a survey of foster care in Greenland for the Ministry of Children, Youth and Families. This shows that there are children placed in foster care who experience behavioural and emotional problems, but who generally do better than children in residential care institutions.

Figure 12. Children's behavioural and emotional problems as measured by the SDQ instrument. Displayed according to the type of placement (in %)



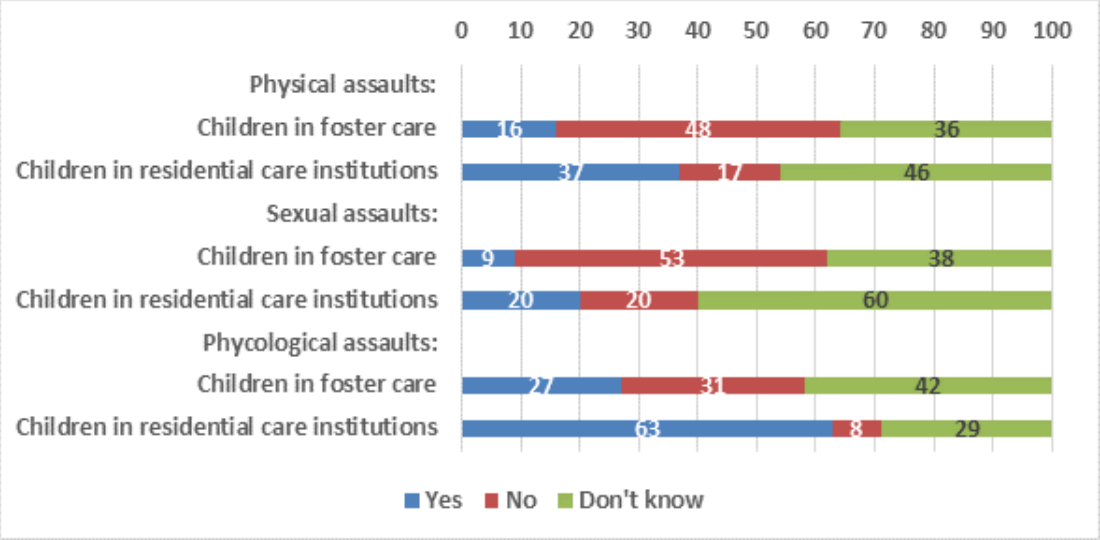
Note: Children in foster care: N = 115. Children in residential care institutions: N = 244. SDQ: The Strengths and Difficulties Questionnaire is an instrument that consists of 25 questions, 20 of which comprise a comprehensive emotional and behavioural 40-point scale. Here, 0 denotes a very low degree of behavioural and emotional problems, while 40 denotes a very high degree of behavioural and emotional problems.

Source: The VIVE questionnaire survey on children in foster care.

Figure 12 shows that 51% of children in foster care have general behavioural and emotional attributes that fall within the normal range, compared to 34% of children in residential care institutions. At the other end of the scale, 17% of children in foster care have severe behavioural and emotional problems, compared to 34% of children in residential care institutions.

The survey of foster care provides more information on the extent to which children in foster care and in residential care institutions have experienced physical, psychological and/or sexual abuse.

Figure 13. Experienced physical, sexual and/or psychological abuse. Displayed according to the type of placement (in %)



Note: Children in foster care: N = 126. Children in residential care institutions: N = 255.
Source: The VIVE questionnaire survey on children in foster care and the VIVE survey of children in residential care institutions.

Figure 13 shows that the children in foster care – as reported by the foster parents – have experienced abuse to a somewhat lesser degree than the children in residential care institutions. This is true for physical abuse (16% compared to 37%), sexual abuse (9% compared to 20%) and psychological abuse (27% compared to 64%). In interviews, municipal employees pointed out that children who have experienced sexual abuse are generally placed in residential care institutions rather than in foster care. However, it may also be that foster parents have less training than residential staff, which helps them to detect signs of abuse. In addition, as in residential care institutions, a relatively high number of foster parents responded that they were unaware of whether the children had been abused earlier in their lives.

Table 8. Number of children and young people in residential care institutions, 2020 and 2021

	2020	2021
Number (percentage) of children and young people in central Government-owned residential care institutions as of 1 December	189 (1.0)	170 (1.1)
Number (percentage) of children and young people in independent residential care institutions, spring 2019		134 (0.7)
Number (percentage) of children and young people in municipal		23 (0.1)
Total no. of children and young people aged 0-23	17,545	17,526

Source: Data obtained from the Social Services Agency.
Note: Residents of independent and municipal institutions are not included in the number of residents in central Government-owned institutions. The number of children and young people in residential care institutions and independent institutions can only be calculated in relation to the total number of children and young people. Since the age of children and young people in residential institutions is unavailable, there is uncertainty with respect to the percentages, which are calculated on the basis of the number of children and young people aged 0-23 in the general population.

The number of children and young people placed in residential care institutions is calculated for all children (0-17 years) and young people (18-23 years). As shown in Table 8, more than half of the

children and young people placed in care live in residential care institutions. Residential placements in all residential care institutions must be approved by the Greenland Government Authorities.

Data on the area of disabilities

Data on the area of disabilities is generally of poor quality. In recent years, the Ministry of Children, Youth and Families has published statistics on persons with disabilities based on data from municipal IT systems. These data are not exhaustive and there are no publications based on data collected following the implementation of the new disability legislation, which came into force on 1 January 2020. Modifications to the new electronic ESDH system are under consideration in a bid to provide better data and thus more uniform case management in the area of disabilities.

Preventative measures

In addition to supporting the municipalities, a share of the expenditure on children and young people goes to preventive measures designed to preclude the need for individual children/young people and their families to seek intervention measures. Much of this preventive work is under the auspices of Inuuneritta III, the Government of Greenland's 2020-2030 strategy for healthy childhood, which targets mental and physical health and a safe upbringing with an emphasis on giving children a healthy and safe start in life. Preventative work also focuses on issues like abuse, venereal diseases, early pregnancy, sexual assault and suicide.

It should be noted that suicide rates among young people remain unacceptably high, bringing grief to families and communities every year. A new suicide prevention strategy is expected to be ready for presentation at the 2022 autumn session of Inatsisartut. Table 9 below shows the number of suicides committed by young people aged 0-17 in the period 2018-2020.

Table 9. Number of deaths due to suicide, 0-17 years, 2018-2020

	2018	2019	2020
Number of suicides, 0-17 years	4	6	4

Note: Only 'suicide' is registered in the Greenlandic register of causes of death (i.e. not 'suicide and attempted suicide').
Source: Statistics Greenland and the National Board of Health.

Table 9 shows that the number of suicides among young people aged 18-23 is between 11 and 15 per year. In the period 2019-2020, the suicide rate was approximately 230 annually per 100,000 inhabitants aged 18-23.

Table 10. Number of deaths by suicide and total number of young people aged 18-23, 2018-2020

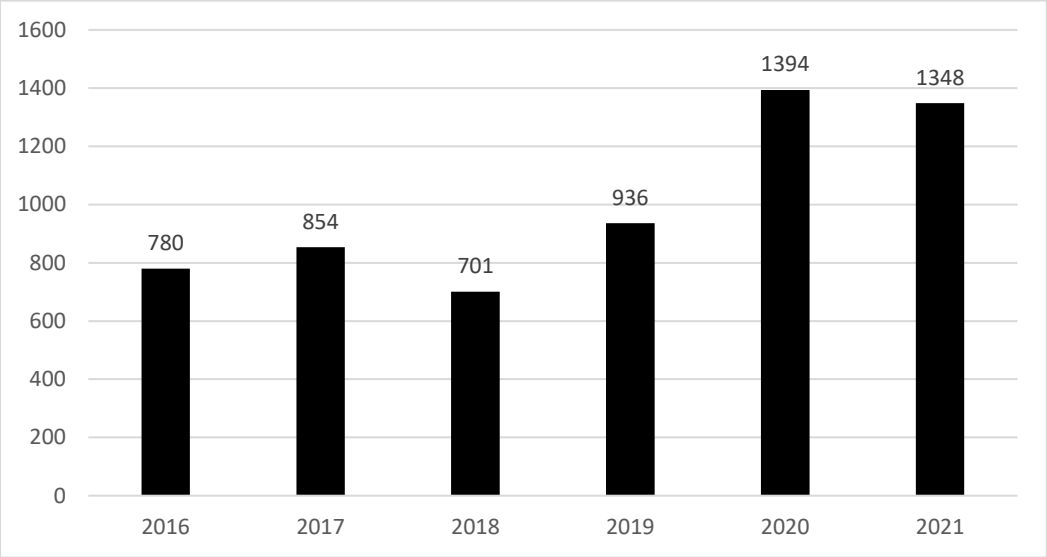
	2018	2019	2020
Number of suicides, 18-23 years	15	11	11
No. of young people aged 18-23	4,933	4,797	4,689
Number per 100,000, aged 18-23	304	229	235

Note: Only 'suicide' is registered in the Greenlandic register of causes of death.
Source: Statistics Greenland and the National Board of Health.

There is scant information on violence, particularly when it comes to data on violence in domestic relationships. The Government's upcoming action plan on violence in close relationships is expected to focus on this. However, some data already exist on the area of violence.

The Greenland Police publishes annual statistics that show, for example, the number of reports of violence. The police figures are based on registered reports, so they do not represent the actual total number of violent incidents. In addition, official crime statistics may vary depending on additional factors like campaigns to encourage people to report incidents, changes in reporting practices, etc., which may result in fluctuations. Figure 14 shows the number of reports of violent crimes, with a relatively large increase from less than 1,000 in 2019 to more than 1,300 in 2020 and 2021. According to the 2021 annual police statistics, the level of violent crime in Greenland is high. In Greenland, more than 6 times as many incidents of violence per capita are reported compared to Denmark, and compared to the Faroe Islands the number is 13 times higher.

Figure 14. Number of reports of violent criminal offences



Source: 2021 Annual Statistics, page 5, Greenland Police.

The population surveys in Greenland reveal difficult circumstances during childhood, as reflected by the high proportion of individuals in the birth cohorts who have been subjected to violence. However, these studies do not provide more detailed descriptions of the types of violence or the specific nature of the violence encountered in close relationships.

The Social Services Agency's Alliaq programme is intended to provide counselling to individuals who perpetrate violence against their loved ones. In 2021, Alliaq extended its opening hours and launched measures to heighten public awareness of the service and increase the number of people who seek assistance.

Table 11. Number of Alliaq consultations in 2020 and 2021

	2020	2021
No. of consultations	59	79

Source: Alliaq Annual Report, Social Services Agency.

Table 11 shows the number of times people consulted Alliaq, which increased from 2020 to 2021.

The Greenland Government Authorities' approach to children, young people and their families focuses on supporting the municipalities in their direct work with those in need of help. This is accompanied by prevention work, so that children, young people and their families will need less help in the years to come.

As mentioned earlier, the population survey indicates that respondents in the youngest age brackets were less likely to have grown up with difficult conditions at home than previous generations. However, a general challenge in the field of social services is the lack of available data. At the same time, some of the data that do exist are fraught with uncertainties because they are compiled manually. Improving the quality and quantity of data will make it easier to gauge the impact of interventions and to provide a better overview of how spending in this area is allocated, allowing for a more targeted and effective use of funds.

Some of this lack of data is expected to be resolved when the new ESDH system for case management is rolled out in the municipalities. However, there will remain a need for more systematic knowledge-building in this area.

1.9 The Treasury's accounts for 2021

The figures for the 2021 accounts are now available (see Table 12). The figures show:

- The OIL result (operating expenditure, revenue, capital expenditure, i.e. investment, and loans) in 2021 was a deficit of DKK 140 million. This must be seen in light of a budgeted OIL deficit of DKK 66 million, which, owing to 6 additional appropriations, led to an anticipated OIL deficit of DKK 215 million. Given the actual final deficit of DKK 140 million, however, the result was improved by DKK 75 million
- The OI result (operating expenditure, revenue and capital expenditure, i.e. investment) in 2021 was a deficit of DKK 150 million. This contrasts with a budgeted deficit of DKK 225 million, including additional appropriations, which is also a DKK 75 million improvement on the result

Both the OIL and OI results have been affected by the ramifications of the pandemic and by amendments to the partnership agreement with the EU, which have led to deferred payments.

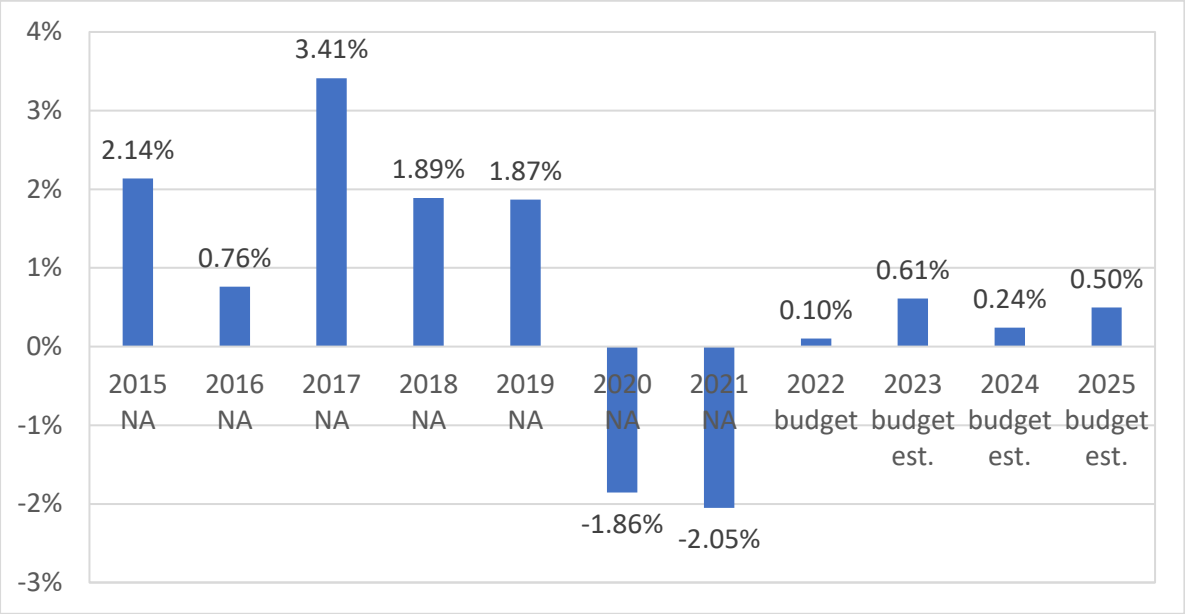
Table 12. Overview of key figures from the national accounts (NA) and budgets for 2015-2025 in million DKK (current budget and budget estimates)

	2015	2016	2017	2018	2019	2020	2021	2022 budget	2023 budget est.	2024 budget est.	2025 budget est.
Operations, subsidies & statutory expenditure	5,820	6,286	6,030	6,568	7,070	6,897	6,812	6,855	6,939	6,911	6,887
Revenue	-6,596	-6,923	-6,945	-7,266	-7,740	-7,431	-7,169	-7,397	-7,474	-7,477	-7,472
Capital expenditure (investment)	589	426	712	581	532	366	496	525	480	539	539
Of which investments excl. loans to Nukissiorfiit	502	456	518	501	501	306	437	393	360	360	360
OIL	**-188**	**-211**	**-204**	**-117**	**-137**	**-168**	**140**	**-18**	**-55**	**-28**	**-47**
OI	**-137**	**-51**	**-230**	**-135**	**-142**	**135**	**150**	**-8**	**-45**	**-18**	**-37**

Note: Negative figures are revenue/surpluses, while positive figures are expenditure/deficits.
Sources: Treasury accounts up to and including 2021, followed by the 2022 budget and future budget estimates.

Figure 15 shows Treasury results in OI up to the latest budget estimate year. Figure 15 illustrates that since 2015 the OI result of the Treasury has been a small surplus, with the exception of 2020 and 2021, when there was a deficit due to the impact of the pandemic. Figure 15 also reveals that a small surplus is anticipated for the Treasury in the budget estimate years.

Figure 15. OI result as a percentage of total expenditure for 2015-2025



Source: Based on figures from Table 12, i.e. Treasury accounts up to and including 2021, followed by the 2022 budget.

1.10 The ties with municipal finances

Finances in the public sector are closely intertwined. An unsustainable fiscal performance has a major impact on the range of financial options available to the municipalities and vice versa.

Higher revenues from direct taxes not only benefit the Treasury, but also the municipalities to a great degree. They receive approximately 70% of their total revenues from PAYE, corporation tax and dividend tax via municipal taxes and tax revenues redistributed between richer and poorer municipalities.

Municipal accounts for the 2021 (provisional figures) and 2022 budgets

Table 13 shows the provisional municipal accounts for 2021 and for the 2022 budget. It should be noted that these accounts have not yet been audited and approved at the political level.

Table 13. Municipal finances (positive figures indicate expenditure)

2021 accounts in DKK thousand (provisional figures)						
	Kujalleq*	Sermersooq	Qeqqata municipality	Qeqertalik	Avannaata	**Subtotal**
Operations	577,805	1,826,946	769,808	578,800	892,766	4,646,125
Capital expenditure	41,446	224,699	141,994	55,800	74,594	538,533
Revenue	-619,104	-2,122,039	-835,385	-619,900	-990,610	-5,187,038
Result	**147**	**-70,394**	**76,417**	**-14,700**	**-23,250**	**31,780**
2022 budget in DKK thousand						
	Kujalleq	Sermersooq	Qeqqata municipality	Qeqertalik	Avannaata	**Subtotal**
Operations	568,024	1,795,841	724,644	529,300	900,063	4,517,872
Capital expenditure	39,890	253,779	91,966	60,000	137,081	582,716
Revenue	-623,405	-2,191,877	-832,310	-599,500	-1,028,673	-5,147,155
Result	**-15,491**	**-142,257**	**15,699**	**10,200**	**21,507**	**-110,342**

Source: The municipalities. Please note that these are preliminary figures and final accounts may diverge significantly from the above.

** Kommune Kujalleq has not yet submitted accounting figures, so budgeted figures for 2021 have been used instead.*

The 2021 accounting figures for the Greenlandic municipalities confirm an observation already made by the Economic Council concerning the Greenlandic economy, namely that municipal finances appear to have come through the COVID-19 crisis well. The generally buoyant economy in Greenland, which of course includes the municipalities, has apparently softened the impact of the pandemic.

Avannaata Kommunia and Kommune Kujalleq each obtained permission from the Greenland Government Authorities in 2021 to increase their respective cash credit limits in a bid to enhance their liquidity. However, neither municipality has subsequently had any actual need to use this increased margin of credit to borrow significant amounts of money. Avannaata Kommunia has increased its short-term liquidity line by DKK 20 million and Kommune Kujalleq has increased its by DKK 25 million.

Kommuneqarfik Sermersooq is expected to face liquidity challenges stemming from substantial allocations in 2021 and 2022 for net lending to finance residential construction projects (20/20/60 scheme and cooperative housing).

Kommuneqarfik Sermersooq received net lending of approximately DKK 150 million in 2021 and net lending of some DKK 122 million has been budgeted for 2022.

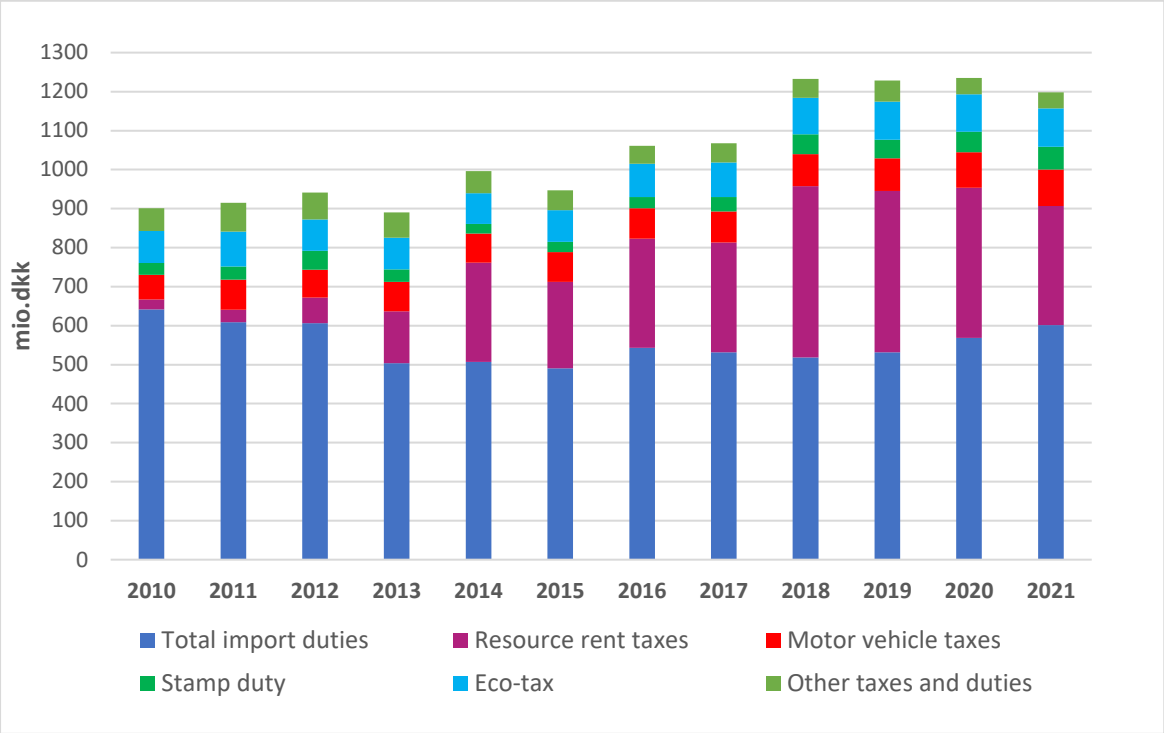
1.11 Taxes and duties

Indirect taxes and duties generated revenues of around DKK 1,198 million in 2021. Figure 16 shows the total revenue from duties and indirect taxes since 2011 in constant prices. This indicates that total revenue in 2021 was slightly lower compared to the period 2018-2020, a decline that was mainly driven by lower fishing taxes and duties.

Nevertheless, the figures also show that revenue in 2021 was generally higher than for the entire period prior to 2018. Indeed, the general trend for the period 2011 to 2021 was increasing revenue from indirect taxes and duties. Figure 17 provides a breakdown in constant prices, but without resource rent taxes. Accordingly, it appears that the trend towards increasing total revenues in constant prices from 2011 to 2021 can be attributed to significantly higher revenues from resource rent taxation.

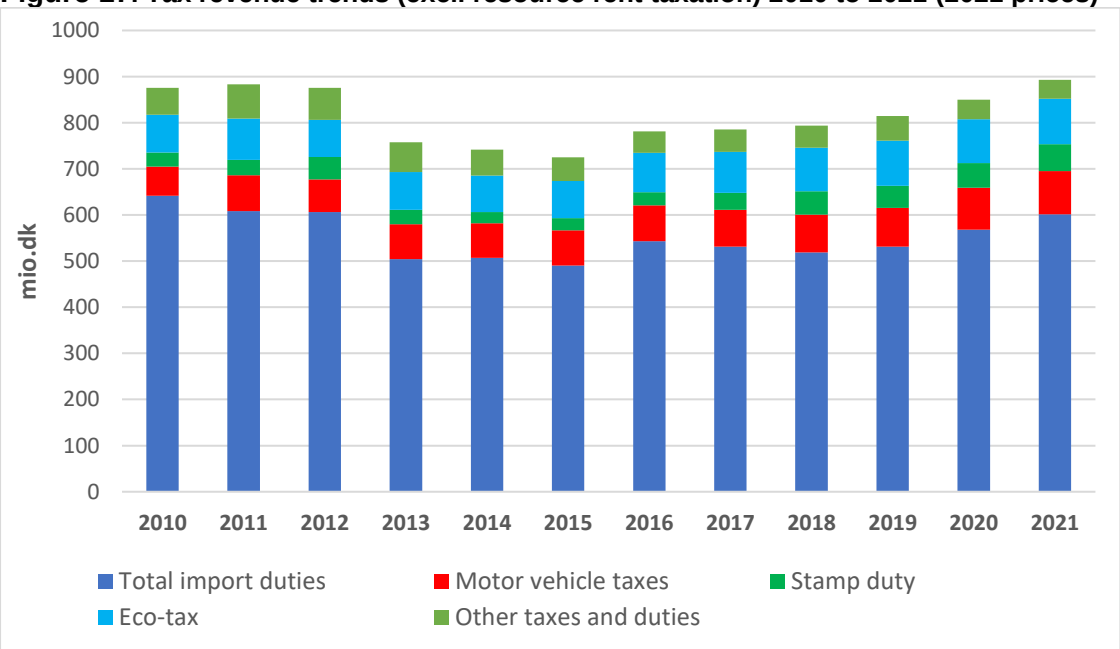
In this context, it should be noted that more far-reaching conclusions on the tax burden cannot be readily drawn from the tables. Tax revenues vary according to the state of the economy, so there may be fluctuations in tax revenues from year to year, even if tax rates remain unchanged. An increase in tax revenues in one year is therefore not necessarily indicative of an increase in taxes in that year, and the reverse is of course also true.

Figure 16. Tax revenue trends 2010 to 2021 (2021 prices)



Note: The price figures used for each year are the average of the consumer price figures for January and July.
Source: Greenland Tax Agency.

Figure 17. Tax revenue trends (excl. resource rent taxation) 2010 to 2021 (2021 prices)



Note: The price figures used for each year are the average of the consumer price figures for January and July.
Source: Greenland Tax Agency.

1.12 Tax arrears

Table 14 shows the trend in tax arrears from February 2021 to January 2022. The table shows an increase in arrears during 2021, both numerically and in DKK, even though prevailing economic trends in Greenlandic communities as a whole have been generally positive.

There is considerable variation in the types of arrears, with some types decreasing in number and in the amount owed.

The main increase is in the number of cases concerning outstanding taxes, which shows a massive increase from 13,489 to 221,548. The total amount due for PAYE has risen from DKK 16,339,083 to DKK 124,168,367.

Based on these figures, this corresponds to an average debt of DKK 383 per taxpayer over the age of 18 in February 2021 that then increased to DKK 2,902 in January 2022.

One of the reasons for the increase in the number of cases and arrears has been the implementation of the new Prisme accounting system in the period 2020-2022 by the Greenland Government Authorities and the municipalities. At the same time, a new collection system has been introduced by the Greenland Tax Agency. A new financial and collection system involves new workflows, streamlining measures and improved data flow and data quality for all departments. The implementation of the new systems has meant that both the Greenland Government Authorities and the municipalities have gone through the data with a fine-tooth comb, reviewed the information on record and optimised their administrative procedures. These improvements have, of course, also included arrears.

One practical explanation for the increase in the number of cases and unpaid taxes is that the updated arrears lists now include more details that were previously unavailable to administrative staff. Accordingly, this aspect of the increase in the number of cases and arrears is not a reflection of more arrears to tax authorities, but in fact of better data quality on the amounts due.

This improved data quality has highlighted the continued need to reduce arrears and the number of cases. However, the implementation of a new accounting system and a dedicated collection system has resulted in fewer arrears being recovered over the period in question.

The COVID-19 pandemic has also meant that physically pursuing the collection of arrears around the country has been challenging, but data are not available to quantify the scale of this particular effort.

One type of arrears that represents a large sum of money is the payment of child maintenance. To address this situation, a working group has been established with the collaboration of the municipalities and the Greenland Government Authorities. One of the tasks of the working group is to consider possible changes to the current system of child maintenance payments. One possibility under consideration is the introduction of an income-dependent model for the recovery of child maintenance payments that have been paid out of public coffers. This would entail increased operating costs for the public sector, but it is considered that such a move could help to improve the ability of payers to provide child support, thereby reducing the administrative workload.

When it comes to rent arrears, administrative officials have achieved good results with debt counselling. This initiative started as a pilot project and has now been rolled out nationwide. The basic idea behind debt counselling is to engage in direct dialogue with people about their finances and debts to help them to avoid falling into arrears. This in itself will not significantly affect the amount of arrears already accrued, but it could help to reduce the number of new arrears. Consequently, Naalakkersuisut wishes to see debt counselling further developed in relevant areas.

Table 14. Trend in arrears from the start of 2021 to the start of 2022 by type

Type	February 2021		January 2022			
	No. of cases	Amount	No. of cases	Amount	Difference [%]	Difference [%]
	cases	DKK	cases	DKK	No. of cases	Arrears
Maintenance payments	83,181	412,688,404	84,211	418,120,628	1.2	1.3
Tax arrears	13,489	550,689,330	221,548	500,826,922	1542.4	-9.1
ESU	73	35,587,037	67	33,558,624	-8.2	-5.7
PAYE	1,781	16,339,083	25,164	124,168,367	1312.9	659.9
Corporation tax	48	22,405,805	470	19,104,666	879.2	-14.7
Rent	10,361	35,904,085	9,042	44,248,826	-12.7	23.2
Tax interest	2,148	2,367,058	657	1,257,948	-69.4	-46.9
Misc. Municipal	15,957	56,207,730	12,316	42,131,290	-22.8	-25.0
Help with repayment obligation	4,535	25,475,343	3,948	23,550,261	-12.9	-7.6
Student loans	1,036	9,726,118	927	8,884,058	-10.5	-8.7
Day care	24,184	16,108,002	22,440	15,504,349	-7.2	-3.7
Refuse collection	100,102	36,049,987	94,217	35,097,519	-5.9	-2.6
Municipal business loans	7	65,985	7	65,985	0.0	0.0
Misc. Government back taxes	10,889	58,620,134	16,400	45,405,439	50.6	-22.5
Housing benefit loan	281	15,372,787	237	12,335,414	-15.7	-19.8
Build-self loan	256	3,070,448	213	2,715,706	-16.8	-11.6
Electricity/water	7,765	2,874,921	5,046	1,864,543	-35.0	-35.1
Parent's contribution, child in care	7,355	10,271,455	6,447	8,990,035	-12.3	-12.5
Nordic claims	1,214	6,860,608	1,818	12,925,351	49.8	88.4
Other arrears	4,393	1,800,774	3,547	1,669,686	-19.3	-7.3
Total	**289,055**	**1,318,485,093**	**508,722**	**1,352,425,619**	76.0	2.6

Source: Greenland Tax Agency.

1.13 Debt trends

The situation of the Greenland Government Authorities

At the end of March 2022, the Greenland Government Authorities' residual debt amounted to DKK 83.2 million, with liquidity of approximately DKK 1,188.2 million. Since liquidity outweighed debt, the Greenland Government Authorities had net assets of approximately DKK 1,105 million.

The Greenland Government Authorities are currently servicing a single loan taken out with the Nordic Investment Bank (NIB). The covenants associated with the loan mean that the Greenland Government Authorities may maintain a maximum net interest-bearing debt of 20% of the annual revenues of the Treasury, which means that the Greenland Government Authorities, excluding all state-owned companies, may have net interest-bearing debt of DKK 1.4 billion.

Table 15. Projected evolution of interest-bearing and net interest-bearing debt of the Greenland Government Authorities, state-owned companies and the municipalities in the period 2021-2025

Interest-bearing debt (DKK million)	**2021**	**2022**	**2023**	**2024**	**2025**
Greenland Government Authorities	95	71	47	23	0
State-owned limited companies	5,481	6,046	6,336	6,610	6,089
Municipality-owned limited companies	378	871	1,277	1,264	707
Municipalities	90	40	36	33	30
Total	**6,044**	**7,027**	**7,696**	**7,930**	**6,826**
Net interest-bearing debt					
Greenland Government Authorities	-1,045	-853	-902	-992	-1,057
State-owned limited companies	4,488	5,300	5,803	5,981	5,907
Municipality-owned limited companies	352	828	1,236	1,238	681
Municipalities	-224	-250	-273	-313	-410
Total	**3,571**	**5,024**	**5,864**	**5,914**	**5,120**
Guarantees					
Guarantees municipal companies	0	20	20	20	20
Guarantees municipalities	39	160	160	160	140
Total	**39**	**180**	**180**	**180**	**160**

Explanation of terms: Interest-bearing debt = debts to lenders. Net interest-bearing debt = debt to lenders + cash and cash equivalents. -- KAIR A/S is included from 2021 onwards. The projection of the debt of the Greenland Government Authorities does not include possible borrowing for major hydroelectric investments.
Source: Department of Finance and Gender Equality, based on received information.

The above estimate of projected debt is subject to considerable uncertainty and the figures in Table 15 should therefore be treated with caution. In Table 15, under 'state-owned limited companies', two-thirds of the expected debt in Kalaallit Airports A/S (KAIR) is included, corresponding to the Government of Greenland's share in the company.

The significant expected growth in debt accrued by municipally-owned limited companies is mainly due to anticipated borrowing under the umbrella of Nuuk City Development.

The situation of limited companies under the ownership of the Greenland Government Authorities

The limited companies under the ownership of the Greenland Government Authorities expect to defer major investment decisions until the period 2023-2025. Minor investments to support ordinary operations will, however, be made as planned:

- Air Greenland A/S has investment needs that are primarily driven by a concerted process of fleet renewal. Air Greenland achieved a pre-tax profit of DKK 153 million in 2021 and the air carrier is expecting delivery of its new Airbus 330-800neo aircraft in December 2022
- Royal Greenland A/S has made estimates for debt levels that are in line with the company's long-term strategic projections, but it should also be noted that the seafood business is rife with uncertainties from several quarters, including Brexit, COVID-19 and, most recently, the war in Ukraine, all of which means that the available figures must be treated with a certain degree of caution
- Kalaallit Airports has signed contracts for the construction of three new airports in Nuuk, Ilulissat and Qaqortoq. The airports in Nuuk and Ilulissat are financed by a combination of capital injections from the owners and loan financing. The airport in Qaqortoq is financed

directly by the Treasury. New calculations made recently in conjunction with the capital injection for Kalaallit Airports A/S show that the project finances for airport construction in Nuuk and Ilulissat continue to be socio-economically robust

- KNI A/S anticipates continuity in turnover, although the widespread trend towards migration from the settlements and outlying areas to the rest of Greenland may of course have a negative impact on sales. It is also expected that the turbulent past of KNI's accounting practices will come to a conclusion and that confidence in the company's accounting practices can be restored
- TUSASS A/S has recently made investments in cyber security and service network reliability. Major investments by the Greenlandic telecom provider are expected from 2023 for the construction of an additional submarine communications cable
- Royal Arctic Line A/S has clarified the situation surrounding the use of the Port of Aalborg and future use of the Port of Aarhus. In addition, the company has been renewing its fleet of container ships in recent years, so there is no immediate expectation of major investment needs in the coming years. Hence, the company has no plans for additional borrowing during the projection years

2 Goals and principles of safeguarding capital assets

There is currently a significant maintenance backlog in a number of areas due to insufficient allocation of funds over many years. Naalakkersuisut hopes to provide a comprehensive overview of the extent of and reasons for maintenance backlogs in a forthcoming national spatial planning report, which is expected to be presented later in 2022. The report will also seek to clarify how these backlogs can be addressed. Nevertheless, there is already a substantial body of knowledge on maintenance backlogs in a number of sectors that are briefly reviewed here.

Airports
Legislation on the merger of the Greenland Airport Authority (Mittarfeqarfiit) and Kalaallit Airports A/S was scheduled to be addressed during the 2022 spring session of Inatsisartut. However, it has become necessary to conduct additional economic analyses and calculations of some of the impacts of the proposed legislation. This concerns in particular the costs of a possible transformation of Mittarfeqarfiit and analyses of the financial impact on service contracts.

One of the cost drivers is a sizeable reinvestment backlog that requires the setting of priorities in order to maintain minimum flight safety requirements, and which will have to be addressed over the coming years. The maintenance backlog must be rectified irrespective of the ownership structure and is independent of the reorganisation of the airport structure. The preliminary estimate of the required capital for reinvestment is DKK 1 billion, but this will be determined more precisely in connection with the work on transforming Mittarfeqarfiit into a limited company.

Ports
Many of the country's ports are in poor condition. In 2021, the reinvestment backlog in the Greenland Government Authorities' ports was calculated at DKK 270 million, and this figure is constantly growing. An annual DKK 25.2 million is allocated in the budget for reinvestment in ports. However, this only covers the most essential maintenance, and does very little to improve the port facilities. As a result, the country's port facilities are largely outmoded and fail to meet the latest standards. Passenger facilities are not suitable in many places for children, the elderly and people with walking difficulties. Businesses must also contend with inadequate conditions in many locations.

At present, options are being explored for introducing user fees in the main towns. It is expected that certain user groups and locations will not be charged such fees. The objective is that user fees will eventually cover the costs of operation, maintenance and reinvestment in the ports concerned, so that they become self-sustaining and are constantly modernised. It is important to underscore that the introduction of user fees alone is not expected to address and eliminate the maintenance backlog in ports unless separate funds are allocated for this purpose.

Housing

In the housing sector, it is estimated that if the current situation is prolonged, the housing stock will continue to deteriorate and renovation costs will spiral upwards. Within just a few years, the need for renovations in rental housing owned by the Greenland Government Authorities alone will rise to roughly DKK 3 billion by 2025. This is an increase of DKK 0.9 billion in 3 years or DKK 0.3 billion per year. Urgent action is therefore required.

In addition, there is a maintenance backlog in municipal rental housing (excluding Kommuneqarfik Sermersooq) of about DKK 300 million.

Highlighting and proposing solutions to the maintenance backlog is part of the work on the implementation of the Comprehensive Housing Plan.

Energy supply

In the area of power generation, particular attention is being paid to identifying the extent of the maintenance backlog at Nukissiorfiit with a view to establishing a solid financial footing for the company that can generate sufficient funds to cover both the backlog and ongoing maintenance. The shortfall is largely, but not exclusively, attributable to the 2018 uniform price system reform for electricity and water, which reduced Nukissiorfiit's revenues by more than DKK 150 million a year due to price reductions. This loss of revenue has only been partially compensated for, and the company's accounts are still not in balance today. The preliminary estimate of Nukissiorfiit's maintenance backlog is DKK 2.4 billion.

It is therefore clear that in future budgets priority should be given to funding our collective infrastructure: housing, airports, energy supply and ports. Everyone depends on these facilities, people and businesses alike, and they constitute a vital foundation for our society. In addition, it must be ensured that we maintain our public infrastructure to avoid passing on a bill to coming generations.

3 The framework for the 2022 budget and preparation of the 2023 draft national budget

3.1 Basis for the upcoming budget

Although the 2022 budget was adopted with a sizeable surplus in each of the 2023-2025 budget estimate years, revenue estimates from taxes have subsequently been revised downwards. This downward correction is mainly due to the absence of fish exports to Russia, but also to expectations of a general slowdown of the economy. In addition, there will be a high rate of inflation in 2022 that is provisionally estimated to be 2.85%.

The anticipation of an economic slump, with negative real growth in 2023 and a corresponding decline in tax revenues, is based on the following observations:

First, the war in Ukraine has ushered in a period of insecurity and destabilisation. The war has added to the rising inflation that was already apparent before the invasion. Furthermore, the conflict has led to higher global food and energy prices. The world's central banks are expected to raise interest rates to curb rising inflation. The latest annual inflation rate in the EU as of March 2022 is 5.8%. This must be seen within the context of a general inflation target of around 2%. Higher interest rates are expected to reduce consumption and thus put a damper on growth. As described earlier, the war has had an adverse effect on sales of seafood previously marketed in Russia. Likewise, there are ongoing and uncompleted negotiations with the UK on a trade and fisheries agreement. All these factors mean that negative real growth is expected next year. However, it should be emphasised that there is a high degree of uncertainty as to how the economy will evolve in 2023, due to the aforementioned circumstances.

Details on payments from the EU

The previously mentioned partnership between Greenland and the EU as an OCT association agreement will contribute a total of DKK 1.7 billion, spread over the entire period of 2021-2027. This consists of a fixed component and a variable component, which depends on how well the Greenland Government Authorities meet their targets. Payments for the variable component are spread over two areas, namely education and green growth, with 90% going to the former and 10% to the latter. This is different from the last agreement, in which 100% was allocated to education. The agreement means that the education sector loses around DKK 20-25 million in annual funding, which in turn goes towards green growth. This will have an impact on future budgets. It is not yet clear what consequences the OCT Greenland agreement will have for education and green initiatives in the 2023 budget. Inatsisartut may choose to compensate the education sector for the lost revenue related to the partnership agreement with the EU, if necessary, through cost-cutting measures elsewhere. Alternatively, an adjustment will have to be made within the education sector's own budget.

Due to the new payment plan for education under the partnership agreement, there has been a deferral in transfers of funds from the EU. In 2021, Greenland did not receive any money from the EU under this new partnership agreement, although DKK 233.8 million was allocated in the 2021 budget. It is hoped that these funds will be paid to the Greenland Government Authorities in the period 2022-2027. The exact amount depends on how well the Greenland Government Authorities meet their targets. The timing of these funds has not yet been determined, but it will be clarified before the finalisation of the 2023 budget.

In preparing the draft budget for 2023, Naalakkersuisut expects to emphasise the following:

- The priorities established by Naalakkersuisut will serve as a guideline for new expenditure proposals, so that new spending initiatives are made on a coordinated and informed basis and underpin the shared vision of the Government
- In view of the demographic changes that will create a substantial sustainability problem, the aim is to adopt budgets with surpluses large enough to cope with these challenges and to withstand the expected adverse effects of the pandemic, the war in Ukraine, rising inflation and the need for emergency measures in Karrat Fjord. This will give Naalakkersuisut a margin of flexibility in relation to other economic policies

- According to the provisions of the Budget and Accounting Act, the budget shall, as an absolute minimum requirement, be balanced with respect to revenue and expenditure, as expressed by the projected OI result (operating expenditure and investment) for the 2023-2026 financial period. The regulations also stipulate that real growth in expenditure for 2023 must not exceed 1%, and for 2023-2026 it has been capped at 2%
- New spending requests must, in principle, be financed within the scope of existing appropriations or through concrete re-prioritisation proposals
- The priorities set out in the draft 2023 budget are designed to promote initiatives in the following key areas:
    - Employment and increased job opportunities
    - Measures to support the development of existing occupations and the development of new professions
    - Combating poverty
    - Tackling the maintenance backlog in all relevant sectors over a span of several years
    - In the area of construction, unallocated funds will be prioritised on the basis of the available sectoral plans. It is a key goal that funds be distributed in a way that generates activity across the country and throughout the year

Dealing with new expenditure requests

Requests for additional funds from various sectors are submitted on a regular basis. It will not be possible to accommodate all of these in the upcoming 2023 draft budget.

Proposals with financial consequences will always have to be prioritised collectively when preparing the new draft budget.

The underlying principle is that any requests for additional expenditure within a ministerial area must therefore, whenever possible, be offset by comparable savings within its own sphere of responsibility. Naalakkersuisut's forthcoming amendments to the second and third parliamentary reviews of the draft 2023 budget must also be backed by financing.

In the ongoing political debate of the draft budget, the same expectations apply to the financing of proposals, not least in view of the current level of uncertainty around the globe.

Naalakkersuisut hopes to gain broad political support for the budget and is accordingly entering the negotiations with a high degree of willingness to cooperate in order to forge a responsible and sound fiscal framework for the country.

Preparation of the 2023 draft budget

Agreements from previous years provide several benchmarks for the work on the 2023 draft budget. The aim of the budget negotiations is to conclude a written agreement with the parties on key issues and to ensure the necessary conformity with both general and sectoral policy objectives and plans. Broad consensus on agreements is preferable, particularly when it comes to major reforms.

3.2 Drafting of a block grant agreement with the municipal authorities for 2023

In August 2020, the municipalities and the Greenland Government Authorities signed a new budget cooperation agreement to modernise the collaboration between central and local governments and to pave the way for long-term joint solutions to financing and service delivery throughout the public sector.

The budget cooperation agreement focuses on structuring this partnership. To achieve this, national and local sector plans are needed to coordinate the provision of public services and to ensure long-term fiscal sustainability.

Work is underway on a new block grant agreement with the municipal authorities for 2023. In conjunction with the next round of block grant talks, it is expected that issues related to child maintenance payments, labour market benefits and a new housing development agreement will be discussed. Discussions on the transfer of housing from the Greenland Government Authorities to the municipalities will be conducted in accordance with the Comprehensive Housing Plan.

4 Benchmarks and indicators

4.1 Economic governance

The 2022 Political and Economic Report provides an update on current economic performance and minor modifications to the key performance benchmarks and associated indicators that were first presented in the 2019 Political and Economic Report to track developments in Greenland.

4.2 Use of benchmarks and performance indicators

To monitor progress in achieving overarching policy goals related to strategy documents like the Sustainability and Growth Plan, a set of concrete indicators has been developed to ensure continued focus on achieving these goals and to tackle underlying structural socioeconomic problems.

The indicators below are cross-cutting in nature and serve as key indicators within the four reform tracks from the 2016 Sustainability and Growth Plan (Table 16). The indicators have been selected with a view to:

- Their effectiveness for measuring performance over the long term
- The relative ease of procuring the requisite data for them, primarily via Statistics Greenland
- Whenever possible, in keeping with relevant UN Sustainable Development Goals (SDGs)
- Whenever possible, use in benchmarking with comparable countries and regions
- Their being readily communicable politically, administratively and to the general public

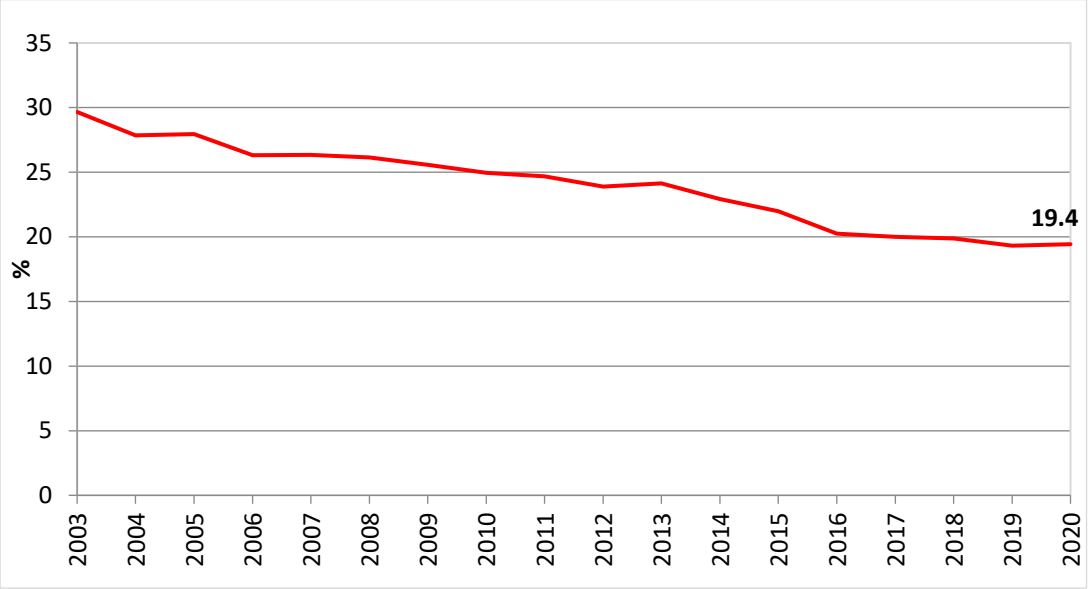
Table 16. Indicators of progress on achieving overarching goals

Indicator	Reform track	Title	Data
1	Cross-cutting	**A self-sustaining economy**	Block grant's relative size in relation to GDP
2	Cross-cutting	**Increased production and growth**	Real growth in GDP
3	Cross-cutting	**Size of the public sector**	Public sector share of GDP
4	Cross-cutting	**Indebtedness and economic freedom of action**	Net debt relative to GDP
5	Cross-cutting	**More people in well-paid jobs**	Income trends among adults
6	1 – Education	**More people with vocational qualifications**	Proportion of 30-34-year-olds with vocational qualifications
7	1 – Education	**More school-leavers pursue further education**	Proportion in further education one year after completing compulsory education
8	2 – Growth	**A more robust export economy**	Breakdown of exports by sector
9	2 – Growth	**More people employed**	Unemployment rate figures in %
10	3 – Public sector	**Size of the public sector**	Public sector payroll costs
11	3 – Public sector	**Better health for all – a longer life expectancy**	Life expectancy trends
12	4 – Financial self-reliance	**Greater equality and reduced social disparities**	Gini coefficient trends in a number of countries
13	4 – Financial self-reliance	**More people in the workforce**	The employment-population ratio
14	4 – Financial self-reliance	**More young people in education or employment**	Young people aged 15-25 who are neither in education nor in employment
15	1 – Infrastructure	**Renewable energy production**	Proportion of renewable energy generated by Nukissiorfiit
16	2 – Infrastructure	**Total energy consumption**	Renewable energy ratio (% of total energy consumption) 2010-2020.
17	Crime	**Reduction in violent crime**	Trends in reported offences

18	Housing	**Sustainable rent levels to ensure balanced finances in public housing**	Trends in rent per square metre in the Greenland Government Authorities' rental housing relative to the consumer price index

Cross-cutting goals and indicators

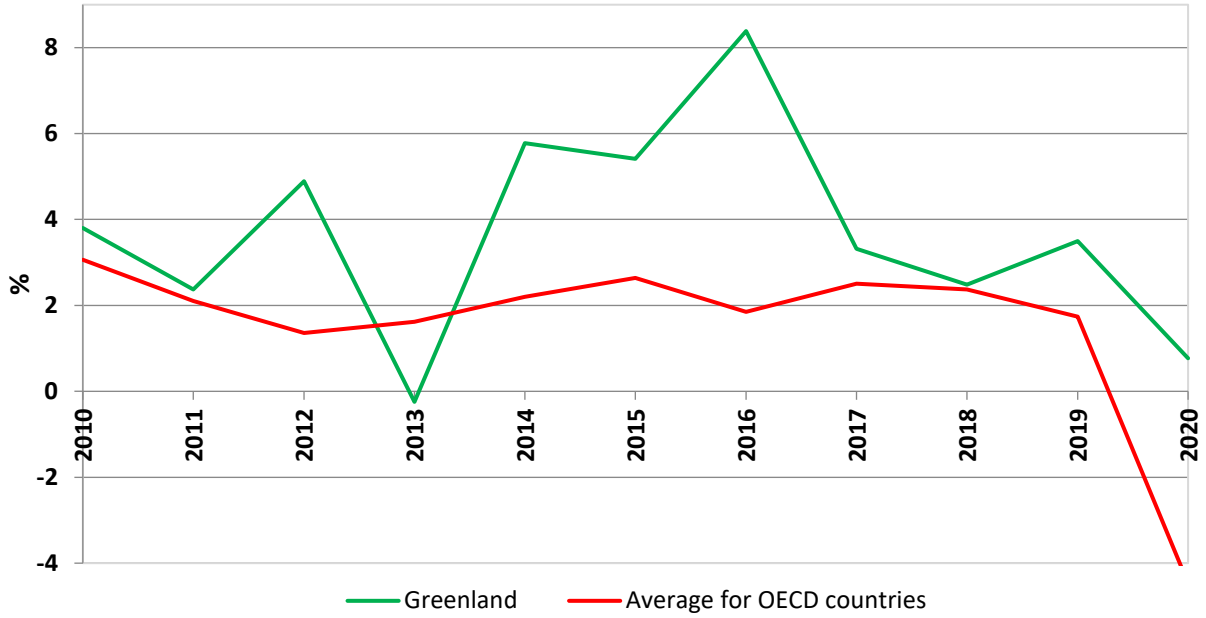
Figure 18. Goal 1: A self-sustaining economy. Reduction of the size of the block grant relative to GDP



Source: Statistics Greenland.

The size of the block grant relative to GDP has been slowly declining and thus generally fulfils the political goal of reducing reliance on subsidies from Denmark. This is partly due to the erosion of the value of the block grant with respect to price and wage adjustments. Since the block grant is adjusted for the Danish rate of growth and inflation, and since growth is generally higher in Greenland than in Denmark, the relative value of the block grant is declining in comparison with GDP. Moreover, the fact that the block grant is not adjusted to reflect the full extent of wage increases means that it fails to keep pace with GDP growth. These two mechanisms result in the block grant representing a dwindling share of GDP, and it will continue to decline in the future.

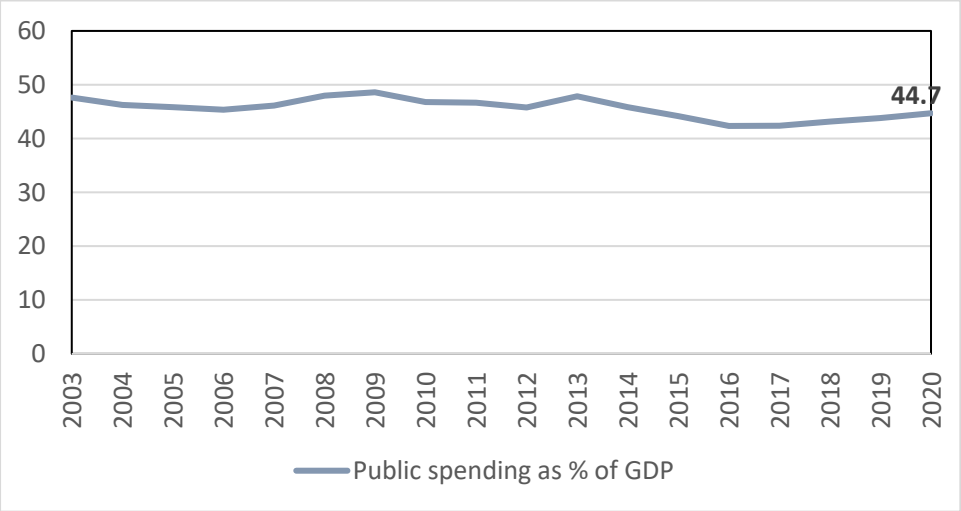
Figure 19. Goal 2: Increased production and growth. Real growth in GDP in the period 2003 to 2020 relative to OECD benchmarks



Source: Statistics Greenland and OECD
Note: The fall in real GDP growth in 2013 is due to a medium-term economic slowdown in both private consumption and exploration investment. This was compounded by a low level of activity in the construction sector and falling shrimp quotas.

The annual real growth in GDP has been consistently high, also in comparison with the OECD country average. GDP growth in Greenland is prone to significant fluctuations attributable in part to the high reliance on the fisheries trade.

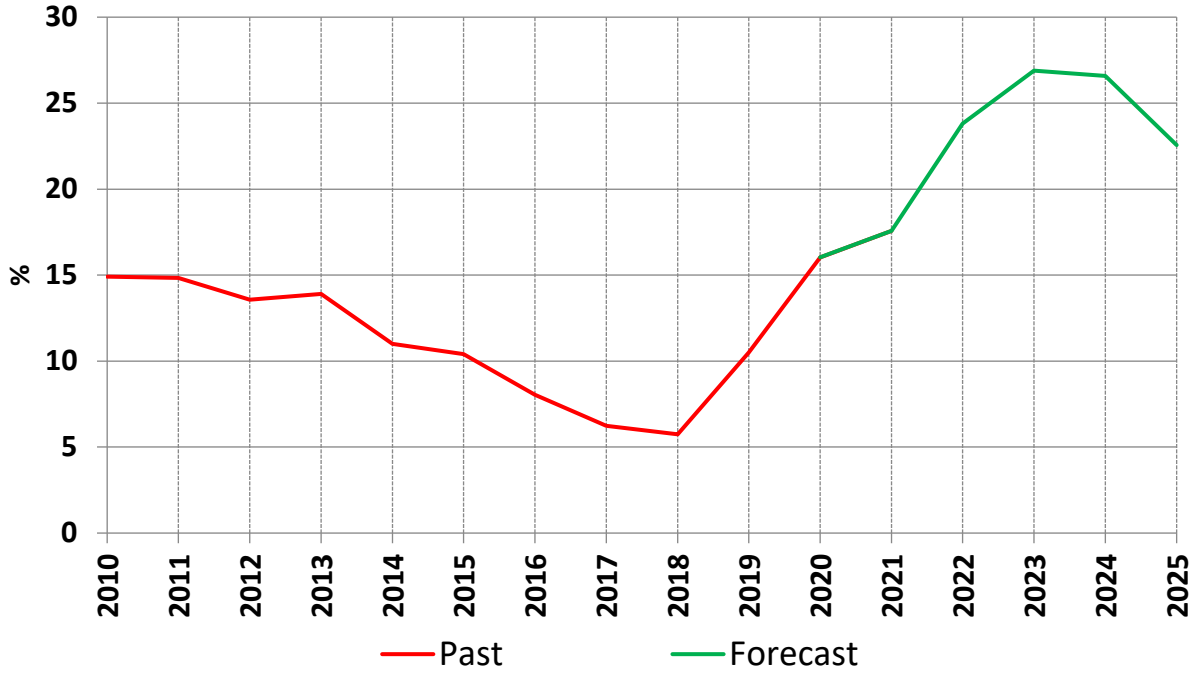
Figure 20. Goal 3: Size of the public sector. Public spending as % of GDP



Source: Statistics Greenland.

The public-spending share of GDP has generally decreased since 2003, but with a slight increase from 2016 to 2019. In 2020, there was a slight decline. Public spending is still relatively high in international terms. This is partly attributable to Greenland's geography and population size.

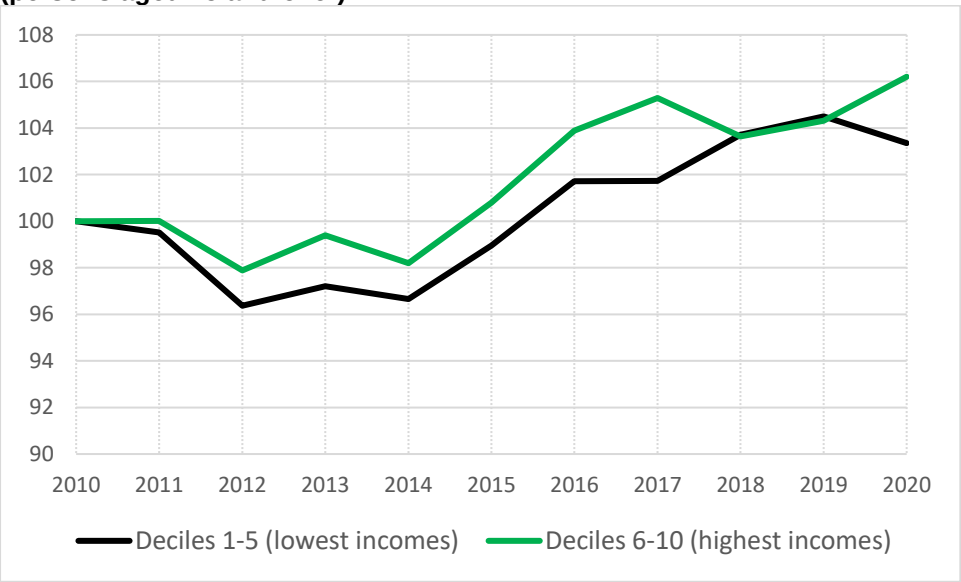
Figure 21. Goal 4: Indebtedness and economic freedom of action. Total net interest-bearing debt and projected borrowing as a percentage of GDP, 2010-2025



Note: KAIR A/S is included from 2021 onwards.
Source: Based on data from Statistics Greenland, projections from the Economic Council 2022:1 and information from limited companies under the ownership of the Greenland Government Authorities.

Total net public debt in comparison with GDP declined until 2018, but it looks set to increase until 2023. An assessment of the size of the net debt must take into account Greenland's risk exposure. In view of the current heavy reliance on the fisheries trade, Greenland's debt-servicing capacity is lower than if it had several key industries. In the international context, debt remains low, or at least it was until 2018.

Figure 22. Goal 5: More people in well-paid jobs. Index of trends in disposable income for the 50% of the population with the lowest income and for the 50% with the highest income (persons aged 15 and over)

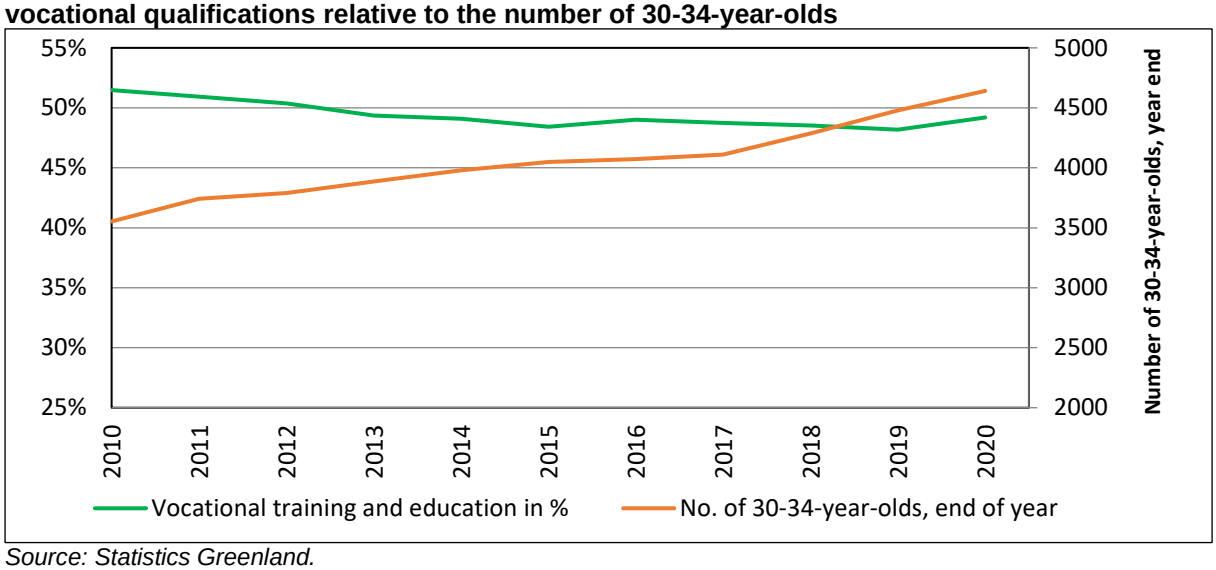


Source: Based on data from Statistics Greenland (INDPI401 and PRDPRISF).

Figure 22 shows, for example, that disposable income (i.e. income after tax in real prices) for people aged 15 and over was around 4% higher in 2018 and 2019 than in 2010 for both the half with the lowest income and the half with the highest income. This indicates that more people have in fact found well-paid jobs. In 2020, however, there was a fall in disposable income for the half with the lowest income, while there was an increase for the half with the highest income. However, in 2020, both groups were significantly above the level in both 2010 and in the years 2012-2014.

Goals and indicators for education

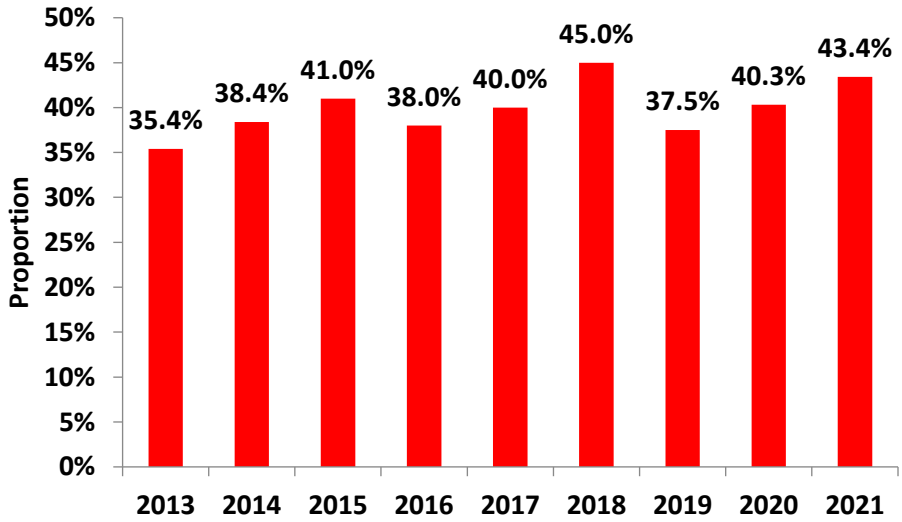
Figure 23. Goal 6: More people with vocational qualifications. The number of individuals with vocational qualifications relative to the number of 30-34-year-olds



Source: Statistics Greenland.
Note: This assessment is susceptible to changing patterns of immigration/emigration, which may affect the trend from one year to the next.

The population segment aged 30-34 declined sharply in number between 2002 and 2010, but has subsequently grown since 2010. The proportion of individuals with vocational qualifications increased by around 4 percentage points over the entire period from 2002 to 2018. The proportion was lower in 2020 than at its peak in 2010.

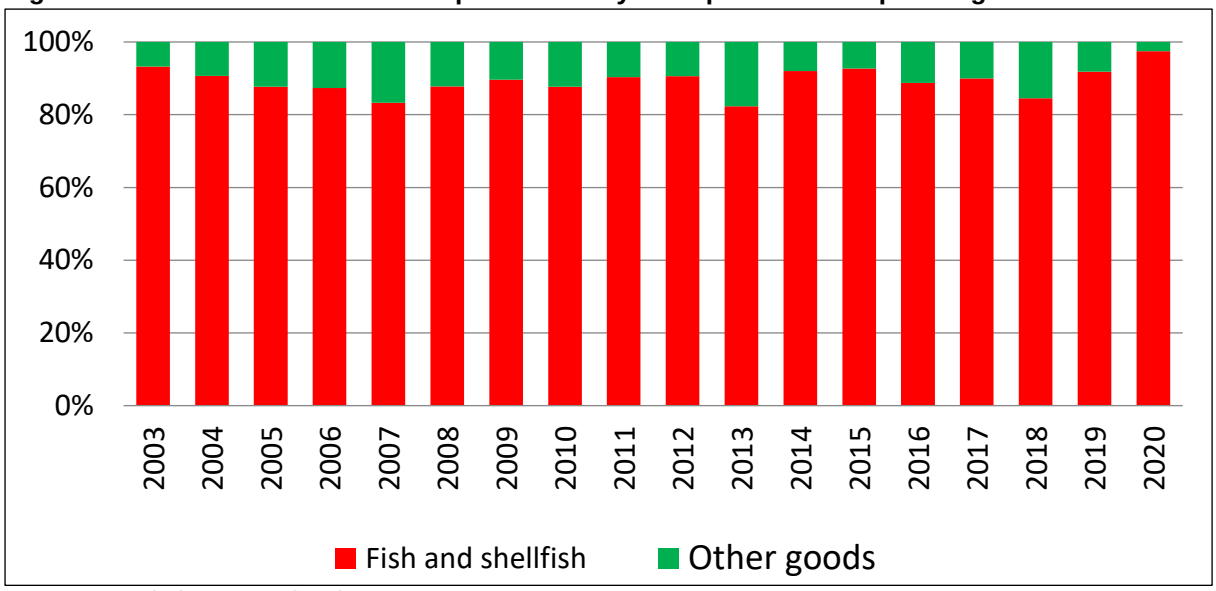
Figure 24. Goal 7: More school-leavers pursue further education. Proportion of students in further education one year after completing compulsory schooling



Note: Students proceeding directly to 'efterskole' (a Danish type of independent boarding school for young people between the ages of 14 and 18) after 9th grade are not included in the calculations. Figure 24 *also does not fully cover school-leavers who do not take lower secondary school final exams.*
Source: Based on figures from the Ministry of Education, Culture, Church and Research, May 2022.

The proportion of students moving on quickly straight after lower secondary school increased from 35% in 2013 to 40% in 2020, but the numbers continue to be low.

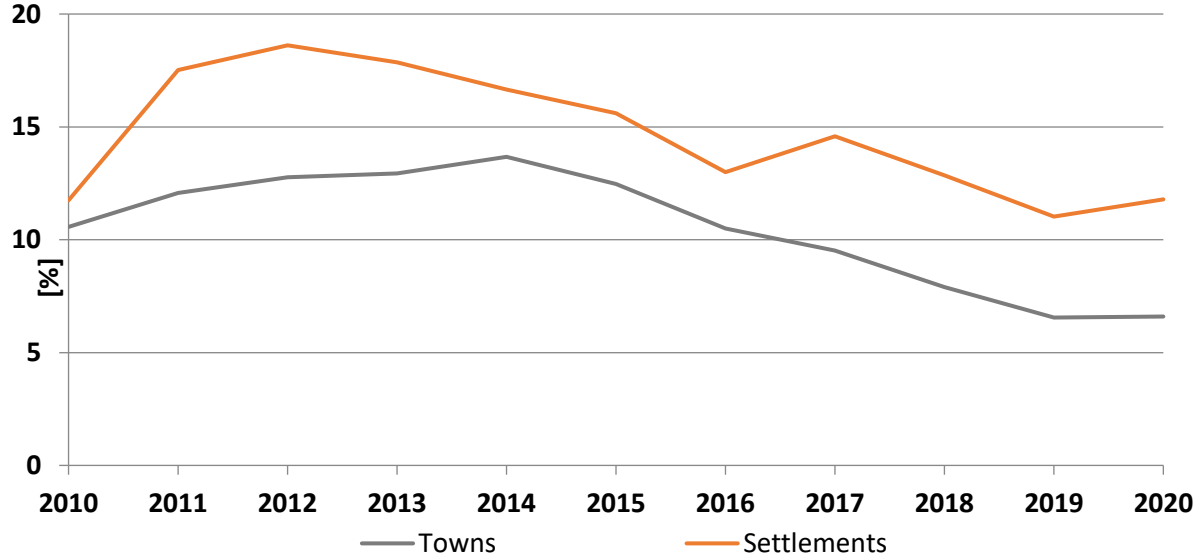
Figure 25. Goal 8: A more robust export economy. Composition of exported goods



Source: Statistics Greenland.

Exports of fish and shellfish continue to account for a very high share of the total amount of exported goods. This makes the economy very vulnerable to fluctuations in the fisheries sector, for example, with regard to prices and quota sizes. The method of calculating the value of fish exports has changed from 2019. This means that it plays a relatively greater role in this analysis than in previous years.

Figure 26. Goal 9: More people employed. Unemployment rate in towns and settlements, 2010-2020

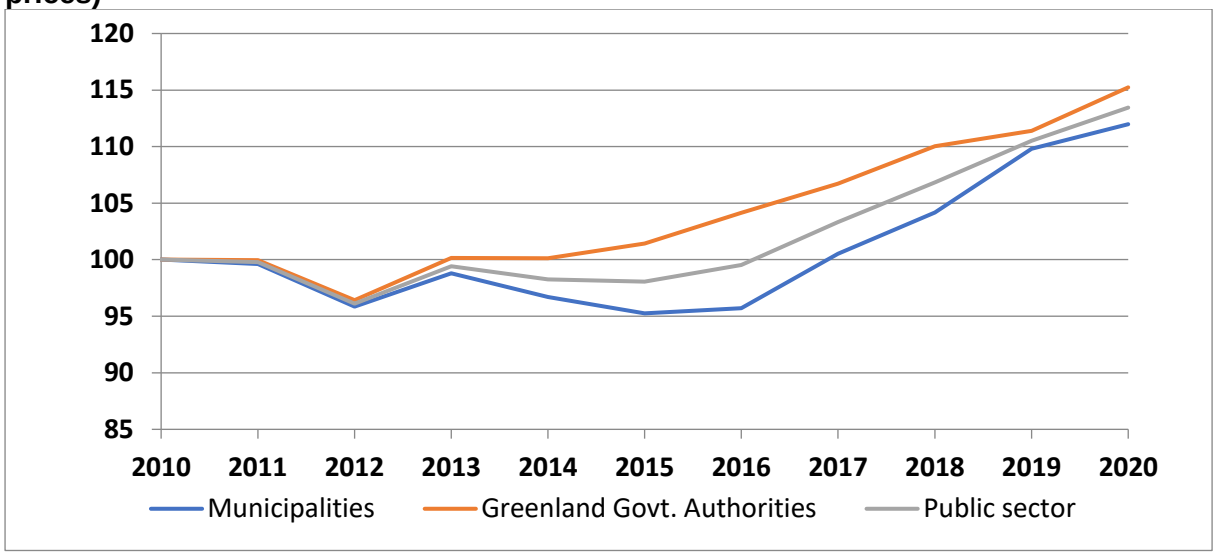


Source: Statistics Greenland.

The number of registered jobseekers has been decreasing since 2014 in towns, while it has been fluctuating to a greater degree in settlements. The number of registered unemployed persons is relatively higher in settlements than in towns.

Goals and indicators for the public sector

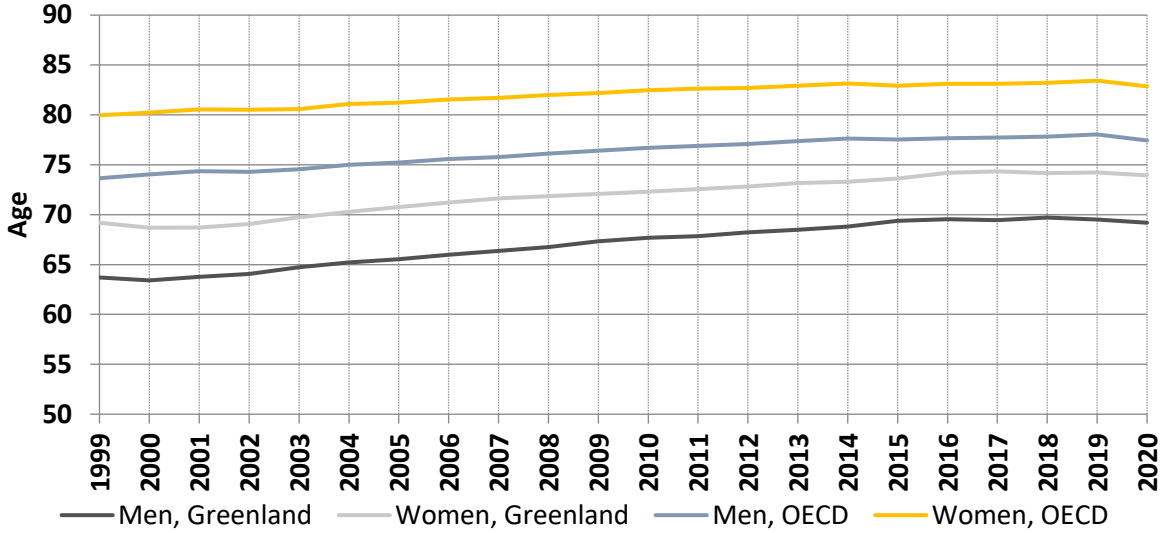
Figure 27. Goal 10: Size of the public sector. Public sector wage cost index (in 2010 prices)



Source: Statistics Greenland.

Total public sector wage expenditure has been rising in recent years. Total payroll costs for the Greenland Government Authorities have increased since 2013, while municipal payroll costs decreased from 2010 to 2016, and then rose steeply from 2016 to 2020. Expenditure on wages is shown in constant prices, suggesting a fairly significant expansion of the public sector. There are already labour shortages in the public sector, so it will be necessary to redeploy the public sector workforce over the coming years to provide additional resources to regions affected by demographic changes.

Figure 28. Goal 11: Better health for all – a longer life expectancy. Life expectancy trends

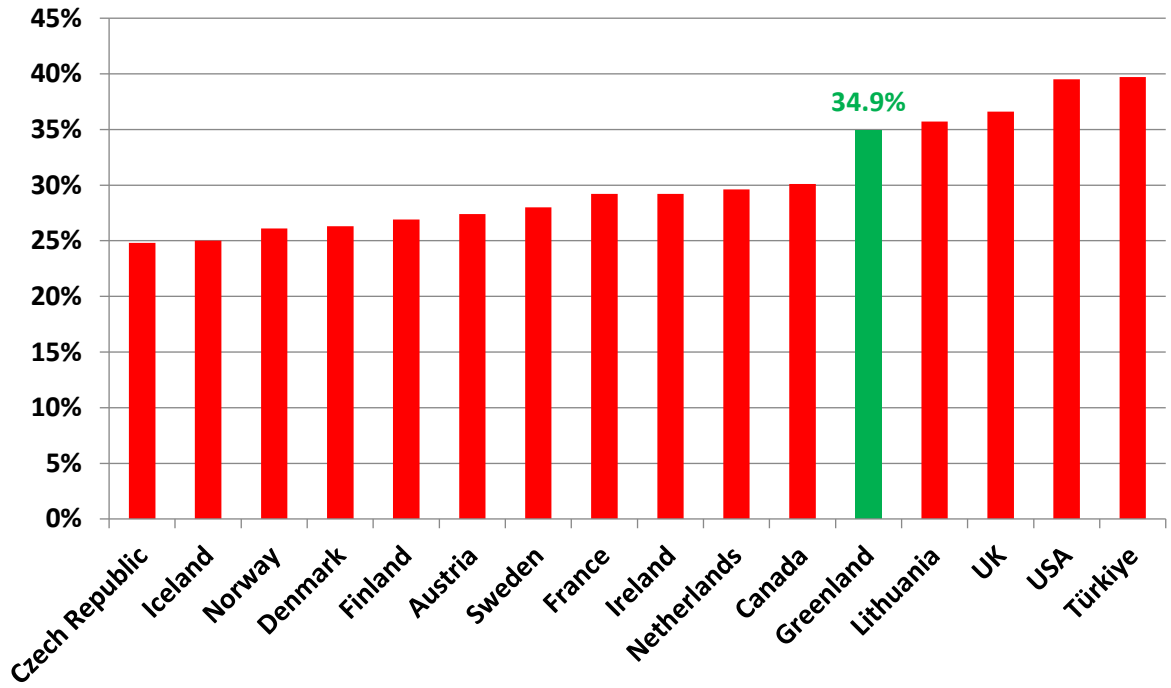


Source: Greenland Statistics (table BEXBBDTB) and OECD (weighted average based on data from individual countries).

Life expectancy has generally been increasing since 1999 for both men and women, but women on average still live longer than men. Greenland is still lagging behind in relation to other OECD countries. There was a decline in life expectancy from 2019 to 2020 both in Greenland (around -0.3 years) and in the OECD countries as a whole (around -0.6 years). According to the OECD, the COVID-19 pandemic led to a decline in life expectancy in most OECD countries by 2020. The first death attributed to COVID-19 in Greenland was reported on 28 December 2021.

Goals and indicators for financial self-reliance

Figure 29. Goal 12: Greater equality and reduced social disparities. Gini coefficient trends in a number of countries in 2019

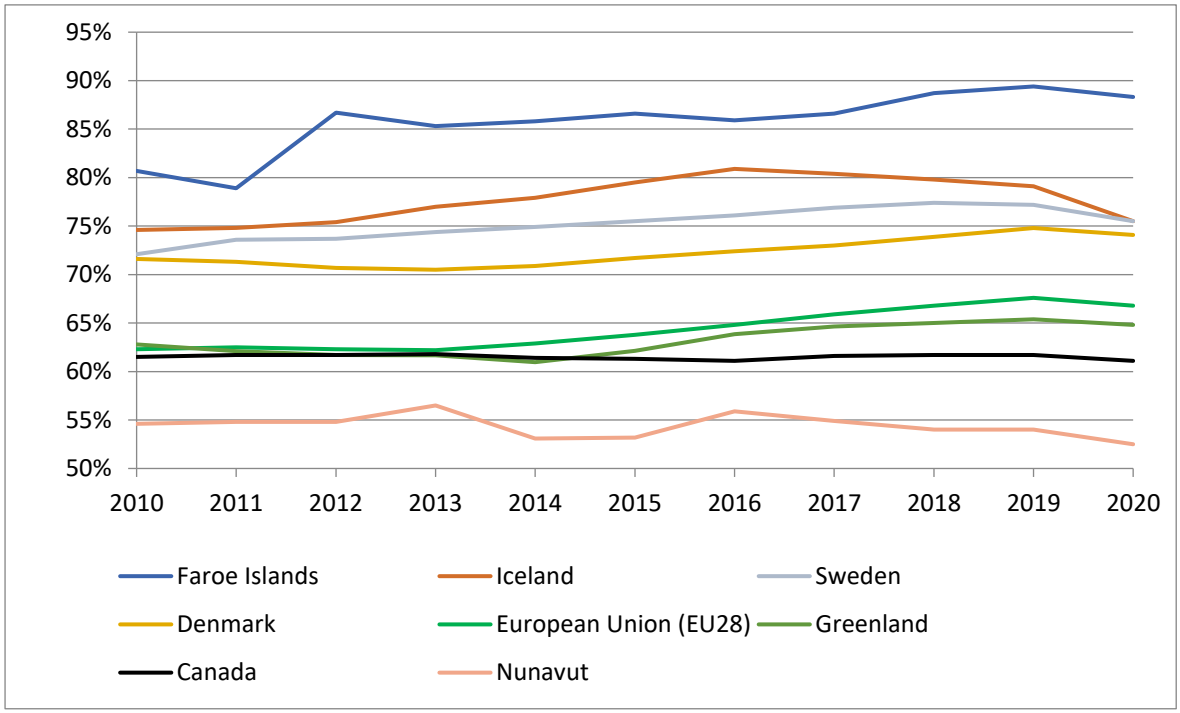


Source: Statistics Greenland and OECD, 10 March 2022.

The GINI coefficient, which is an internationally recognised metric of inequality, is relatively high in Greenland, especially compared with the Nordic countries.

See also Section 4.3 on measuring poverty. Greenland ranks relatively high in comparison to a number of other countries.

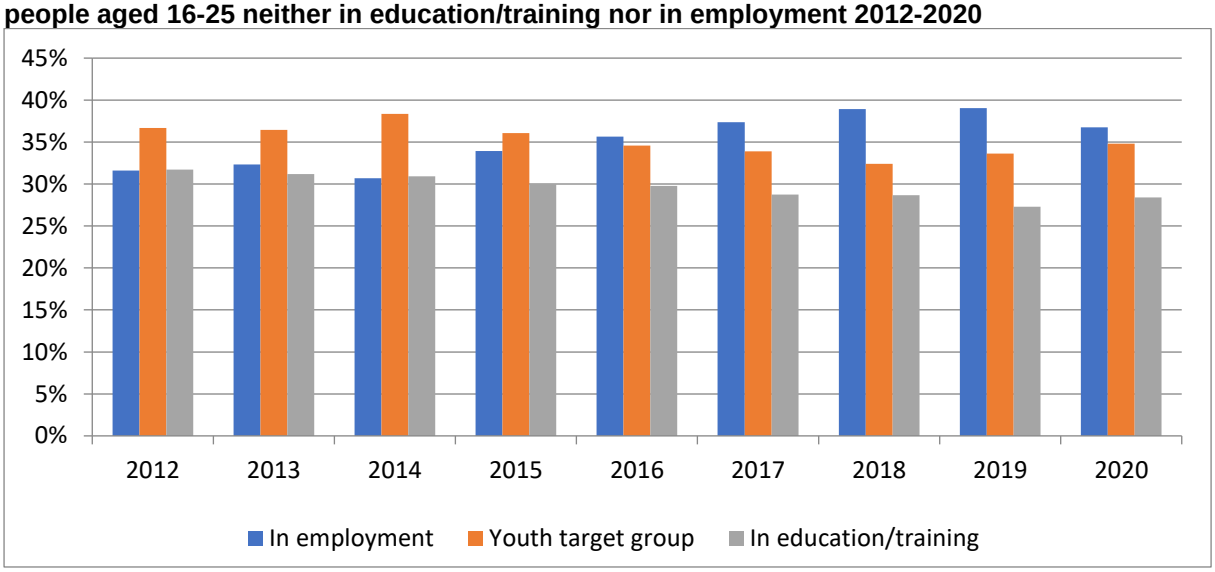
Figure 30. Goal 13: More people joining the workforce. Employment rates in various countries, 2010-2020



Source: Nordic Statistics (ages 15-64), Canadian Statistics (age 15+).

The employment rate measures the proportion of the working population relative to the total population. The employment rate is thus an expression of socioeconomic performance. The employment rate has a major impact on public finances, both in terms of revenue and expenditure. Countries with a relatively small proportion of women in the labour force traditionally have a lower employment rate than countries with a higher level of female participation in the labour market. Greenland has a high rate of employment compared with Nunavut (and Canada generally) and is on par with the EU. Compared with the Faroe Islands and Iceland, however, the employment rate is relatively low. The employment rate in Greenland has shown a slight upward trend since 2014, but it still lags far behind, for example, the Faroe Islands.

Figure 31. Goal 14: More young people in education or employment. Percentage of young people aged 16-25 neither in education/training nor in employment 2012-2020

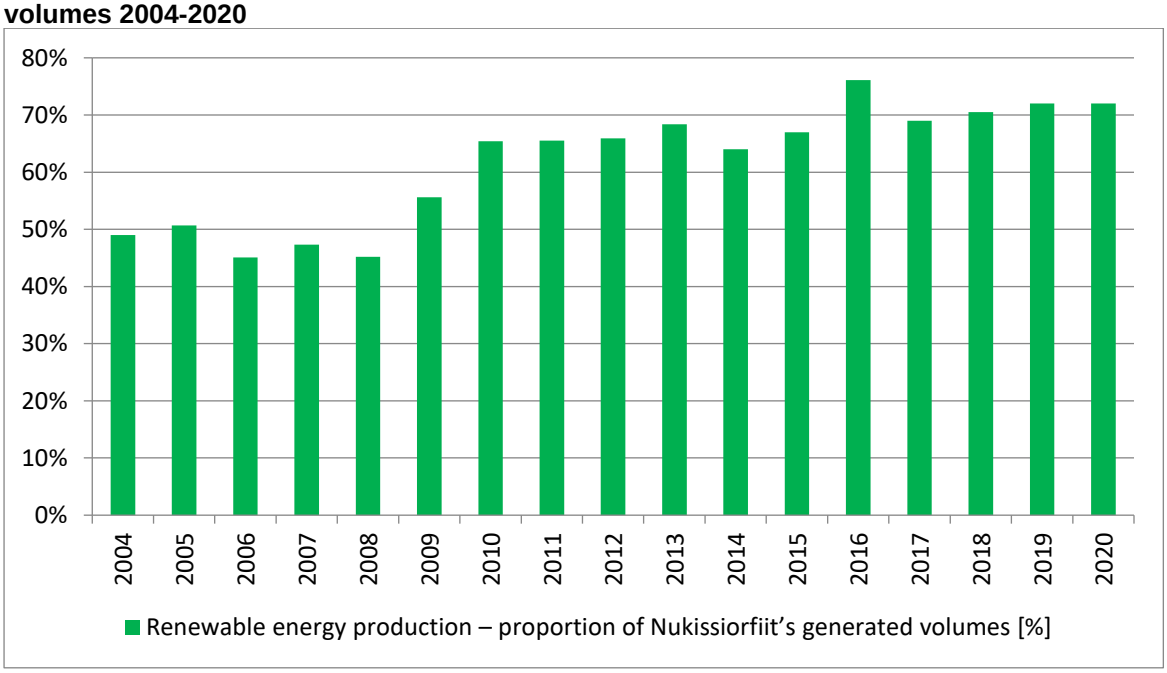


Source: Statistics Greenland.

The proportion of young people in the 16-25 age group who are neither in education/training nor in employment, i.e. the youth target group, was lower in 2020 than in 2014. There was also a decline in the proportion of young people who were in training or education between 2012 and 2020. By contrast, the proportion of young people in employment rose each year from 2014 to 2019, but fell in 2020.

Goals and indicators for infrastructure

Figure 32. Goal 15: Renewable energy production. Proportion of Nukissiorfiit's generated volumes 2004-2020

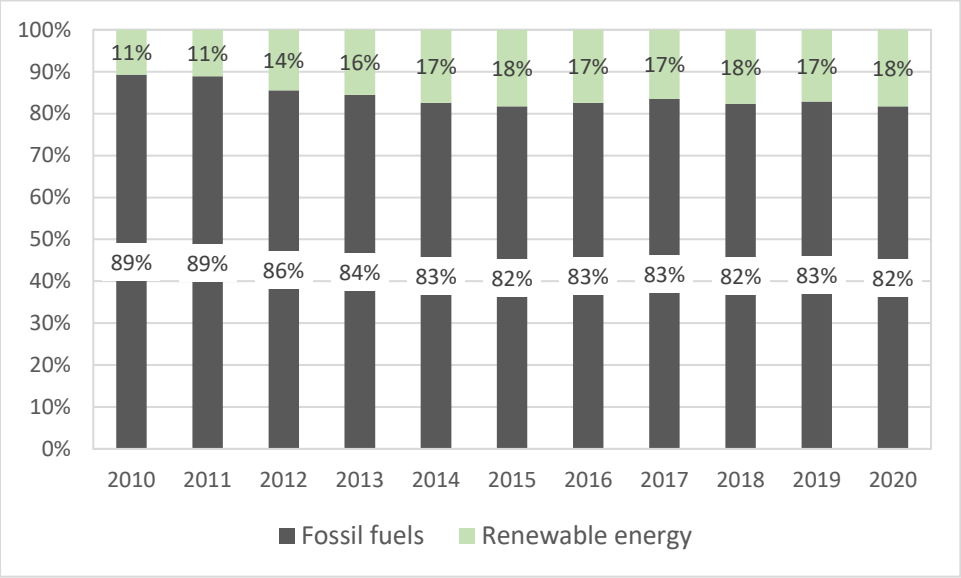


Source: Statistics Greenland and Nukissiorfiit

Figure 33 shows that the proportion of renewable energy generated by Greenland's power utility has generally been increasing since 2008, but with minor fluctuations in individual years, including a slight

decline from 2016 to 2017. The general increase is mainly linked to investments in hydroelectric power stations.

Figure 33. Goal 16: Total energy consumption. Renewable energy ratio, 2010-2020

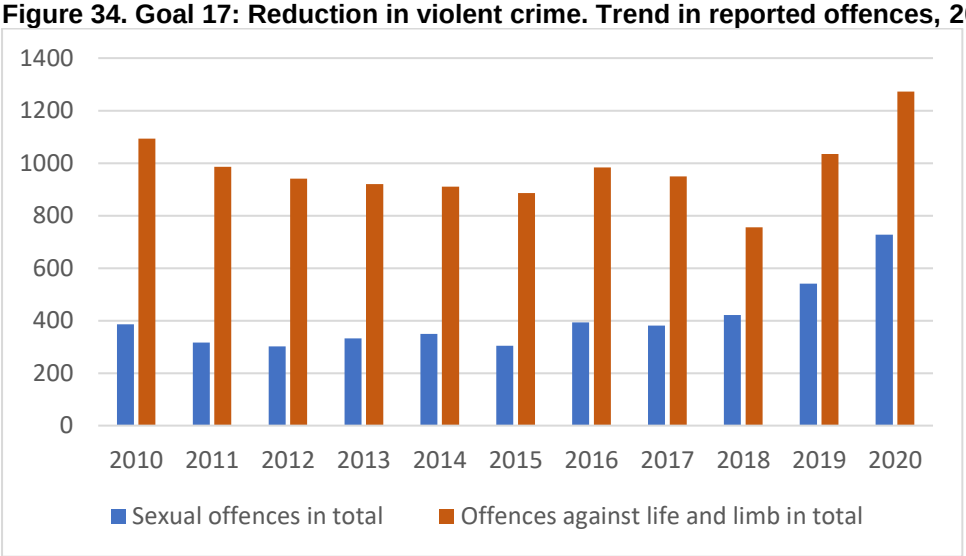


Source: Statistics Greenland, ENE1ACT.

Figure 33 shows Greenland's total energy consumption, broken down according to fossil fuels and renewable energy. It shows that the increased production of hydropower has replaced large amounts of diesel in the production of electricity and heat, and this trend will continue with the expansion of the Bukse Fjord hydroelectric power station and the construction of similar facilities to supply electricity to Aasiaat and Qasigiannguit.

Goals and indicators for reducing crime

Figure 34. Goal 17: Reduction in violent crime. Trend in reported offences, 2010-2020



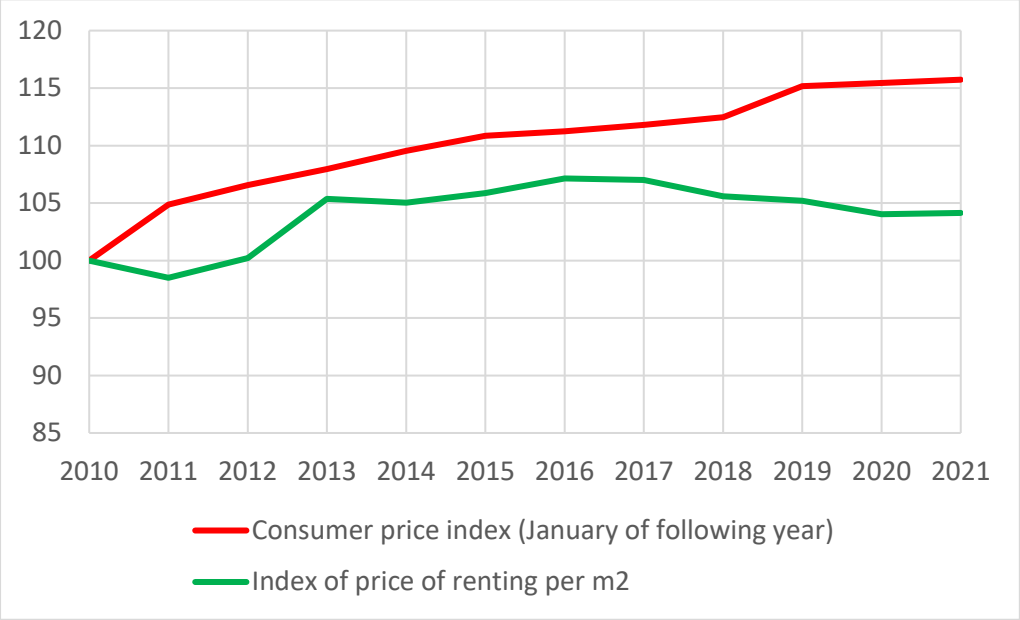
Source: Statistics Greenland.

The number of reported sexual offences increased from 2015 to 2020 and incidents of assault and battery increased significantly from 2018 to 2020.

The significant increase in reports from 2018 to 2020 for both categories of offences may be explained to some extent by the increased focus on such offences in recent years, which may have led to more frequent reporting of criminal incidents.

Goals and indicators for housing

Figure 35. Goal 18: Sustainable rent levels to ensure balanced finances in public housing. Trends in rent per square metre in housing belonging to the Greenland Government Authorities (managed by Ini A/S from 2010-2021) relative to the consumer price index



Source: Based on figures from INI A/S and Statistics Greenland (PRDPRISF)

During this period, the trend in rental payments for rental housing belonging to the Greenland Government Authorities, managed by INI A/S, did not match general price trends. Figure 35 shows that, from 2016 to the present, rents in INI housing have decreased. This has contributed to an imbalance in the finances of the housing authority, and consequently led to a lack of funds for the ongoing maintenance of these housing units, which has gradually resulted in a huge maintenance backlog. In the area of housing, it is estimated that the maintenance backlog of rental units belonging to the Greenland Government Authorities is between DKK 2.1 billion and DKK 2.2 billion.

4.3 Measuring poverty

In a very broad sense, the poverty line can be understood as the minimum amount of disposable income required to live a life in dignity. This approach to the issue is a familiar concept, for example, among debt collection agencies, where what is known as 'financial hardship' constitutes the limit to what can be recovered from a debtor.

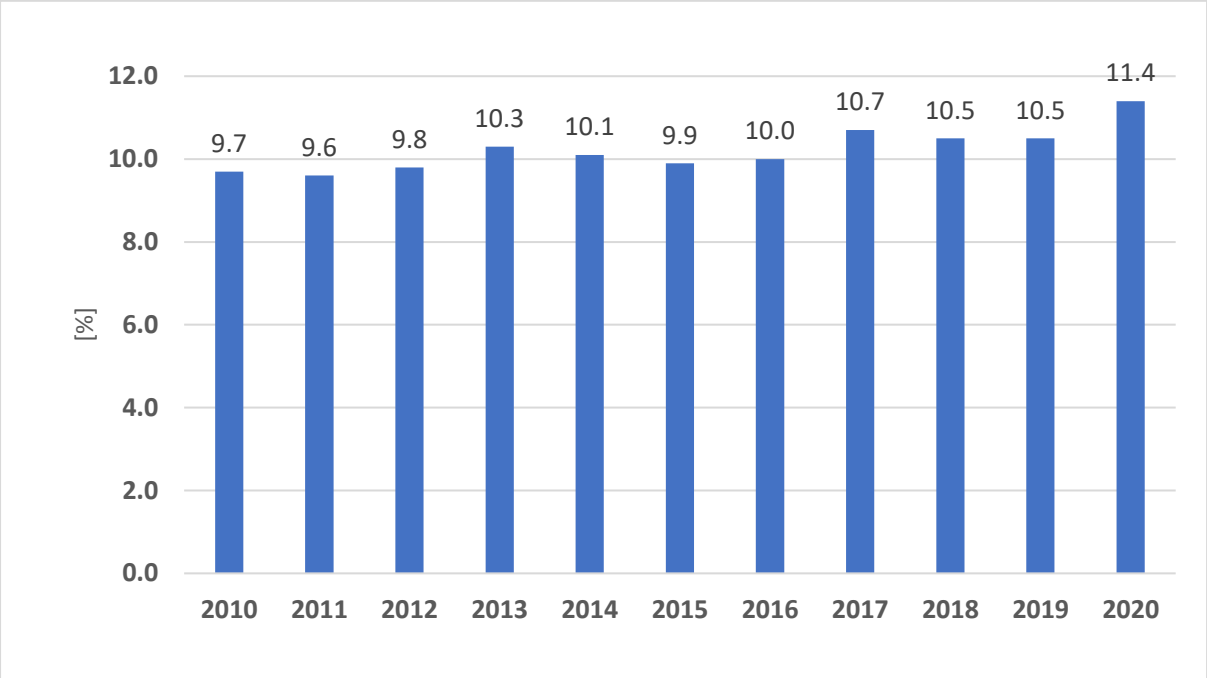
Work is underway to establish an official poverty line in the coming years.

Statistics Greenland makes it possible to track the proportion of people who have had an income that is 40%, 50% or even 60% below the median disposable income in a given year. Income assessments are based on each family unit's disposable income (i.e. income after tax and incl. transfer income), and they take into account the size and composition of the family (equivalised income). This approach recognises that families presumably pool their income and households benefit from economies of scale.

For the sake of illustration, if we apply a threshold of 50% of the median income, the group below this level represented around 11.4% of the population in 2020. This number has remained more or less constant in recent years. Gazing further back to the situation in 2019, 9.7% of the population was

below this threshold. Figure 36 shows the proportion of people below 50% of the median income between 2010 and 2020.

Figure 36. Relative poverty in individual years, 50% threshold relative to disposable median income, 2010-2020.



Source: Based on data from Statistics Greenland (INDIU101).

Statistics Greenland defines economically disadvantaged people as those whose disposable income has remained below a critical income threshold for three consecutive years. It is clear that using this approach results in far fewer people being included under the definition than using a more straightforward metric based on each individual year's income distribution. On the other hand, the measured poverty will be more profound because it has persisted over a prolonged period.

If the income threshold is also set at 50% of the median income according to this more restrictive definition, it shows that the proportion of the population that fell into this group was only 4.1% in 2020.

Table 17 shows the distribution of economically disadvantaged people in communities (towns and settlements) over the period 2015-2020. According to Statistics Greenland, a relatively high number of economically disadvantaged people live in settlements. The districts with the highest proportion of economically disadvantaged people are Upernavik, Qaanaaq and Tasiilaq, see Table 17[2].

[2] However, these communities are also places where there is a relatively widespread tradition of supplementing monetary income with hunting and fishing for personal use, to support one's family and perhaps one's neighbours.

Table 17. Number and proportion of economically disadvantaged persons with incomes under 50% of the median income by district (towns and settlements according to the former municipal structure), 2015-2020

	2015	2016	2017	2018	2019	2020	2020
			Proportion (%)				*Number*
All	**3.3**	**3.2**	**3.6**	**3.8**	**3.8**	**4.1**	1,854
Nanortalik	4.6	4.0	4.6	4.7	5.6	4.8	70
Qaqortoq	2.6	2.9	3.6	3.0	3.2	3.3	78
Narsaq	3.7	2.6	3.3	2.5	2.2	3.3	46
Paamiut	1.7	1.6	2.4	4.0	2.8	4.0	48
Nuuk	2.1	2.4	2.8	3.2	2.8	3.2	435
Maniitsoq	2.7	2.5	3.0	2.9	3.5	3.5	95
Sisimiut	1.9	1.8	1.8	1.9	2.7	2.7	136
Kangaatsiaq	6.3	5.5	6.5	7.6	4.9	6.8	70
Aasiaat	3.1	3.4	3.3	3.5	4.4	4.9	125
Qasigiannguit	2.1	1.0	2.8	2.0	1.6	1.1	11
Ilulissat	1.7	1.9	2.3	2.7	3.0	3.3	137
Qeqertarsuaq	1.4	2.6	2.2	1.5	0.8	1.0	8
Uummannaq	1.4	1.6	2.2	2.4	2.3	2.7	55
Upernavik	8.6	7.7	8.4	7.5	8.4	9.0	226
Qaanaaq	9.6	9.1	9.9	9.3	7.6	9.4	64
Tasiilaq	9.5	9.1	9.3	11.4	10.7	11.3	272
Ittoqqortoormiit	3.5	2.3	3.3	4.1	1.9	1.9	6

Source: Statistics Greenland, http://bank.stat.gl/SODOU02. Note: Ivittuut statistics are included under Nuuk.

5 Political priorities

This chapter provides an overview of major ongoing efforts, reforms and planned initiatives that involve the general public and bring about change for large segments of society.

5.1 Preparation of Sustainability and Growth Plan II

Naalakkersuisut has initiated the initial phase of preparing a new sustainability and growth plan. The aim is to achieve economic balance by 2030-2035, when the demographic structure of the population is expected to put pressure on public finances, with fewer taxpayers supporting more and more non-workers. The forthcoming Sustainability and Growth Plan II will replace the previous Sustainability and Growth Plan from 2016.

The Sustainability and Growth Plan will focus not only on the expenditure side of public budgets, but also on the tax base by stimulating growth and employment that can generate revenue for our communities and revenue in the form of taxes for the Greenland Government Authorities (and the municipalities).

The Sustainability and Growth Plan II is expected to build on the following reform tracks:

- Reform track 1: Enhancing the level of education and skills
- Reform track 2: Sustainable growth and the transition to a diversified economy
- Reform track 3: Securing the future of the public sector
- Reform track 4: Reform of the tax system, welfare benefits, housing and care for the elderly

Ongoing quality assurance of the work will include collaboration with Statistics Greenland and the Greenland Economic Council. Within this context, a new sustainability model, which is currently being implemented and is described in greater detail below, will serve as a key tool for assessing the impact of various reform initiatives in the pipeline.

Improving the sustainability model

In 2019, the Department of Finance launched work on the development of a new sustainability model, based on input from the Economic Council of Greenland.

The preliminary version of the macro model of the economy and sustainability, prepared in collaboration with the DREAM (Danish Research Institute for Economic Analysis and Modelling) Group, defines the basic relationships and structures of the economy. It was developed in cooperation with Statistics Greenland, the Economic Council of Greenland and the Department of Finance and Gender Equality. The model is constantly being improved, including a description of the labour market and wage trends in the public and private sectors.

Henceforth, this model will be used to make economic projections and long-term impact assessments of economic policy measures. It is a valuable tool for assessing fiscal policy over extensive time horizons and determining the impact of potential economic reforms.

In a number of key areas, initiatives and/or planning are underway that already contribute to the work of the forthcoming Sustainability and Growth Plan II.

5.2 More people in education and more in the workforce

Balancing public expenditure and revenue for the next 10-15 years is a huge challenge, even without changes in welfare standards. This is because in the future there will be a smaller tax base that will have to provide for more non-workers.

The training and education gap is the key barrier to well-paid employment, and thus to ensuring that as many people as possible can contribute to financing the social welfare system.

Consequently, eliminating bottlenecks in the education system and stepping up social initiatives, which can help to break the negative cycle of social legacy, are key priorities and will be pursued by introducing school placements where in-company training is not possible.

The Self-Reliance Project

In 2019, a multi-year cross-cutting coordination project was launched, the Self-Reliance Project, which aims to strengthen the links between the social, labour market and education sectors, with the goal of enhancing self-reliance.

In the 2022 spring session of Parliament, Naalakkersuisut presented a proposal for legislation on job-search allowance and a draft bill on public assistance as part of the Government's interdepartmental project on promoting self-reliance. The proposals will replace the current regulations on labour market benefits and public assistance and will increase the incentive for individuals to seek employment, thereby improving and tailoring the approach to each individual's needs.

The fundamental difference from current policy is that unemployed individuals will now be granted job-search allowance or public assistance depending on whether they are able to carry out normal work for a minimum of 20 hours a week, i.e. whether they can be deemed ready to enter the workforce.

Until now, in cases of involuntary unemployment and the like, recipients have been entitled, under certain conditions, to receive labour market benefits for up to 13 weeks, and thereafter advised to seek public assistance.

The new job-search allowance will have no time limit, nor is there a requirement that the jobseeker be an employee. Instead, it is a condition that the applicant be prepared to accept a job.

The job search allowance will be reduced depending on how long a person has been looking for work. This means that unemployed individuals who are ready for work will not have to seek public assistance but will instead be associated with targeted interventions through Majoriaq (vocational training and job placement centres) with the aim of bringing them into the workforce.

Until now, public assistance has been based on a discretionary assessment of each individual's needs. This has led to marked differences in the provision of public assistance from one municipality to another.

In future, recipients of public assistance will receive a fixed rate, which they will be able to manage themselves. This will ensure that everyone is equal before the law and that recipients of public assistance are provided a greater degree of control over their own finances.

The new reform provides for long-term illnesses, allowing individuals to receive job search allowance for up to six months, and then to receive a higher rate of public assistance. People can now avoid falling into a downward social spiral during an illness.

Elderly strategy – status

Naalakkersuisut has initiated the preparation of a long-term strategy for the elderly. The aim of the work is to analyse and develop a long-term coherent strategy across a number of sectoral areas. The overall aim of the strategy is to ensure a dignified life for the elderly.

The work aims to deliver new, coherent initiatives across social, health, labour, housing and education sectors to meet the challenges of demographic developments. In line with this strategy, the forthcoming sector plan for housing stock for the elderly will help to ensure that there is the right match between the needs of senior citizens and existing housing options.

Homelessness strategy – status

Work is underway on a homelessness strategy that is expected to be completed by August 2022 and presented at the 2022 autumn session of Parliament. Naalakkersuisut is determined to improve people's living conditions and to introduce reforms to improve conditions for the vulnerable and homeless in society. It is the aim of the Government to put people first, to promote self-reliance and to place special emphasis on the social sector and on people with special needs.

It is in light of these issues that a homelessness strategy needs to be developed. The aim of the work is to analyse and develop a coherent strategy across a number of sectoral areas. Two forums have been launched: a national forum of experts and a local forum that includes people who are homeless.

The strategy has six areas of focus: 1) housing and emergency accommodation, 2) cooperation, organisation and coordination in working with disadvantaged people, 3) comprehensive support and activities, 4) preventive measures, 5) moving to Denmark and 6) data and knowledge.

5.3 Sustainable growth

New tourism strategy

A new national tourism strategy is being prepared in 2022. The new strategy will be jointly developed by the Ministry of Commerce and Industry, Visit Greenland, the municipalities and local stakeholders in tourism.

Since the pandemic has put a severe damper on tourism in 2020 and 2021, it is expected that the new tourism strategy will address this issue. In addition, sustainable tourism development, optimising Greenland's revenues from tourism and preparing Greenland for the opening of the new airports have been mentioned as possible topics for a strategy.

Development of the mining sector

Activity levels are increasing again, with a global focus on minerals to drive the green transition and an increased emphasis on securing supply chains. This underscores the importance of marketing Greenland's potential. Naalakkersuisut is working to raise awareness among relevant media outlets and industry organisations of Greenland's potential as a source of raw materials, and to inform potential investors of the legal framework for exploration and extraction. To minimise the investment risk facing exploration companies, Naalakkersuisut aims to provide and increase the availability of geoscientific data. Accordingly, the Ministry of Mineral Resources and Justice's Geology Division is conducting a wide range of geoscientific projects every year, either independently or in collaboration with partners. Approximately 30 projects are planned for 2022.

A new area of commercial activity is being developed as a result of the climate crisis. Carbon capture and storage (CCS) is a method that involves pumping liquid CO_2 underground where it can be permanently stored without being released into the atmosphere. This is a so-called transition technology, meaning that it can be used as a tool to help reduce emissions until global emission levels fall. Greenland has a strong potential to contribute areas for carbon capture and storage and the Ministry of Mineral Resources and Justice is currently working with the Icelandic company CarbFix, GEUS, the US Department of State and the EU to develop the potential of CCS in Greenland. Naalakkersuisut is working to present a strategy for CCS.

Other initiatives to attract business investment

- **Attracting energy-intensive industries**

Greenland has enormous potential for hydroelectric power that far exceeds its own energy needs. In June 2021, Naalakkersuisut decided that the former Alcoa hydropower potential should be opened up to tenders from industry to achieve the best possible arrangement for Greenland. Following up on this, Inatsisartut decided during the 2021 autumn session under item 85 that Naalakkersuisut should be instructed to draw up a concrete plan to market and exploit the hydroelectric potential in Tasersiaq

and nearby areas. The announcement of the tendering of these hydropower potentials took place in May 2022.

- **Developing sustainable self-sufficiency**

Naalakkersuisut is increasingly focusing on developing Greenland's degree of self-sufficiency. In the areas of food and agriculture, self-sufficiency can be developed in a sustainable manner through the use of locally produced green energy. The use of hydropower resources in the public energy mix also helps to bolster Greenland's self-sufficiency. During 2022, Naalakkersuisut hopes to present a strategy that will promote a future with a greater degree of self-sufficiency.

- **Commercial exploitation of ice and water**

To further develop the strategy for commercial exploitation of ice and water with an increased focus on local ownership and licensees, Naalakkersuisut adopted a moratorium on the issuing of ice and water concessions in 2021. This means that no new ice and water concessions will be awarded until a new strategy is in place. To increase the potential for commercial exploitation of ice and water on a more local basis, Naalakkersuisut aims to boost marketing in this area over the coming years.

Infrastructure

Status of construction and financing of the new airport structure

Kalaallit Airports International A/S

Construction work in Nuuk and Ilulissat is progressing according to the revised timetable. In Nuuk, the southern end of the new runway will be opened in autumn 2022.

Construction of a new terminal and service building is currently underway in Nuuk and will commence this spring in Ilulissat. Both airports are expected to be operational by the end of 2024.

A DKK 600 million loan from Denmark has been granted. An additional DKK 300 million is expected to be financed through loans from the private sector. Supplementary borrowing will be carried out internally by Kalaallit Airports International A/S and thus does not affect the level of equity contribution from the Government of Greenland or the Danish state.

Kalaallit Airports Domestic A/S

In February 2022, a contract was signed between the Government and Kalaallit Airports Domestic A/S for an airport in Qaqortoq. After an initial round of tendering failed to lead to a construction contract, another round was launched in early 2022, and construction is expected to start in mid-2023. According to the current timetable, Qaqortoq Airport will be operational by autumn 2025.

The project is financed from government coffers under the 2022 budget agreement, with the operating company drawing on interim financing for the period 2024-2028 due to differences between the construction timetable and the budget payment schedule.

Naalakkersuisut is currently examining the option of making preparations for additional airport investments in the coming years in Ittoqqortoormiit and Tasiilaq. These projects are not currently financed and any decision to devote funds to them would have to be taken as part of the wider process of prioritising budget appropriations.

Mittarfeqarfiit in a new airport structure after 2023 – and the need for reinvestment

The impact of the construction and operation of the new airports in Nuuk, Ilulissat and Qaqortoq by Kalaallit Airports A/S is described in a publication on the socioeconomic impact assessment of phase 2 of the airport expansions ('*Samfundsøkonomisk konsekvensvurdering ved udbygning af lufthavne trin 2*'). The socioeconomic impact assessments of the airports under Kalaallit Airports International A/S and Kalaallit Airports Domestic A/S have since been updated, including impact assessments of additional borrowing by Kalaallit Airports International necessitated by the revised construction budget. As has been known since the adoption of the airport projects, the profitable element of the airport structure under Mittarfeqarfiit will be removed from the company's portfolio when the new airports are

commissioned. This is in itself a reflection of a general effort to enhance the cost-effectiveness of the overall transport system, but, viewed in isolation, it poses a budgetary challenge for Mittarfeqarfiit, and is a situation that has been recognised right from the inception of the airport projects.

The budgetary consequences for Mittarfeqarfiit will have to be managed, for example, through efficiency gains in public travel spending resulting from the new airport structure. This is expected to be reflected in draft budget estimates for 2024 and in a reduction of appropriations on the relevant main accounts, as well as a reduction in the municipal block grant. Parallel to this process, work is in progress to identify savings potentials and efficiency measures within Mittarfeqarfiit that can offset the expected deficit. One option would be to provide Mittarfeqarfiit with a service contract to address relevant infrastructure issues as early as 2023.

The closure of the country as a result of COVID-19 has left Mittarfeqarfiit in a situation where all its airports are loss-making. It is anticipated that it will be some time before activity levels return to pre-COVID-19 levels.

Mittarfeqarfiit has calculated the passenger figures for the whole of 2021 compared to the passenger figures for 2019:

- Domestic passengers: 71%
- Foreign passengers: 45%
- Total passengers: 66%

For January 2022, the passenger figures compared to January 2019 are as follows:

- Domestic passengers: 67%
- Foreign passengers: 70%
- Total passengers: 67%

Fisheries – the Fisheries Commission

Exports of fish and fish products make up the bulk of revenue from abroad and are worth over DKK 5 billion, equivalent to roughly 91% of total goods exports. Three of the leading exports are shrimp, Greenland halibut and cod.

At the same time, the fishing industry has a major impact on local communities via purchases from subcontractors and when fishermen and factory workers spend their earnings on consumption.

Naalakkersuisut established the Fisheries Commission in 2019 to make suggestions on a future regulatory framework for the fishing industry, including proposals for a new Fisheries Act.

The Fisheries Commission issued its report in autumn 2021, which contains the following key recommendations:

1. Preserve resources for the future to foster employment, earnings and prosperity
2. Provide stable and predictable conditions for the fishing industry to invest in ongoing development and target any subsidies towards the general objectives of the fisheries policy
3. Structure fisheries management so that individual fishermen can earn a good living and the overall resource rent in fisheries can be increased, allowing for a fair distribution of resource rent through appropriate resource rent taxation
4. Implement management according to the arm's length principal to ensure transparency and equal treatment
5. Expand ownership of resource use to shipowners, and not by adding fishing capacity
6. Implement labour market and education/training initiatives in conjunction with fisheries policy changes to ensure socially sustainable transitions

As a follow-up to the Fisheries Commission's report, Naalakkersuisut has held fisheries seminars in Ilulissat and Nuuk to engage in a more detailed dialogue with fisheries stakeholders on input for a new Fisheries Act. Further dialogue seminars are planned for 2022.

In addition, the Ministry of Fisheries and Hunting has set up a steering group which, working closely with the Minister and with input from the dialogue seminars, will draft a new Fisheries Act.

5.4 Benchmarks for personal tax reform

Economic inequality is greater in Greenland than in many other Nordic countries and in the EU, see Goal 12 in Section 5 on goals and indicators.

There are other indicators of inequality in society and signs that people with the lowest incomes may find it difficult to make ends meet. This can be seen for instance in the figures on public arrears, which show that many low-income households account for a large proportion of the outstanding payments. This means that some people are effectively unable to pay off their debts to the state. See Section 1.12 on tax arrears.

The primary goals that Naalakkersuisut aims to achieve with tax reform are to reduce inequality in society and to make employment more attractive. Increased incentives to work are also expected to contribute to an increase in labour supply, which in turn will contribute to higher growth and lower expenditure on social benefits.

These objectives are best achieved through various measures that together reduce the tax burden on labour, especially for low and middle-income groups. A lower marginal tax on labour increases the incentive to work because it allows workers to keep a larger share of the benefits derived from their labour.

One tool to achieve these objectives could be an increase in the employment deduction. But there are other tools that can help promote equality and serve as an incentive to work.

The aim is for the changes to be fully financed, so that the areas where lower taxation is introduced are financed through restructuring and changes in the wider tax system.

The changes to the tax system consequently also include an element of redistributive policy, whereby tax revenues from different sources are reallocated in a way that supports a more equitable distribution of economic prosperity.

There are several different financing options. When weighing up different alternatives, it is essential to examine how taxes are affected, including the deadweight loss associated with the changes. For example, one impact of a deadweight loss could be that higher effective taxation for some might result in them working less, which in turn leads to a drop in economic activity. It may therefore be appropriate to look instead at other elements, such as broadening the tax base and reducing the amount of tax concessions and subsidies.

> The marginal tax is an expression of the taxes levied if income increases. For example, if an individual earns DKK 100 more so that annual income increases from DKK 100,000 to DKK 100,100. In this case, DKK 39.09 is collected as taxes, and the taxpayer is therefore left with DKK 60.94 after taxes, at a general municipal taxation rate of 42%.
>
> The introduction of an employment deduction in 2020 has helped to reduce marginal taxation in the above example by between DKK 2.94 and DKK 3.08, depending on whether the general municipal taxation rate is 42% or 44%.
>
> By comparison, the standard personal deduction only affects marginal tax up to an annual income of DKK 48,000. For every DKK 100 earned in excess of this amount, the marginal tax remains unchanged. An increase in the standard personal deduction therefore does not have the same effect on the incentive to work, and also gives both high and low earners the same savings on their taxes.

In addition to the desire for greater equality and increased incentives to work, personal tax reform should also address several other concerns:

- Ensure that the country's tax system is simple, future-proof and easy to manage for a small administration (efficiency)
- Ensure that the tax system contributes to the financing of public functions and economic stability

- The tax system is perceived as fair and equitable

Naalakkersuisut is in the process of preparing a tax reform, which includes collecting data and making calculations and conducting analyses.

This tax reform as a whole will span more than one legislative period and include several bills and proposals to amend existing laws.

5.5 Benchmarks for a clear, up-to-date and long-term housing policy

There has long been a focus on rental housing, particularly on the backlog on property maintenance. Since 2019, a series of analyses have been conducted on the existing rental stock that demonstrate both the need to revise the methodology for assessing the condition of housing and the need to establish an up-to-date inventory of the total maintenance backlog.

The basis for these analyses is the Government's objectives and guidelines for public rental housing, which are described in the general remarks of the draft 2022 budget as follows:

> *'The goal for the public rental housing stock must be to safeguard it by means of a self-sustaining economy that also ensures the management and proper maintenance of buildings and housing.*
>
> *A self-sustaining economy also requires a degree of independence from the national and municipal treasuries, the annual budget decisions and the budget negotiations in the municipalities.*
>
> *The aim of the Comprehensive Housing Plan is to implement initiatives that contribute to achieving the aforementioned objectives.'*

To achieve the Government's objectives, it is necessary:

- To provide a long-term, stable framework for future maintenance efforts, balanced financial management, a sustainable rental model
- To ensure an arm's length principle of operation and administration, as well as maintenance, in which the management of the housing sector is kept separate from the political decision-making process

Concrete political action and prioritisation can ensure:

- That the country has sound rental housing over the long term, thereby also preserving its value to society
- That a rapidly accelerating negative trend in the condition of housing can be avoided
- That the needs of low and middle-income groups are appropriately addressed by a reform of the rent subsidy scheme

The analyses conducted thus far (based on an updated assessment of the state of repair of the Greenland Government Authority's rental housing and the majority of the municipalities' rental housing) and the work carried out under the Comprehensive Housing Plan have revealed a number of major challenges, including:

- Public housing is – and has long been – underfunded. Rental revenues from public housing have not kept pace with expenditure. Consequently, the legal requirement of a balanced budget for public housing has not been fulfilled
- Funds for planned periodic maintenance (PPM) currently cover only 20-30% of what constitutes the sustainable level required to ensure the maintenance of sound housing and thus preserve the capital assets (properties)
- This situation has resulted in a steady and rapid decline in the stock of public housing, which over the next 10 years will require approximately DKK 5.0-5.2 billion for renovation and PPM work (not including public housing in Sermersooq). Of this, only about DKK 2.3-2.5 billion will be covered if current rents and annual subsidies from the Treasury remain at their present

levels. This means that there will be a funding shortfall of approximately DKK 3 billion over the next 10 years
- Demographic factors such as changing family sizes and settlement patterns will influence future housing needs and thus also requirements for the types of public rental housing made available. If rents rise to a level that covers the actual maintenance costs, the need for public housing can be expected to diminish, as more people are likely to opt to provide for their own housing. A larger private housing market would therefore be expected to emerge, especially in the larger towns
- Limited capacity in the construction industry, including too few skilled tradesmen, workers and engineers, often causes delays in repair and renovation efforts, which in turn leads to cost overruns
- Many double or triple redundancies in housing management functions and systems are unnecessarily costly and result in operational inefficiencies
- Rental housing owned by the Greenland Government Authorities is generally older than municipality rental housing and in a poorer state of repair

Additional analyses and initiatives will continue to be anchored in a comprehensive and cross-cutting organisation managed by the project coordination office for the Comprehensive Housing Plan. One of the aims of the Comprehensive Housing Plan is to ensure that in future Greenland will be in a better position to ensure that it has the necessary workforce with the required skills and capacity in the construction industry to tackle the maintenance backlog.

5.6 Benchmarks and projects in waste management and a deposit-refund system

Waste Management Plan 2020-2031 and the national waste incineration solution

Naalakkersuisut bases its approach on the Waste Management Action Plan 2020-2031, which provides the cornerstone of the authorities' work in the waste sector and establishes the parameters for local waste management in the municipalities. Naalakkersuisut and the municipalities are focusing on improving waste management throughout the country.

The joint municipal waste management company ESANI A/S has initiated the establishment of two modern national incineration plants, which will be able to receive waste from throughout Greenland. The new incinerators will ensure the proper handling of waste that is suitable for incineration. The joint municipal waste solution is also integrated with the energy sector in terms of the optimal use of residual heat from both incinerators and waste oil facilities.

Financing for the new facilities has been secured. A grant of DKK 50 million has been approved via the Environmental Fund (main account no. 77.05.08) to help the municipalities to implement the national waste incineration solution, and the municipalities that are involved in the ESANI programme have each agreed to contribute DKK 10 million. In addition, an agreement has been reached with the two Greenlandic banks for a construction loan of DKK 250 million for the project.

For a number of years, the Environmental Fund has provided grants for initiatives in the area of waste management and the environment, including municipal environmental improvement measures and other activities. There will be an ongoing need for this in future.

A deposit-refund system – status

There is a clear political will to reform and streamline the deposit-refund system, so that beer and soft drinks can be sold in a wider variety of packaging than at present. Preliminary analyses indicate that this could result in a broader selection of goods for consumers and a potentially significant additional source of revenue for the Treasury. Options are being explored to include more types of packaging in the deposit-refund system and to roll out the system nationwide. A return system capable of handling new types of packaging is not currently in place. However, studies aimed at introducing such a system are well advanced and it is anticipated that a definitive basis for taking a decision on the matter will be available in the foreseeable future.

5.7 Benchmarks in health – the Health Commission

People in Greenland have come to expect an effective health system that provides access to healthcare and promotes the health of the general population through preventative care and treatment for people suffering from illness. Meeting this expectation is a daunting task in view of the challenges facing the healthcare system, for instance in terms of recruitment, retention and training.

Financing the healthcare system

The healthcare system is under intense pressure from budgetary constraints. This is mainly because more patients than ever before are being diagnosed and treated, there is an increase in the number of elderly patients and more and more patients are suffering from lifestyle diseases. At the same time, the healthcare sector is facing relatively higher wage increases due to the collective bargaining agreements in place, as well as relatively greater price increases for patient treatments abroad compared to the annual adjustments for inflation in the public sector budget.

An examination of the healthcare sector's finances must take into consideration the COVID-19 situation, its subsequent evolution and the need to adapt aspects like the resilience and preparedness of healthcare services. This will require additional efforts on a multitude of fronts in the near future.

The Health Commission

During the 2019 autumn session of Parliament, it was decided to establish the Health Commission. The Commission will draw up recommendations for improving the healthcare system as a whole, in particular with regard to recruitment, staff retention and partnerships with Denmark and other countries. The Commission's recommendations are expected to be incorporated into the parliamentary decision-making process for an upcoming reform of the healthcare system.

The Health Commission's March 2022 discussion paper contained the following observations:

- The healthcare service faces a twofold financing problem that stems from 1) rising service expectations driven by growing prosperity and 2) the impact of the changing demographic situation
- There is an increasing need for investment in healthcare
- Changing settlement patterns challenge healthcare services in smaller communities
- Operational constraints put pressure on staff and drive the need for differentiation in the geographical service structure
- The continued specialisation of healthcare services poses a challenge due to Greenland's limited population size, which is often an insufficient basis for treatment
- Recruitment and retention of staff will be an ongoing challenge
- Greenland is not training enough local healthcare workers who decide to remain in the country
- There is no coherent, multi-year plan for training and skills development tailored to meet the specific requirements of the healthcare system or to cope with anticipated demographic changes
- Funding for training and skills development to meet the needs of the healthcare system is patchwork and short sighted
- Cooperation between the healthcare systems and municipalities should be intensified

- Effective care for people with a psychiatric diagnosis requires close cooperation between local authorities and the healthcare system, and this is a key issue when discussing improvements in psychiatric treatment
- It is important to revamp the telemedicine strategy, but this must be accompanied by skills development and the necessary infrastructure
- The dental health of the adult population needs to be improved and there is a general lack of knowledge about the state of adult dental health
- A prerequisite for transparency and governance in the healthcare sector is a systematically compiled, comprehensive database and access to relevant management information

The Health Commission is expected to publish its report in autumn 2022.

Sector planning and future construction projects in the healthcare sector

When the recommendations of the Health Commission are presented, it is expected that a concrete healthcare sector plan will be drawn up.

Hospitals and clinics are often somewhat antiquated. The staff at the country's main hospital, Nuuk's Dronning Ingrids Hospital, is struggling with the capacity and condition of the building. Over the coming years, the focus will be on implementing several new construction projects in the healthcare sector. Apart from improving conditions at Dronning Ingrids Hospital, which includes enhancing the services in the psychiatric ward as well as in the inpatient wing (including inpatient accommodation), there is also a focus on establishing a new surgical and maternity ward in Sisimiut and on improving conditions at the central dental clinic in Nuuk.

Steno Diabetes Centre

In the spring of 2020, Naalakkersuisut and the Novo Nordisk Foundation (NNF) Board of Directors signed an agreement on 'a renewed diabetes and lifestyle initiative – the establishment of the Steno Diabetes Centre Greenland (SDCG)'. In addition to a more effective diabetes and lifestyle initiative, the centre also focuses on implementing new telemedicine solutions throughout the country, for which the Novo Nordisk Foundation has provided a special grant.

A new building will be built for this purpose in Nuuk, in the vicinity of Dronning Ingrids Hospital. This building will have approximately 2,500 m^2 of space and be financed by the NNF. It will house facilities for treatment and training as well as conference and training rooms for developing staff skills.

Allorfik, the national addiction treatment centres

Allorfik offers free treatment for people who have problems with substance abuse or gambling. Allorfik has concluded cooperation agreements with Kommuneqarfik Sermersooq, Qeqqata Kommunia, Qeqertalik Kommunia and Avannaata Kommunia, while negotiations with Kommune Kujalleq are ongoing. In 2021, over 1,000 individuals sought treatment at Allorfik, and a similar number received services in 2020. Work is underway to establish a small Allorfik centre in Tasiilaq.

Treatment methods vary between local Allorfik centres, and between local and outpatient treatment in Nuuk, but studies have shown that all methods are effective. As an innovation, 2020 was the first year with local treatment twice a year in all towns except Ittoqqortoormiit and Qaanaaq.

A positive effect of the COVID-19 restrictions is that online treatment and sessions over the telephone have been developed and are now offered to residents of Ittoqqortoormiit and other small towns and settlements that require such services, as well as to inmates who are denied prison leave. In addition, in December 2020, a group therapy was launched at the prison in Nuuk for inmates who are not allowed to leave the premises.

A negative impact of the COVID-19 restrictions is that Allorfik's services for the treatment of children and adolescents have been further delayed. Training activities in 2021 were also adversely affected. Work is continuing on a training programme for drug treatment counsellors. This can hopefully be achieved in 2022.

5.8 Benchmarks for gender equality

Naalakkersuisut intends to increase the focus on gender equality, with an emphasis on the following initiatives:

- To introduce gender mainstreaming as part of the administrative process, including assessments of the impact of new measures on gender equality
- To ensure that the fundamental institutions of society do not limit opportunities for women or men, but ensure equal opportunities for both sexes
- To ensure equal conditions in the labour market and in the education system for women and men to counteract the negative effects of a gender-segregated labour market
- To launch initiatives that promote a more equal distribution of women and men in decision-making forums, including municipal councils, Inatsisartut, executive boards and boards of directors

International and Nordic cooperation

In the area of gender equality, Greenland collaborates with the Nordic countries and contributes to the work of the United Nations Commission on the Status of Women.

Greenland is a member of the Nordic Committee of Senior Officials for Gender Equality and LGBTI (EK-JÄM) and Nordic Council of Ministers for Gender Equality and LGBTI (MR-JÄM).

MR-JÄM consists of gender equality ministers from all the Nordic countries and EK-JÄM consists of one member from each of the five Nordic countries – Norway, Sweden, Finland, Denmark and Iceland – with representatives from Greenland, the Faroe Islands and Åland.

The Nordic countries are dedicated to working towards carbon neutrality. Nordic gender equality ministers agreed in March 2022 on a commitment to ‘a green and gender-equal Nordic region’. This commitment is based on the Nordic vision to become the most sustainable and integrated region in the world by 2030. The agreement is about integrating a gender perspective into Nordic climate action.

Future goals

In May 2022, a Western Nordic seminar was held in Nuuk on gender-based violence and violence in close relationships. The main objective of the seminar was for the Nordic countries to exchange and accumulate knowledge on gender-based violence and violence in close relationships, with a view to preventing and combating violence.

Current equality laws need updating, including a clarification of when discrimination has occurred. The amendments will be used to support future work to strengthen equality between women and men.

Statistics Greenland has calculated the pay gap between men and women:

Table 18. Average total personal income by sex

	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
			DKK 1,000			
Nationwide	**284**	**219**	**288**	**226**	**292**	**231**
Kujalleq Municipality	222	196	226	199	228	205
Sermersooq Municipality	342	255	342	260	350	267
Qeqqata Municipality	283	212	287	218	287	221
Qeqertalik Municipality	213	183	216	194	220	198
Avannaata Municipality	241	185	251	193	250	198

Source: https://bank.stat.gl/INDPI101

Table 18 shows that the average income for women was DKK 231,000 in 2020, while men earned DKK 292,000. However, the reasons for this discrepancy cannot be inferred from the table. For example, differences in labour force participation between the sexes may manifest themselves as a pay gap.

In the near future, the focus will be on persuading large companies and public authorities to report on the actions that they have taken to promote gender equality in their workplaces. This will increase our knowledge about what works well and what does not work in the workplace.

5.9 Prevention and early intervention for children and young people

In 2021, Naalakkersuisut placed a special emphasis on children, young people and families when it established a new Ministry for Children, Young People and Families. The Government is working to strengthen the entire family through various initiatives aimed at children, their parents, institutions and local communities.

Ongoing and future strategies and action plans must be viewed within the context of the 2020-2030 National Action Plan on Parental Neglect of Children. This targets vulnerable children and their families, but also includes initiatives to enhance the entire field of children and families. These efforts will ultimately strengthen the socioeconomic fabric of the country.

In the 2021 autumn session of Parliament, it was decided that Naalakkersuisut would draw up an action plan for preventive work in families with the aim of reducing the number of placements of children and young people outside the home. This action plan will be submitted at the 2022 autumn session and it has many points in common with the 2020-2030 National Action Plan on Parental Neglect of Children. The new action plan places a strong emphasis on prevention, including initiatives for parents and soon-to-be parents. The action plan will lead to a series of initiatives, including measures aimed at fostering parenthood and family life. These efforts will eventually reduce the number of placements.

At the 2022 autumn session of Parliament, Naalakkersuisut will also submit the National Action Plan for the Implementation of the UN Convention on the Rights of the Child. The plan will highlight the extent to which the Government is already complying with the Convention and where it needs to intensify its efforts and initiate new measures. This plan will provide a solid basis for continuing work on compliance with the Convention.

A good start in life – children 0-6 years

Early childhood education
Responsibility for early childhood education was transferred to the Ministry for Children, Youth and Families in 2021, leading to the launch of several new pre-school initiatives. This includes revising the legal framework for pre-school and developing a comprehensive inter-departmental strategy for the entire field of early childhood education by 2022. This strategy and action plan will also form the basis for a proposal for new pre-school legislation that will replace the current Parliament Act no. 16 of 3 December 2012 on early childhood education.

Increased focus on early intervention
Early intervention is a key element of pre-school and prevention work in a broader sense with the aim of detecting at an earlier stage children who are experiencing difficulties and/or maladjusted as well as enhancing parenting skills in a bid to prevent parental child neglect. ‘Meeqqat 0-18 år’ (Children 0-18 years) is a concrete example of an enhanced early intervention model firmly embedded in the Social Services Agency. It is a cross-cutting programme spanning the social, health and education sectors. Meeqqat 0-18 år currently includes a pilot project in Avannaata Kommunia that involves the implementation of the TOPI tracking tool for all children aged 0-6 years. It is a joint tracking tool across all sectors to ensure earlier detection of children experiencing difficulties and to foster better interdisciplinary collaboration on interventions for the child. After the pilot phase, it is envisaged that the tracking tool will be implemented in all municipalities.

Better parental leave
Naalakkersuisut also aims to improve the conditions for parental leave. This includes working to encourage fathers to take on a greater share of early childcare responsibilities. It will also focus on parental leave conditions for the self-employed and on assisting spouses or cohabiting partners of self-employed persons who may face particular challenges in taking time off to look after a newborn child.

The value of a good upbringing – children and young people aged 0-18

A new strategy to prevent suicide
Suicide sadly remains a major social problem, with an average of 44 suicides per year since 2010. It is an act that has a profound impact and consequences for bereaved friends and family. Suicide is a tragic event that requires concerted preventive efforts by families, loved ones, local communities and the entire country.

Naalakkersuisut has initiated work on developing a new suicide prevention strategy, which is to be submitted for approval at the 2022 autumn session of Parliament. The strategy will set a clear course for work on suicide prevention and ensure the continuity of initiatives in this area.

Improving family centres
The Greenlandic-Danish Interdisciplinary Work to Bolster Measures in Support of Children and Young People in Greenland is a series of initiatives that needs to be seen within the context of the 2020-2030 National Action Plan on Parental Neglect of Children. The two action plans contribute, among other things, to strengthening the country's family centres. They include initiatives for a uniform professional profile throughout the family centres, with efforts aimed at meeting the needs of vulnerable children and their families. This will include a particular focus on fostering parenting skills.

Action plan to prevent violence in close relationships
Violence is a widespread social problem, and its prevention is a high priority for Naalakkersuisut. The Government has consequently decided that an action plan to combat violence in close relationships will be drawn up in 2022.

The action plan shall include an implementation plan for the measures expected to be launched within the scope of these efforts. The initiatives are expected to be launched in 2023.

Furthermore, at the 2022 spring session of Parliament, Naalakkersuisut submitted a motion for Greenland to accede to the Council of Europe Convention on preventing and combating violence against women and domestic violence (the Istanbul Convention). Compliance with the Convention requires signatories to criminalise all forms of violence, including psychological violence. In view of this, Naalakkersuisut also wants a provision to be introduced into the Criminal Code that criminalises psychological violence.

New strategy for residential care institutions
Naalakkersuisut is working on a new strategy to improve the prospects for children and young people in the country's residential care institutions. All areas of intervention aim to strengthen the cross-cutting efforts in and around residential care institutions for children and young people to provide better opportunities and learning environments for these youngsters. The goal is to present the strategy in the spring of 2022.

People with disabilities

During the 2022 autumn session, Naalakkersuisut plans to submit an action plan on Greenland's compliance with the UN Convention on the Rights of Persons with Disabilities, which will define concrete activities that need to be initiated.

It is expected that there will be a need for multidisciplinary approaches in this area, involving the collaboration of several ministries that deal with the equal participation of people with disabilities in society.

5.10 Needs and concrete actions for developing the public sector

In August 2021, at the request of the European Commission, the consultancy firm DT-Global launched a major study on public finance management in Greenland. This initiative stems from the most recent partnership agreement between the Greenland Government Authorities and the European Commission. The study complies with what is known as the PEFA (Public Expenditure and Financial Accountability) standard.

The PEFA study assesses the strengths and weaknesses of public finance management, including quantitative calculations based on 31 predefined areas/indicators.

According to the agreement between the Greenland Government Authorities and the EU, the study will, as a general rule of thumb, be conducted once for each new subsidy period (i.e. once every 7 years). The study itself has been completed and is expected to be published in the second quarter of 2022. According to the results, the Greenland Government Authorities have performed quite well. The evaluation is summarised by a score on a scale of A to D, with A being the best rating.

Table 19 shows the distribution of marks in the 2021 PEFA survey.

Table 19. Results of the 2021 PEFA study

The 2021 PEFA study	***A***	***B***	***C***	***D***	***Total***
Result	13	10	6	2	31

Note: An A rating is given for excellent performance. Conversely, D is given for poor but adequate performance. N/A (not available) is given for inadequate performance because the data are insufficient for a rating.

The 2022-2024 PFM Action Plan

The PEFA study also forms the basis for what is known as a PFM action plan. PFM stands for Public Financial Management or, in other words, an action plan for the financial management of the Greenland Government Authorities and the municipalities. The preparation of both the PEFA studies and the PFM action plan is directly governed by Greenland's partnership agreement with the EU.

A forthcoming financial management action plan will cover the initiatives for the period 2022-2024 that, taken together, aim to promote sound public financial management.

The incoming PFM action plan supersedes all previously existing PFM plans.

Completion of the work of the Collective Bargaining Commission

In response to calls from the social partners for improvements to the collective bargaining system, the Government established the Collective Bargaining Commission in the spring of 2020. The Commission is funded by the municipalities and the Greenland Government Authorities. The composition of the Commission reflects that of the collective bargaining parties. Apart from the chairperson, who is appointed by Naalakkersuisut, the members of the Commission are appointed equally by public sector employees and by their employers. The Commission has focused on five areas: 1) the negotiating structure, 2) the time frame for negotiations, 3) the mediation and arbitration system, 4) the merging of agreements and 5) the simplification and optimisation of the wage structure.

Public sector collective bargaining agreements are currently negotiated by 20 separate trade unions. On behalf of both the municipalities and the central government, the Greenland Government Authorities have concluded 18 principal agreements, 45 collective bargaining agreements and over 200 related agreements with the trade unions. These agreements were negotiated in a total of 17 rounds. In 2018, there were 10,699 full-time equivalents (FTEs) in the public sector, with 4,018 in the central government and 6,681 in the municipalities. The social partners thus consider that too many

resources are devoted to negotiations in relation to the size of the workforce. This, combined with a number of years of delayed negotiations, has made the system administratively cumbersome and difficult for users to implement properly and efficiently. Motivated by a desire to improve these conditions, the Commission has submitted a report to Naalakkersuisut. The report contains 32 recommendations and a concrete proposal for initiating the implementation of these recommendations within the next 1-3 years. The Commission's recommendations address the following main issues:

- Establishing an independent national arbitration institution to ensure the local accumulation of knowledge and experience and thus the continuous development of the collective bargaining system based on local requirements
- Maintaining the current central wage structure in a bid to prevent wage slippage and a negative impact on competitiveness
- Continuing the focus of the past two years on preparing for negotiations, as the increased focus on negotiation plans and relationship building between the parties has had a positive impact on the timely conclusion of agreements
- Working actively among the negotiating trade unions to secure their presence in Greenland with the aim of basing the public collective bargaining system even more firmly on local requirements
- Emphasising the drafting of uniform collective bargaining agreements negotiated by the same trade unions and based on the principles recommended by the Commission and a standardisation of the terminology used
- Establishing collective bargaining structures among trade unions with the aim of reducing the number of rounds of bargaining and, in the long term, bringing about greater uniformity of collective agreements. In addition, this is expected to enhance the accumulation of knowledge and experience, particularly among workers

In the second quarter of 2022, Naalakkersuisut will commence the process of reviewing the Commission's recommendations and submit them for political debate.

List of figures and tables

Figure 1. Index of average prices per kilo for fish and shrimp, 2010-2021 7
Figure 2. Number of licences issued and utilised in the inshore halibut fishery, 2013-2021.... 9
Figure 3. Number of licences issued and utilised for inshore cod fishing, 2013-2021 10
Figure 4. Mackerel catches off Greenland, 2013-2021 11
Figure 5. Mackerel catches off East Greenland and in the international zone, 2013-2021.... 11
Figure 6. Revenue from fisheries resource rent taxation, 2010-2021..... 12
Figure 7. Number of cruise passengers, 2003-2021 17
Figure 8. Number of foreign air passengers in Greenland 2018-2021 18
Figure 9. Number of hotel overnight stays, 2015-2021 19
Figure 10. Trend in the number of registered jobseekers in towns and settlements (2015-2021) 23
Figure 11. Public expenditure on families and children (2020 prices) 25
Figure 12. Children's behavioural and emotional problems as measured by the SDQ instrument. Displayed according to the type of placement (in %)..... 27
Figure 13. Experienced physical, sexual and/or psychological abuse. Displayed according to the type of placement (in %)..... 28
Figure 14. Number of reports of violent criminal offences 30
Figure 15. OI result as a percentage of total expenditure for 2015-2025..... 32
Figure 16. Tax revenue trends 2010 to 2021 (2021 prices) 34
Figure 17. Tax revenue trends (excl. resource rent taxation) 2010 to 2021 (2021 prices)..... 34
Figure 18. Goal 1: A self-sustaining economy. Reduction of the size of the block grant relative to GDP 43
Figure 19. Goal 2: Increased production and growth. Real growth in GDP in the period 2003 to 2020 relative to OECD benchmarks 44
Figure 20. Goal 3: Size of the public sector. Public spending as % of GDP..... 44
Figure 21. Goal 4: Indebtedness and economic freedom of action. Total net interest-bearing debt and projected borrowing as a percentage of GDP, 2010-2025..... 45
Figure 22. Goal 5: More people in well-paid jobs. Index of trends in disposable income for the 50% of the population with the lowest income and for the 50% with the highest income (persons aged 15 and over) 45
Figure 23. Goal 6: More people with vocational qualifications. The number of individuals with vocational qualifications relative to the number of 30-34-year-olds 46
Figure 24. Goal 7: More school-leavers pursue further education. Proportion of students in further education one year after completing compulsory schooling 46
Figure 25. Goal 8: A more robust export economy. Composition of exported goods..... 47
Figure 26. Goal 9: More people employed. Unemployment rate in towns and settlements,.. 47
Figure 27. Goal 10: Size of the public sector. Public sector wage cost index (in 2010 prices) 48
Figure 28. Goal 11: Better health for all – a longer life expectancy. Life expectancy trends . 49
Figure 29. Goal 12: Greater equality and reduced social disparities. Gini coefficient trends in a number of countries in 2019..... 49

Figure 30. Goal 13: More people joining the workforce. Employment rates in various countries, 2010-2020 50
Figure 31. Goal 14: More young people in education or employment. Percentage of young people aged 16-25 neither in education/training nor in employment 2012-2020 51
Figure 32. Goal 15: Renewable energy production. Proportion of Nukissiorfiit's generated volumes 2004-2020 51
Figure 33. Goal 16: Total energy consumption. Renewable energy ratio, 2010-2020 52
Figure 34. Goal 17: Reduction in violent crime. Trend in reported offences, 2010-2020 52
Figure 35. Goal 18: Sustainable rent levels to ensure balanced finances in public housing. Trends in rent per square metre in housing belonging to the Greenland Government Authorities (managed by Ini A/S from 2010-2021) relative to the consumer price index 53
Figure 36. Relative poverty in individual years, 50% threshold relative to disposable median income, 2010-2020. 54

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Table 1. Supply balance, annual real growth as a percentage of GDP and gross investments in chained prices 6
Table 2. Catches by fishermen and vessels under Greenlandic licences, 2013-2021 8
Table 3. Annual investment in mineral exploration (in DKK million)* 20
Table 4. The most well-advanced mining projects 20
Table 5. Economic stimulus packages in 2021 24
Table 6. Tourism activity package 2021 25
Table 7. Number of reports on children and young people in Greenland 26
Table 8. Number of children and young people in residential care institutions, 2020 and 2021 28
Table 9. Number of deaths due to suicide, 0-17 years, 2018-2020 29
Table 10. Number of deaths by suicide and total number of young people aged 18-23, 2018-2020 29
Table 11. Number of Alliaq consultations in 2020 and 2021 30
Table 12. Overview of key figures from the national accounts (NA) and budgets for 2015-2025 in million DKK (current budget and budget estimates) 31
Table 13. Municipal finances (positive figures indicate expenditure) 32
Table 14. Trend in arrears from the start of 2021 to the start of 2022 by type 36
Table 15. Projected evolution of interest-bearing and net interest-bearing debt of the Greenland Government Authorities, state-owned companies and the municipalities in the period 2021-2025 37
Table 16. Indicators of progress on achieving overarching goals 42
Table 17. Number and proportion of economically disadvantaged persons with incomes under 50% of the median income by district (towns and settlements according to the former municipal structure), 2015-2020 55
Table 18. Average total personal income by sex 66
Table 19. Results of the 2021 PEFA study 69