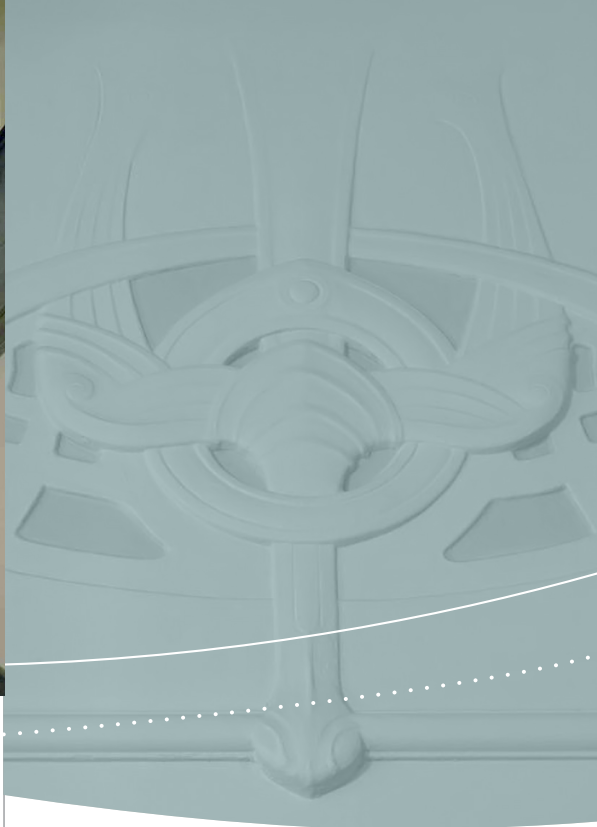




About the Norwegian Ministry of Finance



NORWEGIAN MINISTRY OF FINANCE



Established in 1814

Norway got its independence in 1814 and passed its written constitution. The Ministry of Finance was established 30th November 1814 in the Council of State. At first it was called the 5th Ministry, finance, trade and customs.

A historical building

The offices of the Ministry of Finance are housed in what used to be the Government Building. This Art Nouveau-inspired building, designed by the architect Henrik Bull, is one of the main examples of early 20th-century Norwegian architecture. Work on the building was started in 1898 and completed in 1906.

Staff

The Ministry of Finance employs a staff of about 300 (2011). Most of its employees have a university degree at master level or higher, the majority in law, economics or political science.

Management

The Ministry of Finance is headed by the Minister of Finance, who has overall responsibility for the Ministry's work and who is aided by a political staff consisting of several state secretaries and a political adviser. The administrative head of the Ministry is the Secretary General, and there are seven departments, including the Administrative Affairs Department.

Under the Norwegian Constitution, legislative power is vested in the Storting (the Norwegian parliament), and executive power in the King in the Council of State, which is headed by the King and composed of the prime minister and the other ministers. The authority vested in the King in Council is exercised by the government. Since the Minister of Finance has the main responsibility for national economic policy, he or she holds an important position in the government.

The Ministry is responsible for:

- **planning and implementing economic policy**
- **coordinating the preparation of the budget**
- **ensuring state revenues by maintaining and developing the system of taxes**
- **monitoring financial markets and drawing up regulations**
- **managing the state's financial assets**

The Ministry serves as the Minister's secretariat. It prepares documents that are to be presented to the Storting and background material and advice for the government on issues such as economic and tax policy. The Ministry also has a number of administrative functions, implements political decisions and is responsible for government agencies such as those dealing with taxes, duties and statistics.

Economic policy

The Minister of Finance is responsible for developing and coordinating the government's economic policy. The government presents its economic plans and proposals to the Storting every autumn in the National Budget and the budget proposal (called the Yellow Book), and every spring in the Revised National Budget. Before the budgets are presented, the Ministry of Finance provides advice on government expenditure and revenues.

The Economic Policy Department monitors and analyses economic trends in Norway and abroad, and these trends are presented together with projections for the future in the National Budget.

The Department is responsible for coordinating the various areas of economic policy.

One of the Department's main tasks is to provide analyses and recommendations concerning fiscal policy. Under the fiscal policy guidelines, which have the support of a large majority in the Storting, Norway's petroleum revenues are phased into the economy on par with the expected real return on a fund called the Government Pension Fund Global. The expected real return is estimated at 4 per cent. More information about the fund is given later in this brochure. Considerable emphasis is placed on stabilising the economy, which permits the government a certain freedom of action in the application of the fiscal policy guidelines. In practice this means that the structural non-oil budget deficit over time should be kept at 4 per cent of the assets in the Fund at the beginning of the fiscal year.

The Department also analyses the effects of the annual wage negotiations and wage settlements on the national economy and central government finances.

The Department is responsible for the management of government debt and the Treasury's cash reserves. It also manages the government's involvement in the carbon market by buying UN-certified emission reductions and participating in the EU Emissions Trading Scheme.

The Ministry of Finance coordinates the government's policy on sustainable development, and the secretariat for this work is situated in the Economic Policy Department.

The Department produces long-term analyses of economic trends and reports on subjects such as population trends, trends in income and living conditions, environmental issues, labour market trends, pensions and public services. The information is used in official government reports, white papers and the annual budget documents. The Department also has special responsibility for methodology in economic policy analysis and to this end maintains close links with academic and research communities.

The Department coordinates the Ministry's involvement in international matters. More information about international cooperation is given later in this brochure.



The fiscal budget and financial management

The Ministry of Finance serves as the government's budget secretariat and coordinates the work on the budget proposals submitted to the Storting.

The legal framework for the fiscal budget is based on the Appropriation Regulations adopted by the Storting. Norway has a one-year budgeting system, and the budget is required to be presented in a comprehensive form on a cash and gross terms basis.

The budget is based on the principle of lump-sum allocations. The government sets priorities, determines the size of the total budget and allocates it between the various ministries. The individual ministers have considerable autonomy in how they spend their allotted share of the budget.

The Budget Department is responsible for coordinating the work on the budget.

The Ministry of Finance starts preparing the fiscal budget about a year before it is submitted to the Storting. In November the Budget Department sends a circular letter to all the ministries asking for baseline projections and new policy initiatives. The government's budget preparations take place at two budget conferences, one in March and one in August or September. The total spending and revenue limits, the total limit for new policy initiatives and the expenditure and revenue limits for each ministry are decided in March. In August the government decides on new policy initiatives, final allocations to the ministries and tax policy. All decisions are based on the comprehensive budget documents prepared by the Minister of Finance.

The government's budget proposal for the following calendar year is submitted to the Storting at the beginning of October, as soon as it has reconvened for the autumn session. The Minister of Finance presents the budget proposal and makes the annual budget speech. The budget documents submitted to the Storting are the National Budget (in the form of a white paper), the budget proposal (called the Yellow Book), one budget document for each ministry (these are presented as annexes to the Yellow Book), and the proposed tax bill. The Yellow Book includes the proposals for the various appropriations and presents the main items in the new budget. The annexes to the Yellow Book give detailed descriptions of the proposed allocations and the objectives to be achieved in the budget year, as well as the results achieved by the individual ministries in previous years. One document sets out the necessary amendments to tax legislation, tax rates and other tax matters.



The Storting has until December to consider the budget proposal. From October to November, it is reviewed by the Standing Committee on Finance and Economic Affairs, which submits proposals for total revenues and expenditure and for expenditure and revenue ceilings. The Storting debates these proposals in a plenary session and approves the budget allocations within this framework in a single resolution. The various standing committees then discuss the parts of the budget that apply to their particular areas of expertise and submit proposals on the internal distribution of the funds allocated to that area. On the basis of the committees' proposals, the Storting approves the budget in December and it takes effect on 1 January the following year.

Expenditure in the 2011 fiscal budget approved by the Storting is estimated at NOK 960 billion. Public expenditure accounts for approximately 47 per cent of Norway's gross domestic product.

A number of amendments are usually made to the budget in the course of the fiscal year. The most extensive changes are made in the spring budget review in May in connection with the Revised National Budget, and there is a final balancing of the fiscal budget in December.

In addition to following the budget process closely, the Budget Department among other things advises the Minister of Finance on topics to be discussed at the weekly government meetings at the Office of the Prime Minister. The other ministries are required to submit all matters that might have an impact on expenditures or revenues in the fiscal budget or other significant economic or administrative consequences to the Ministry of Finance, and the Budget Department is responsible for the majority of these assessments.

The Ministry of Finance has overall responsibility for financial management in the central government administration. This means that the Ministry decides rules and standards for financial management in the central government administration and is responsible for the government accounts and the government cash system. This is the responsibility of the Budget Department, which also supervises the Norwegian Government Agency for Financial Management, the executive agency in this area. The other ministries and subordinate agencies are responsible for complying with the rules, and for spending control and financial reporting.

The Norwegian Government Agency for Financial Management keeps the government accounts and draws up a monthly report on expenditures and revenues. At the end of the budget year, the Ministry of Finance prepares a white paper on the government accounts that is submitted to the Storting the following spring. This document describes in detail how the different allocations have been spent.

Financial markets

The Ministry of Finance is responsible for overall financial stability and the regulation of financial markets and financial institutions. These responsibilities are covered by the Financial Markets Department. The main objectives of the regulation of markets and institutions are to promote the soundness of individual financial institutions, competition and cost efficiency in financial markets, and consumer protection.

Financial institutions under regulation include commercial and savings banks, finance companies, insurance companies and pension funds. Other types of entities under regulation include stock exchanges and other regulated markets, central counterparties, the central securities depository, investment firms, fund management companies, estate agencies, accountants and auditors. The Financial Markets Department prepares proposals for acts and regulations for the mentioned entities, and also the regulation of occupational pensions, securities trading, accounting and auditing. In addition, the department has responsibility for authorizations and licenses to individual firms.

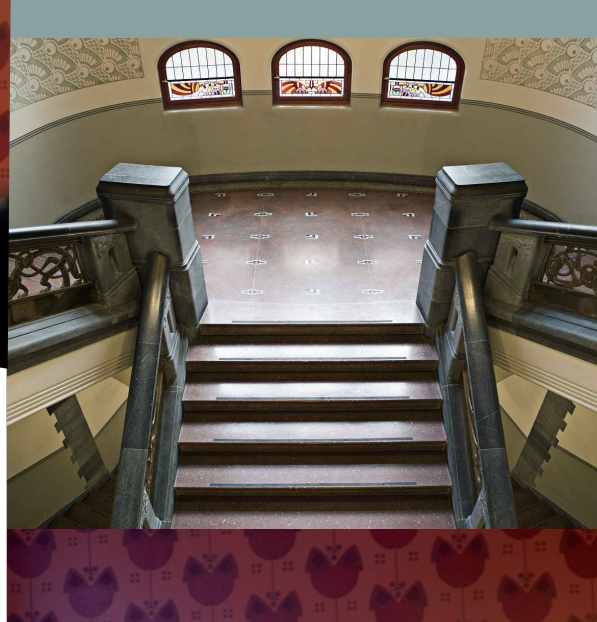
The Financial Markets Department is responsible for the regulation of the activities of Finanstilsynet (the Financial Supervisory Authority) and of Norges Bank, and handles the Ministry's relations with Finanstilsynet. The Department also coordinates tripartite exchange of information on financial stability and crisis management between Finanstilsynet, Norges Bank and the Ministry.

Taxes

The main objective of a tax system is to finance the public sector while limiting the negative effects of taxation on economic activity. Taxes and excise duties provide the bulk of central and local government revenues and are used to finance important public goods and services such as pensions, health care, education and infrastructure.

The Ministry of Finance is responsible for the government's work on tax policy and for legislative proposals relating to the tax system. These responsibilities are carried out by the Tax Policy Department and the Tax Law Department. The two Departments cooperate closely and are jointly responsible for developing and administering the legislation relating to taxes and customs duties.

The Tax Policy Department oversees the overall economic and fiscal effects of the tax system, including both direct and indirect taxes. An important task for the Department is preparing new tax proposals to be included in the budget. When changes to the tax system are being considered, the Department assesses the effects on tax revenues and other factors such as taxpayers' behaviour. It assesses the interactions between tax and social security legislation and the impact on income distribution. It also analyses



the economic effects of legislation and legislative amendments in other key policy areas such as energy, the environment, and competition and deregulation of product markets. The Department is therefore involved in climate policy analysis, especially related to the design and management of economic instruments like taxes and emission trading schemes. The Department also participates in the international climate negotiations, particularly in economic and financial issues.

The Tax Law Department is responsible for developing and administering legislation relating to taxes and customs duties by drawing up draft legislation for the Storting and by ensuring that the tax administration is efficient and effective. It draws up, interprets and administers legislation in the following areas: personal and business income taxation, wealth tax, petroleum revenue tax, taxation of energy companies, social security contributions, property tax, inheritance tax, value-added tax, customs duties, excise, tax collection and population registration.

Norway's open economy is based on close cooperation with other countries and international organisations. The Department participates in international cooperation on tax matters and administers and negotiates tax treaties and agreements on the exchange of information with other countries. It is also responsible for coordinating the Ministry's work on combating economic crime.

The Department serves as the supervisory authority for the Norwegian Tax Administration, Norwegian Customs and Excise and the Norwegian National Collection Agency. It is responsible for ensuring that these government agencies are organised and managed efficiently and achieve their political objectives.

Asset management

Due to the large revenues from the petroleum sector, the Ministry of Finance now manages substantial financial assets through the Government Pension Fund. The purpose of the Fund is to facilitate government savings in order to meet the rapid rise in public pension expenditures in the coming years, and to support long-term management of petroleum revenues. Petroleum revenues are different from other state revenues since they reflect a reduction in physical petroleum assets.

The Government Pension Fund was established in 2006 and consists of two parts: the Government Pension Fund Global, which is a continuation of the Petroleum Fund, and the Government Pension Fund Norway, which used to be Folketrygdfondet (the National Insurance Scheme Fund). The inflow in the Pension Fund Global consists of all state petroleum revenue together with the return on the Fund's investments. The outflow from the fund is the sum needed to cover the non-oil budget deficit. This makes net allocations to the Fund equal to the total budget surplus, including oil revenues. The return on the Pension Fund Norway is added to the fund's capital, and there are currently no transfers from this fund to the fiscal budget.

The Government Bond Fund was established in March 2009 with a capital of NOK 50 billion. The Bond Fund increases liquidity and capital inflow to the Norwegian credit bond market.

The Ministry of Finance's responsibility for the management of the Government Pension Fund and the Government Bond Fund is primarily taken care of by the **Asset Management Department**. The Department's main responsibilities include investment strategy and following up the operational management and ethical guidelines of the Government Pension Fund

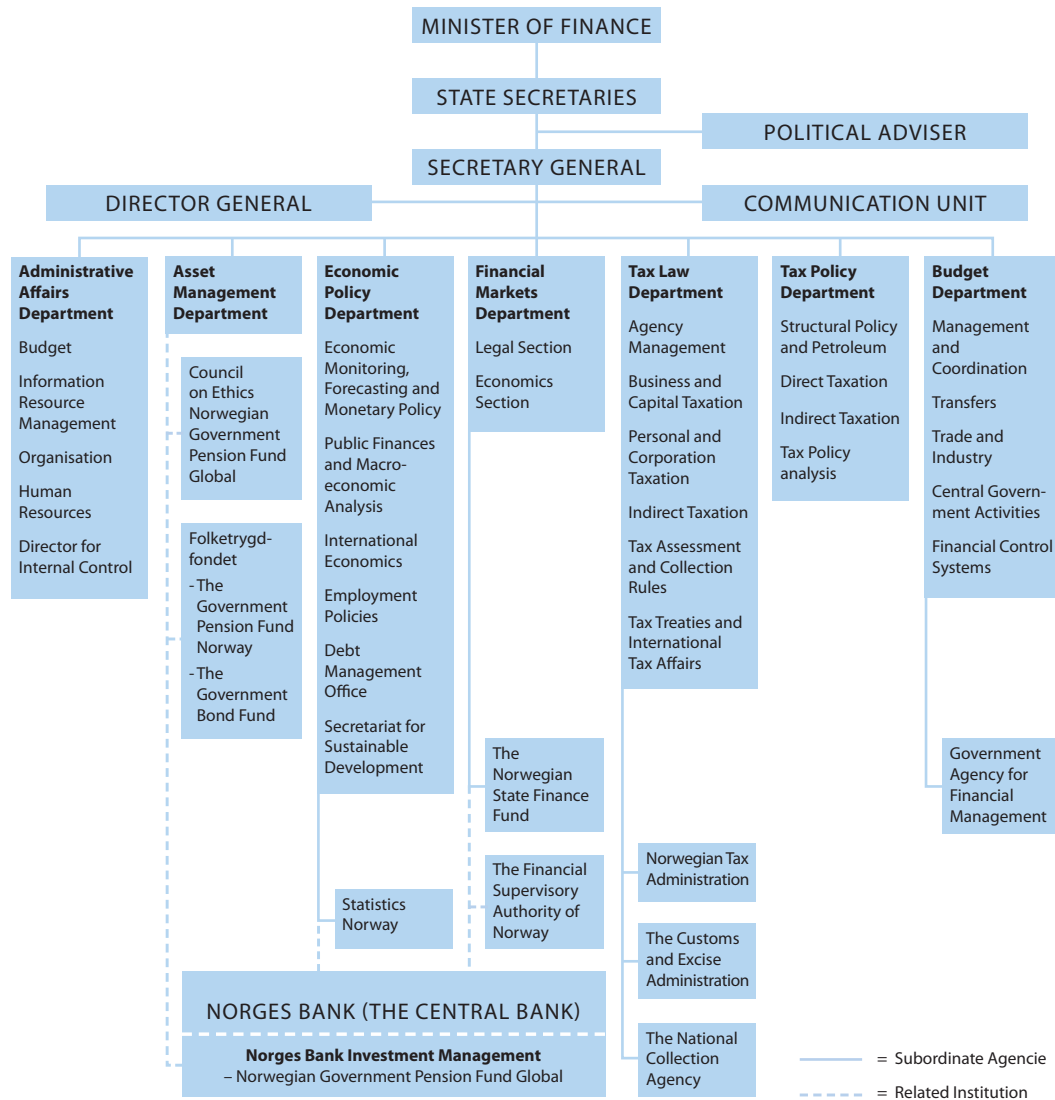
The operational management of the Government Pension Fund Global is delegated to Norges Bank, which invests the Fund's capital in bonds, equities and real estate outside Norway in accordance with a mandate drawn up by the Ministry. Folketrygdfondet is responsible for the operational management of the Government Pension Fund Norway and the Government Bond Fund. The value of the Government Pension Fund at the start of 2011 was approximately NOK 3 200 billion, and the Fund is expected to continue to grow in the coming years.

International cooperation

The Ministry of Finance cooperates extensively with other countries in a wide range of areas, from tax agreements and customs cooperation to participation in international organisations and cooperation agreements on economic and trade policy.

Some of the main agreements and organisations are the Agreement on the European Economic Area (EEA), the European Free Trade Association (EFTA), the Organisation for Economic Co-operation and Development (OECD), the World Bank and the International Monetary Fund (IMF).

The Ministry of Finance



Other agencies and institutions with links to the Ministry

The Ministry of Finance is responsible for a number of other government institutions: the Directorate of Taxes, the Directorate of Customs and Excise, Statistics Norway, the Financial Supervisory Authority of Norway, the Norwegian State Finance Fund and the Norwegian National Collection Agency. The Ministry of Finance is also responsible for the management of the Government Pension Fund. Another institution is the Finance Market Fund, which administers the revenues from the sale of the Oslo Stock Exchange and the sale of the Norwegian Central Securities Depository (VPS). The return on this capital is allocated to research, education and general information activities relating to the financial market sector. The Ministry is also the appeals body for certain decisions taken by subordinate agencies.

Although the role of the Ministry vis-à-vis the individual agency or institution varies, it draws up guidelines for all of them based on legislation approved by the Storting, and allocates funds from the budget as approved by the Storting. Otherwise the agencies enjoy considerable freedom with regard to decision-making in their particular fields.

Norges Bank is responsible for implementing monetary and foreign exchange policy in accordance with government guidelines. Matters of importance have to be submitted to the Ministry of Finance.

Folketrygdfondet

Folketrygdfondet (the National Insurance Scheme Fund) is a separate state-owned company that manages the Government Pension Fund Norway and the Government Bond Fund on the Ministry's behalf and in accordance with guidelines drawn up by the Ministry.

The basic capital of the Government Pension Fund Norway originates primarily from surpluses in the national insurance accounts from the introduction of the national insurance scheme in 1967 and up to the late 1970s.

The Government Pension Fund Norway is primarily invested in Norwegian fixed income and equity instruments, but a certain amount may be invested in companies in other Nordic countries. At the end of 2010 its total assets amounted to NOK (135) billion.

Folketrygdfondet has 45 employees (2010).

The organisation's website: www.fff.no

The Financial Supervisory Authority of Norway

The Financial Supervisory Authority of Norway (the FSA) is an agency of the Ministry of Finance. It supervises all segments of the financial markets and market participants, including banking, securities, insurance and pensions, as well as accounting, auditors, estate agents and debt collectors. The FSA's main responsibility is to follow up individual institutions to ensure that they comply with all relevant regulations. After the Norwegian banking crisis in 1988-93, the FSA also established a macro surveillance unit to improve surveillance of systemic risks by combining macro indicators with the FSA's knowledge about individual financial institutions. The FSA has an advisory role to the Ministry of Finance on financial regulation and on authorisations and licenses to individual firms. On a regular basis the FSA publishes a risk outlook report, with an assessment of the overall situation of individual institutions in the light of economic and market developments.

The Authority has a staff of about 255 (2010).

The Financial Supervisory Authority of Norway's website: www.finanstilsynet.no

The Norwegian State Finance Fund

The Norwegian State Finance Fund was established in 2009 as a separate legal entity with the express purpose to provide tier 1 capital to financially sound Norwegian banks, in order to strengthen the banks' core capital and to improve their lending capacity.

The Norwegian State Finance Fund's website: www.statensfinansfond.no



The Norwegian Government Agency for Financial Management

The Norwegian Government Agency for Financial Management was established 1 January 2004. The Agency plays an important role in initiating, promoting and coordinating reforms in performance and financial management in central government institutions. The Agency promotes the efficient use of resources in central government by administration of rules and systems, and by service delivery. Its main areas of responsibility are administration of the regulations and guidelines for performance and financial management in the central government administration, competence-building, providing guidance and advice to government bodies, and managing the state accounts and the state cash system. In addition the Agency delivers shared services such as payroll processing and accounting services to approximately 75 per cent of all central government agencies.

The Agency has its headquarters in Oslo and six regional offices located in Tromsø, Trondheim, Stavanger, Kristiansand, Drammen and Hamar.

The Agency has a staff of about 360 (2010).

The Norwegian Government Agency for Financial Management's website: www.sfs.no

The Norwegian Tax Administration

The primary objective of the Tax Administration is to ensure the correct assessment and payment of the taxes imposed by the Storting. It also ensures that the National Population Registry is accurate and up to date. In 2010 the Administration was responsible for collecting NOK 735 billion in state taxes.

The Administration is responsible for issuing tax cards and for advance payment of tax, and for assessing and monitoring social security contributions and wealth and income tax. It also assesses, monitors and collects value-added tax and inheritance tax. Another of its responsibilities is to monitor and supervise the collection of employer's contributions, social security contributions and state income and wealth taxes by the municipal tax collection offices.

The Tax Administration has two levels of authority. The Directorate of Taxes has overall responsibility for tax administration and inspection. It oversees the work of the tax collection offices and ensures that tax rules and legislation are correctly and uniformly applied throughout the country. The second level consists of the five regional tax offices and the Petroleum Tax Office. The Tax Administration is also represented locally throughout the country and at many public sector service offices.

The Tax Administration has just over 6500 employees (2011).

The Tax Administration's website: www.skatteetaten.no



Norwegian Customs and Excise

The primary objective of Norwegian Customs and Excise is to prevent the illegal import and export of goods and to ensure the correct declaration, assessment and payment of customs and excise duties. The customs and excise authorities collect customs duties, value-added tax on imported goods and excise. In 2010 these amounted to a total of approximately NOK 192 billion. The organisation also has a number of tasks related to import and export control.

Customs and Excise consists of a directorate and six customs regions, and has representatives in 32 different locations throughout the country.

It has just under 2 000 employees (2011).

Norwegian Customs and Excise website: www.toll.no

The Norwegian National Collection Agency

The primary objective of the Norwegian National Collection Agency is to ensure efficient and correct debt collection on behalf of government agencies. The Agency is responsible for operating a joint case management system, which also provides services to ordinary enforcement officers (bailiffs), and it provides central accounting services for the Norwegian police force.

The Agency is located in Mo i Rana and has just over 340 full-time employees (2011) and 28 client institutions (2010).

The National Collection Agency's website: www.sismo.no

Statistics Norway

Statistics Norway is responsible for official statistics on Norway and also engages in extensive research. Statistics Norway covers virtually all aspects of Norwegian society and prepares statistics and analyses on the economy, industrial development and demographics. The national accounts and more detailed statistics about foreign trade, tax revenues, price inflation, production, employment and unemployment provided by the organisation are essential information in the preparation of the National Budget. Statistics Norway also coordinates and collates statistics collected by other institutions, and participates in international cooperation on statistics matters.

Statistics Norway has offices in Oslo and in Kongsvinger. About 60 per cent of the total staff of 1 000 persons works in Oslo. The organisation is mainly financed over the fiscal budget, although about 30 per cent of its income is derived from assignments commissioned by the public or the private sector.

Statistics Norway's website: www.ssb.no

Norges Bank


Norges Bank is the central bank of Norway. The objectives of the Bank's core activities are price stability, financial stability and added value in investment management.

Norges Bank is responsible for the implementation of monetary policy in Norway in accordance with the monetary policy guidelines established by a Royal Decree of 29 March 2001. Monetary policy is oriented towards achieving low and stable inflation over time. Norges Bank is also responsible for promoting robust and efficient payment systems and financial markets.

Norges Bank is responsible for the operational management of the Government Pension Fund Global. The Fund is invested in international equities, bonds and real estate, in accordance with a mandate drawn up by the Ministry of Finance.

Norges Bank has a staff of about 590 (2010). The head office is located in Oslo, and the bank also has branches in London, New York, Shanghai and Singapore.

Norges Bank's website: www.norges-bank.no



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