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NORWAY

Report on the Observance of Standards and Codes (ROSC) Fiscal Transparency Module

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June 3, 2009

Executive Summary

This report provides an assessment of fiscal transparency practices in Norway in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency* based on discussions with the authorities and other organizations, the authorities' response to the IMF fiscal transparency questionnaire, and other sources of information. The IMF *Manual on Fiscal Transparency (2007)* (http://www.imf.org/external/np/fad/trans/manual/) should be consulted for further explanation of the terms and concepts discussed in this report.

The Norwegian fiscal management system is characterized by a high level of transparency, especially in the area of resource revenue where Norway is a leader. Norway's public management system operates in a highly decentralized fashion and demands a high degree of integrity and well-functioning government institutions—these conditions are largely met, and the system performs very well in many areas, supported by strong transparency practices. Resource revenue management transparency is very high.

Norway scores high in the four areas of fiscal transparency assessed by this report. (i) Clarity of roles and responsibilities. The institutional framework and division of responsibilities are clear. (ii) Open budget processes. The budget process is open and highly transparent, with the parliament playing a central role. Budget documents present comprehensive, high-quality information and extensive analysis including in-depth coverage of long-term fiscal perspectives and sensitivity of the projections to underlying assumptions. (iii) Public availability of information. The scope and quality of the information made available to the public are very high. (iv) Assurances of integrity. The Office of the Auditor General (OAG) is a respected institution that undertakes financial and performance audits and corporate control. The scope and quality of the data and analyses produced by Statistics Norway are highly regarded.

Notwithstanding, there are several areas where improvements could be made. The following are the main recommendations put forward in this report: (i) it would be desirable to provide information on the consolidated central government in budget documents; (ii) gross budgeting should be the guiding principle for the budgetary central government; (iii) consideration should be given to extending the coverage of the accounts, including the capital account in the annual financial statement; (iv) the disclosure of all government assets and liabilities and the full resource implications of policies and programs would provide valuable information ; (v) the inclusion of institutional tables in budget documents would enhance transparency; (vi) the budget process would be further strengthened by disclosing all exceptions to the procedures in the Appropriation Regulations; (vii) for the medium term, consideration could be given to extending the accrual-basis accounting pilot; (viii) steps could be taken to enhance medium-term fiscal planning; (ix) in the area of performance budgeting, ministries could in some cases be encouraged to present more concretely specified sectoral objectives; (x) in principle, more extensive use of internal audit procedures should be given consideration; (xi) uncertainty may be caused by the fact that the OAG does not express an opinion on the accounts of ministries, the consolidated government accounts, and the capital account.

Contents Page

ABBREVIATIONS

COFOG	Classifications of the Functions of Government
EEA	European Economic Agreement
EITI	Extractive Industries Transparency Initiative
ESA	European System of Accounts
GAFM	Government Agency for Financial Management
GFSM 2001	Government Finance Statistics Manual
GPF-G	Government Pension Fund—Global
GPF-N	Government Pension Fund—Norway
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LLCA	Limited Liability Companies Act
MoF	Ministry of Finance
MPE	Ministry of Petroleum and Energy
NBIM	Norges Bank Investment Management
NCS	Norwegian Continental Shelf
NGAAP	Norwegian Generally Accepted Accounting Practices
NORAD	Norwegian Agency for Development Cooperation
NPD	Norwegian Petroleum Directorate
NRK	National Broadcasting Corporation
OAG	Office of the Auditor General
OLF	Norwegian Oil Industry Association
OTO	Oil Taxation Office
PLLCA	Public Limited Liability Companies Act
PPP	Public-private partnership
RFMCG	Regulations on Financial Management in Central Government
ROSC	Reports on the Observance of Standards and Codes
SDDS	Special Data Dissemination Standard
SDFI	State Direct Financial Interest
SEC	Securities and Exchange Commission
TSA	Treasury Single Account
WTO	World Trade Organization

I. INTRODUCTION[1]

1. **This report provides an assessment of fiscal transparency practices in Norway against the requirements of the IMF *Code of Good Practices on Fiscal Transparency*.** It has two parts. The first part is a description of practice, prepared by the Fund staff on the basis of discussions with the authorities and their responses to the fiscal transparency questionnaire, and drawing on other available information. The second part is an IMF staff commentary on fiscal transparency in Norway.

2. **The report also includes an assessment of practices against the *Guide on Resource Revenue Transparency*.** The assessment is presented in detail in Appendix I, while a summary of findings and associated recommendations are included in the IMF staff commentary (Section III).

II. DETAILED DESCRIPTION OF PRACTICE

A. Clarity of Roles and Responsibilities

Definition of government activities

3. **The general government definition, as reported for statistical purposes by Statistics Norway, is largely consistent with Government Finance Statistics (GFS) principles.** *1.1.1*

The general government sector comprises the budgetary central government, extrabudgetary units, and the local governments. The extrabudgetary units include the Government Pension Fund-Norway (GPF-N); universities, colleges and research institutions;[2] public hospitals, and a number of non-market institutions. Departing from GFSM 2001, Statistics Norway's definition of general government excludes some public non-market institutions organized as joint-stock companies (hospitals being a notable exception). The units of general government and their relative importance are shown in Box 1. General government figures based on ESA[3]-95 format are presented as an

[1] This report was prepared by an IMF team consisting of Messrs. Ossowski (head), Hajdenberg, Tandberg, and Villafuerte, which visited Oslo on June 9–20, 2008. Mr. Khan participated in the preparation of the report and visited Oslo during June 12-13, 2008. During its visit, the team held discussions with Mr. Schjerva, State Secretary of Finance, Mr. Eriksen, Secretary General of Finance, and a wide range of senior officials at the Ministry of Finance. The mission met with senior staff from the Ministries of Culture, Environment, Government Administration and Reform, Health, Local Governments and Regional Development, Petroleum and Energy, and Trade and Industry; Norges Bank; the Office of the Auditor General; the Government Agency for Financial Management; Statistics Norway; the Tax Directorate; the Oil Taxation Office; the Norm Price Board; NORAD; the municipalities of Oslo and Nesodden; the companies StatoilHydro and Petoro; members of several parliamentary Standing Committees; and the Norwegian Oil Industry Association and other private sector representatives. The report benefited from the PEFA report produced by NORAD. The mission gratefully acknowledges the extensive support provided by the Ministry of Finance, and particularly by Messrs. Aasen and Hernæs who coordinated the mission's activities.

[2] Universities, colleges and research institutions are agencies, but have a special authorization to receive appropriations on a net basis.

[3] European System of Accounts.

appendix to the budget. The state budget covers the central government, consisting of 17 small ministries mostly responsible for policy making and 180 autonomous agencies of varying sizes that implement these policies, as well as grants and transfers provided to the extrabudgetary units, local governments, and public corporations. While the Government Pension Fund-Global (GPF-G) is depicted as a central government unit with a separate budget, it is formally a central government account with the Norges Bank, and is largely integrated with the budget, the exception being the cash return on the Fund's assets and its management cost.

Ministerial agencies are designed to provide an effective and accountable mechanism for service delivery. Their staff are civil servants, and the agency budget is included in the parent ministry's budget. The parent ministry is responsible for policy and performance oversight. About 27 percent of the agencies use accrual basis accounting for internal management purposes. The agencies cannot borrow. Any contingent liabilities that may arise from agencies' contracts with third parties are reported by the agencies and are absorbed in the ministry's budget if needed.

Extrabudgetary units have a wide range of mandates. They implement public tasks largely, but not exclusively, funded by the central government. In many cases, the units operate in close contact with specific ministries and behave, in many respects, like ministerial agencies. However, the staff are not civil servants; some of the units can borrow, and many have their own sources of revenue.

Box 1. General Government in Norway	Percent of GDP (2006)[1]
General government in Norway comprises the following :	**40.7 (40.7)**
Central Government Units Covered by the Fiscal Budget 1. The monarchy, the cabinet, the Storting including its institutions, the Supreme Court, and ministries including their agencies 2. National Insurance Scheme	**44.5[2] (21.3)**
Central Government Units with Individual Budgets 1. Extrabudgetary funds 2. Government funds 3. Government Pension Fund – Global 4. Government Pension Fund – Norway 5. Government Petroleum Insurance Fund 6. Norwegian Research Council and Norwegian Trade Council 7. Price regulation funds 8. Public hospitals 9. Public Service Pension Fund 10. Public universities and public colleges 11. Seamen's Pension Insurance Fund 12. War Pension Scheme for the Military	**7.0 (6.7)**
Local Government • 18 counties • 431 municipalities • 431 joint parish councils • 300 non-market corporations classified within Local Government	**12.8 (12.7)**

Source: Data provided by the authorities.
[1] Numbers in brackets are computed excluding transfers to other governmental entities.
[2] Includes transfers to GPF-G, which are largely devoted to build up of financial assets.

Government relationships with nonfinancial public corporations

4. **Relationships between government and public nonfinancial and financial corporations are for the most part clearly defined.** *1.1.4*

The government has extensive direct ownership of Norwegian enterprises in the financial and nonfinancial sectors (Box 2). The basis for the administration of public corporations is laid out in the Constitution[4], whereby the Storting (Norway's parliament) is given authority to instruct the government in matters concerning state ownership. Administration of the enterprises is delegated to the ministry to which the company is affiliated. State ownership takes different forms and is regulated by different legal instruments. The government's policy in this area is comprehensively specified and information on state-owned enterprise activities is widely available. There is some lack of clarity about the nature of a few entities classified as public corporations which are in essence non-market institutions, but are considered to be outside the government sector by Statistics Norway. While the government has indicated a number of objectives for some of the companies and there have been occasional ambiguities about the government's exercise of its status as majority shareholder, the relationship with companies with commercial orientation is largely arm's length.

Box 2. Public Corporations

The government has extensive corporate ownership. The statistics prepared by Statistics Norway indicate the existence of approximately 3,000 publicly-owned corporations. Of these, about 650 correspond to the central government and the rest to the local governments. Many of the companies listed under the central government are subsidiaries of public corporations. Most local government companies are nonprofit organizations organized as corporations. The government's White Paper No. 7 (2006–07) covered the major companies.[1] It refers to 46 fully state-owned limited companies, 36 partly-owned limited companies,[2] five state public enterprises, and nine companies organized by special act, which included five state regional health enterprises.[3] Companies fully and partially owned by the state range from holdings in Norway's biggest listed companies to small companies with purely sectoral policy.

State ownership takes different legal forms. Partially-owned joint-stock companies are regulated by the Limited Liability Companies Act (LLCA). Fully state-owned joint-stock companies are regulated by that act, as well as by the Public Limited Liability Companies Act (PLLCA). The government owns a number of companies regulated by special acts specific to each company or sector. The five public enterprises are regulated by the State-owned Enterprises Act.

Government's policy regarding state ownership is set out in "The Government's Ownership Policy". There the government specifies its objectives in this area and its expectations as owner, which include considerations regarding the conduct of company restructurings, environmental impact, the working environment, ethics, gender equality, and corruption.

[4] Article 12 paragraph 3, and article 19.

Box 2. Public Corporations (continued)

The following general government objectives are specified: ensuring that companies have their head offices and conduct research in Norway; ensuring control over Norway's natural resources; generating revenues to benefit society as a whole; and achieving political objectives related to regional, transport, cultural, and health policy. In addition, the Ownership Policy spells out the objectives for each of the companies. For companies with commercial objectives (see below), the government specifies an expected rate of return. For companies with sectoral policies, performance targets are specified to promote efficient operation. Underperformance toward these goals could result in removal of the Board of Directors.

The government classifies the companies along four different categories in order to formulate their objective and measure their performance: i) companies with purely commercial orientation; ii) companies with a commercial orientation but where state majority is important to ensure that the head office is located in Norway; iii) companies with a commercial orientation and other specific objectives; and iv) companies with sectoral policy objectives.

Within the general limits stipulated by the Storting for the corporation, the state as owner furthers its interests through the general assembly. In fully-owned companies, the ministry responsible is the general assembly, and can impose obligations that may reduce the company's financial results. In partially-owned companies, government's relationship with them is guided by the principle of equal treatment. When the state is not the only owner, the legislation sets limits on the type of resolutions the general assembly can adopt. In principle, there are therefore clear limits on the political objectives that can be furthered through owner control in partially-owned companies. Limits also apply to the exchange of information between the company and the government. In joint-stock companies, state-owned enterprises, and companies formed through the adoption of special legislation, the state's liability is limited to the state's capital. It is assumed that the fully state-owned companies will be compensated through separate allocations if they are ordered to carry out activities which the Board of Directors does not find commercially justifiable, lest claims being filed by creditors for violating company law provisions.

Reporting on the activities of the largest state-owned companies is coordinated by the Ministry of Trade and Industry and consolidated annually in "The State's Ownership Report".[4] The report is presented to the Storting for information purposes and is available to the public. Companies produce annual reports, including annual accounts and directors' reports, prepared in accordance with the Norwegian Accounting Act. As owner, the state also normally expects that wholly or partially state-owned companies prepare quarterly public interim reports. Special reporting requirements apply to companies that receive state subsidies. Comprehensive reporting on public corporations is prepared by Statistics Norway (see paragraph 32).

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[1] In Norway, a White Paper is a strategy document from the government that is discussed and endorsed by the Storting, which may provide detailed comments on its contents, but it is not formally approved by the Storting and does not have a legal status.

[2] StatoilHydro resulted from the merger of Statoil with the oil and gas activities of Norsk Hydro in 2007.

[3] Responsibility for the provision of specialized health care was transferred from the counties to the central government level in 2002 and resulted in the creation of 5 regional health companies. Two of these companies merged in 2007.

[4] http://www.ownershipreport.net/.

5. **Quasi-fiscal activities (QFAs) carried out by public nonfinancial corporations are limited, but they are not fully costed and presented in budget documents.** *1.1.4*

The main QFAs are related to the government's requirement that Posten Norge provide certain postal and banking services at below cost terms in remote regions and that Avinor provide airport infrastructure and services at given locations. These activities are cross-subsidized by other profitable activities of the companies. Goods and services provided at below-market costs by other nonfinancial companies are clearly identified and compensated with budget transfers (for example for the provision of railway services at below-cost rates by NSB).

6. **Arrangements regulating profit transfers from state enterprises to the budget are clear.** *1.1.4*

Government's policy aims at ensuring a predictable dividend policy for state-owned companies.[5] Based on factors affecting the companies' business, ministries formulate dividend expectations for the following three to five years for companies with commercial objectives and, based on prevailing circumstances, expectations for annual dividends. However, these expectations are indicative and, in line with the LLCA, the annual dividend is proposed by the companies' Board of Directors and adopted by their annual shareholders' meeting.[6]

Government relationships with the central bank and public financial corporations

7. **Norges Bank is operationally independent and has no fiscal role.** *1.1.4*

The functions of the Norges Bank, as well as its relationship with the government, are clearly stipulated in the Norges Bank Act.[7] The guidelines for the conduct of monetary policy are specified by Royal decree in the Regulation on Monetary Policy,[8] where the Bank's responsibility for the conduct of monetary policy is formalized, as well as the central objective of low and stable inflation.[9] Before Norges Bank makes any decision of special importance, the matter shall be submitted to the Ministry of Finance (MoF). The MoF has the formal right to instruct the Bank; in this circumstance, it would submit a report for information to the Storting indicating this instruction, and Norges Bank would provide its opinion. In practice, however, this situation has never happened and is considered implausible. Norges Bank is not allowed to extend credit directly to the

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[5] Specified in Government's White Paper No. 13 (2006-07).

[6] In partly-owned companies, the state is normally represented with one representative in the nomination committees for the boards of directors. In fully-owned companies, the relevant cabinet minister appoints the board.

[7] http://www.norges-bank.no/templates/Article____13862.aspx

[8] http://www.norges-bank.no/templates/Article____13861.aspx

[9] The regulation states that the operational target of monetary policy shall be annual consumer price inflation of approximately 2.5 percent over time.

government and it does not support the activities of public financial corporations. Annual dividends are computed according to a formula and transferred to the government. Norges Bank charges a fee for services provided to the government and remunerates government deposits at the policy rate.

8. **Public financial corporations carry out only limited QFAs.** *1.1.4*

The Norwegian state has equity holding (in the form of ordinary shares) in three financial institutions (34 percent of DnB NOR, 15 percent of Eksportfinans, and 80 percent of Kommunalbanken). DnB NOR (Norway's largest financial group) and Eksportfinans are fully commercially run. Kommunalbanken is commercially run but has additional policy objectives, including to provide loans on favorable terms to the local governments, which may imply an implicit subsidization of loans, whose cost is not identified in the budget. In addition, subsidized loans are provided by the Student Loan Fund, Innovation Norway, and the State Housing Bank. These activities are identified and are assigned appropriations in the budget.

Government relationships with the private sector

9. **Laws and processes governing government regulation of the nonfinancial private sector are conducive to favorable business conditions.** *1.1.5*

Much of the Norwegian legal framework is harmonized with the EU, in line with Norway's participation in the European Economic Agreement.[10] According to the International Finance Corporation's Doing Business Index (2008),[11] Norway is rated 11 out of 178 countries in the composite index of the ease of doing business. Government laws and regulations are widely accessible to the public through the internet. In addition, the Public Information Act guarantees public access to public administration documents. The government has several initiatives to reduce the costs of doing business, including a website centralizing access to government information, with links to laws and other regulations, government services, and requirements to operate a business, and a website containing all requirements to start a new business.[12] An assessment of the cost of complying with government's informational requirements is underway with the objective of identifying areas for simplification.

Fiscal management relationships among the branches of government

10. **The fiscal roles of the executive and legislative branches are clearly defined, while the judiciary branch of government plays no explicit role in fiscal management.** *1.1.2*

[10] Norway is not a member of the European Union, but is required to adopt EU legislation in most policy areas because it has signed the European Economic Agreement free-trade deal through its participation in the European Free Trade Association.

[11] Report available at: http://www.doingbusiness.org/ExploreEconomies/?economyid=145

[12] www.altinn.no and http://www.bedin.no/cwobjekter/guide_starting-engelsk-toc.shtml.

Article 75 of the Constitution empowers the Storting to impose taxes, duties, customs and other public charges; raise loans in the name of the Kingdom; supervise the economic affairs of the Kingdom; appropriate the moneys necessary to meet government expenditure; and appoint five auditors (Office of the Auditor General, OAG) to examine the government's financial statements (Statsrekneskapen).[13] The financial statements are to be presented to the five auditors within six months after the end of the fiscal year. There are no legal restrictions on the Storting's authority to make budgetary proposals or amendments. The Storting has adopted Appropriation Regulations (revised 2005) which spell out the key parameters of the budgetary process, and the authorities of the executive in this regard. The Storting delegates implementation of its fiscal powers to the executive through the annual budget.

Fiscal management relationships among different levels of government

11. **The relationships between the levels of government are clearly defined but the distribution of responsibilities, although clearly understood, is not specified in any single legal instrument.** *1.1.3*

Norway has three tiers of government: the central government, 18 counties, and 431 municipalities.[14] The general framework for subnational government activity is provided by the Local Government Act,[15] while the responsibilities of councils and municipalities are defined by various sector laws.[16] In particular:

- The counties are responsible for secondary education and regional development, including regional transport, business development, dental health service, and culture.
- Municipalities have responsibilities within the fields of primary education, kindergartens, care for the elderly and disabled, fire prevention, local transport, waste collection, sanitation, and water.

While subnational governments are autonomous, a large share of their activities is subject to standards set by the central government, limiting to some extent their scope of action. Almost half of the subnational revenues come from taxes, mostly from the income tax shared with the central government. Other revenue sources are grants from the central government (both a general and an earmarked grant) and charges and fees. The global revenue allocation of the local governments is preliminarily determined by the Storting in June each year, and finally determined in the budget in the fall. There are quarterly consultations between the state and the Association of Local Governments, but no formal

[13] St. meld. nr 3, Ministry of Finance.

[14] Counties and municipalities have locally elected administrations. The budget of municipalities is five times larger than that of the counties.

[15] http://www.regjeringen.no/en/doc/Laws/Acts/Local-Government-Act

[16] Including the Kindergarten Act, the Education Act, the Municipality Health Services Act, the Tenancy Act, and others.

negotiations regarding budgets. The agreed general grant is then distributed among the local governments through a formula-based mechanism. Differences in tax capacity across municipalities are partially equalized, while expenditure needs differences are fully equalized through the general grant. Subnational governments are required to adopt a budget where the operating balance plus debt repayments are at least zero. An ex-post deficit has to be compensated within two years. Alternatively the repayment period can, by application, be extended to 10 years. Subnational governments will then be placed in a public registry of subnational governments requiring county governor's (up to four years) and central government's approval (up to a total of ten years) of further borrowing.

The legal and administrative framework for fiscal management

12. **The regulatory framework for management of public finances is clear and comprehensive, but there is no budget system law, and there is some scope for discretionary exceptions to basic regulations.** *1.2.1*

The Appropriation Regulations cover key principles and procedures for the budget process in the Storting, and serve some of the same purposes as budget system laws in other countries. However, the regulations are very brief, comprising only 5 pages, and many important aspects of budget management are left to lower-level regulations or to ad-hoc decisions. The Regulations stipulate that the Storting can decide to make exceptions from the Regulations in individual cases. The decision to introduce net budgeting for universities was one important exception to the Regulations. The clause that authorizes individual exceptions creates some scope for discretionary decisions regarding the treatment of specific budget items or issues. There is no consolidated list of exceptions to the Appropriation Regulations, and exceptions are not always clearly specified in the annual budget. The Government has also issued Regulations on Financial Management in Central Government (RFMCG), which primarily govern budget execution and internal control, and the MoF has issued supplementary Provisions on Financial Management in Central Government. While these documents provide a detailed framework for the budget execution process and related internal control, the RFMCG also authorizes the MoF to make discretionary exceptions from basic rules. The MoF has delegated the administration of exceptions from the RFMCG to the Government Agency for Financial Management (GAFM). The GAFM has authorized 57 exceptions to these regulations, the majority to allow budget organizations to maintain separate bank accounts for specific foreign exchange operations, such as EU grants and embassy operations, aimed at reducing administrative complexities. Local government financial management is regulated by the Local Government Act, and in regulations passed by individual local governments. Accounting standards for local governments are maintained by an association of municipal finance professionals dedicated to this purpose.

13. **The legislative basis for tax collection is clear and comprehensive**. *1.2.1*

All taxes are soundly based in law, and their policy basis is clearly explained at the time the laws, or their modification, are proposed to the Storting. An overall review of tax policy objectives is not presented on an annual basis, but is presented in connection with tax reforms. The legislation provides the general framework for the taxes, but the main tax rates are set by the Storting annually as part of the budget process. Minor changes to the tax regime are introduced every year, but the rates have, in practice, remained mostly unchanged for a number of years, with most common changes applying to the excise taxes. Further stability of the tax regime is ensured by the fact that there is very limited room for discretion by the tax officials, although they do have to make decisions on tax law interpretations, under the legal control of the judiciary.

Tax administration

14. **Tax administration is clearly defined and well coordinated with overall fiscal management, but there is some lack of clarity about the role of the central and local government tax collectors.** *1.2.2*

Revenue administration at the central government level is conducted by the Tax Administration and the Customs and Excise Administration. Both entities comprise a central directorate, in charge of setting the strategy and development plans of the agencies, and regional offices, which operate under a functional organization. In addition, the Tax Administration has three specialized offices: the Oil Taxation Office (OTO), the large taxpayers office, and the foreign taxpayers office. The current Tax Administration structure, effective from January 1, 2008, is the result of a major restructuring. Functions were redefined and the large number of local offices was reduced to five regional offices. Collection of local taxes is carried out by the municipalities. In addition, municipalities collect the income and payroll taxes and transfer the central government's share to the central government accounts on a daily basis. Collection of these taxes, however, is a source of some ambiguity, as tax collectors belong administratively to the municipalities but, given that the central government's tax share of the income tax is 75 percent, are also accountable to the central directorate. Taxpayer identification numbers (TIN), for individuals and businesses, have been in place for several years.[17]

15. **Taxpayers' legal rights are well defined and appeals of tax or nontax obligations are considered in a timely manner.** *1.2.2, 4.2.6*

A new system of appeals was introduced in 2008. In a first instance, the taxpayer can appeal a tax assessment to the Tax Administration. Subsequently, the appeal can be elevated to a regional appeal board. There are separate appeal boards for the VAT, and for large and foreign taxpayers. Under certain conditions, the decisions of the appeal boards can be further elevated to a national appeal board. Tax assessments and appeal board decisions can also be reconsidered by the ordinary justice system. The system is seen as providing a fair treatment of taxpayers. Taxpayers have a right to use independent representation in their dealings with the tax administration, but at their own expense. If the appeal is successful, the tax administration may decide to compensate the taxpayer's expenses, including representation. Norway has also a system of advanced rulings.[18]

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[17] Taxation of the petroleum sector is discussed in Appendix I.

[18] Advance rulings are interpretations of the law regarding a specific set of facts provided by a taxpayer on which a ruling is being sought.

Information on taxpayer liabilities is widely available. Information on tax liabilities and administrative procedures is posted on the internet.

Tax payments are in general not negotiated. There is scope for negotiation, however, in cases where the taxpayer has difficulty meeting the required payment and a payment arrangement is granted. In practice, very few taxpayers meet the requirements for being granted a payment arrangement, however a new dispute legislation will to some extent admit negotiations. The tax system relies on self-assessment for most taxes. In the case of the personal income and payroll taxes, a tax return is prepared by the tax administration based on third party information, and sent to the taxpayers for their verification and possible amendments before a final assessment is made.

Public consultation

16. **Public opinion is sought concerning proposed laws, regulatory changes, and broader policy changes**. *1.2.3*

Prior to drafting formal legislation, typically there is an extended period of public consultation, which includes seeking views from experts and submitting White Papers to the Storting. According to the "Instructions for Official Studies and Reports",[19] all propositions to the Storting, with a few specified exceptions, are circulated for a general review to all the public and private institutions and organizations involved. The period for review is normally three months and cannot be shorter than six weeks. With regards to the budget, the Storting and parties arrange open hearings and seminars where external speakers are invited as part of the Storting's work on the budget. Speakers are also free to invite themselves. However, these discussions do not extend to tax policy proposals.

Contractual arrangements

17. **Contractual arrangements between the government and public or private entities are publicly accessible.** *1.2.4*

The terms of contracts between the government and public or private enterprises, including public-private partnerships (PPPs), are publicly available through annual propositions and documents to the Storting.[20] The central government participates in three PPPs in the transportation sector,[21] which are considered to be a pilot experience. Existing PPPs do not involve any government guarantees but envisage regular government payments to the operators. PPPs are more common at the local level, but

[19] See Instructions for Official Studies and Reports (Utredningsinstruksen):

http://www.regjeringen.no/en/dep/fad/Documents/Acts-and-regulations/Rules/2005/Instructions-for-Official-Studies-and-Re.html?id=107582

[20] The availability of information on contracts with petroleum companies is discussed in Appendix I.

[21] The total cost of the three projects is estimated at approximately NOK 4.5-5 billion. Source: Barry Anderson, Teresa Curristine, and Olaf Merk, 2006, "Budgeting in Norway", *OECD Journal on Budgeting*, Volume 6, No. 1, OECD.

many of these PPPs do not imply an association with the private sector, as the government's counterpart is often a special purpose vehicle owned by the local government. There are no formal rules on the use of PPPs. Budget information on PPPs is discussed below.

Legal framework for liability and asset management

18. **Legislation governs asset management, including the granting of rights to use or exploit public assets. Debt issuance is authorized annually by the Storting.** *1.2.5, 3.1.5*

The constitutional right to borrow rests with the Storting, which approves an authorization for the MoF to borrow on behalf of the Norwegian state on the basis of an annual proposition. MoF performs this function through the debt office of the Economic Policy department. The criteria for the contracting of loans are presented in an annual document to the Storting. The MoF delegates defined tasks of operational and advisory nature to the Norges Bank. All debt is contracted in the domestic market. A major part of the financial asset of the government are held by GPF-G. (For details of the legal basis and operational management of GPF-G, see Appendix I). Pursuant to section 1-1 of the Petroleum Act, the Norwegian state has the proprietary right to sub-sea petroleum deposits and the exclusive right to resource management on the Norwegian Continental Shelf (see Appendix I). Reporting on government debt and assets is discussed in paragraphs 42 and 43.

19. **Privatization is covered by general rules on the sale of state assets and payments of receipts to the budget are transparent.** *1.2.5, 4.2.4*

Privatizations are proposed by the Cabinet, and require authorization by the Storting. Share purchases are also authorized by the Storting. While there are no set procedures for privatizations, they must be authorized in the annual budget and are covered by general rules on the sale of state assets (see paragraph 56). Typically, the government contracts the services of a financial consultant to advise on the best way to conduct the process in each specific case. Proceeds from the sale of shares, as well as costs incurred for advisors and banking services, are recorded in the budget and fiscal accounts.

B. Open Budget Processes

The budget preparation process: clarity and consistency of process and presentation

20. **The timetable for the Government's submission of the draft budget and subsequent amendments or additions to the Storting, are specified in the Appropriation Regulations and are followed in practice.** *2.1.1*

The Appropriation Regulations stipulate that the budget proposal shall be submitted within six days of the opening of the parliamentary session each fall, and that any supplements or additions to the initial proposal must be submitted by November 10. These regulations also state that amendments to the budget during its implementation shall be summarized in a separate proposal for a new final budget. Beyond this, most aspects of the parliamentary budget calendar are governed by the Storting's rules of procedure. The calendar for the government's budget preparation process is not prescribed in law or regulation. The detailed process and calendar are determined each year and specified in the annual budget circular. They tend to be fairly stable from year to year. A first budget circular is sent to the ministries in December, more than a year before the budget year. A final calendar is distributed in March/April before the budget year. The budget process within government is considered to be an internal matter for the government, and the Freedom of Information Act[22] includes specific exceptions for documents related to this process. Once the budget documents are submitted to the Storting, the process is generally very open and there is extensive political public debate around the budget proposals.

Box 3. The Budget Preparation Process

Due dates	Activities	Legal basis
The fiscal year is set on a calendar-year basis by the Appropriation Regulations. The main steps in the process are as follows:		
December t-2	First budget circular sent to line ministries, requesting four-year, baseline expenditure projections, as well as proposals for new policy initiatives.	
January t-1	MoF receives baseline projections from line ministries.	
February	MoF receives proposals for new policy initiatives.	
March	First Government budget conference decides on key budget priorities, ministry ceilings, and aggregate ceiling for new policy initiatives.	
August	Second Government budget conference decides on new policy initiatives.	
October	Budget bill submitted to Parliament.	Constitution Appropriation Regulations
November	Parliament adopts revenue targets and sector spending limits.	Rules of Procedure of the Storting
December	Parliament adopts detailed, final budget.	Rules of Procedure of the Storting
May t	Mid-year budget review, linked to Revised National Budget.	Rules of Procedure of the Storting
November t	End-year budget revision.	Appropriation Regulations

[22] Freedom of Information Act, June 19, 1970, No. 69.

The medium-term framework and policy basis for the budget

21. **Budget forecasts and underlying macroeconomic assumptions are clearly presented and realistic.** *2.1.2*

The National Budget, which is presented to Parliament together with the Budget Bill, provides a comprehensive and detailed description and discussion of the macroeconomic and macrofiscal framework. Macroeconomic estimates are based on the macroeconomic model MODAG, which is developed and maintained by Statistics Norway in collaboration with the MoF. The model and different applications of it are described in detail in several publicly available documents. Tax estimates are based on the model LOTTE, also maintained by Statistics Norway. The National Budget contains detailed discussions of model assumptions and estimates, including disclosure of the reliability of previous estimates and comparisons to estimates from other sources. Expenditure estimates tend to be quite realistic, but revenue estimates are more variable. According to the MoF, there has been a tendency to underestimate cyclical variations, leading to over-estimation of non-oil revenues during downturns and under-estimation during periods of high growth. During 2004–06 the deviation between approved budgets and final outturns was consistently less than 1 percent on the expenditure side, but non-oil revenues were significantly higher than projected, and there were large differences in oil revenue, partly explained by the significant volatility in the international oil market in recent years.

22. **A statement on medium-term fiscal policy objectives is included in the budget document.** *2.1.2*

The budget documents contain detailed discussions of aggregate and sectoral policy objectives. For the 2008 budget, this includes policies and objectives regarding the structural non-oil budget balance, the underlying growth in state expenditures, tax policies, government saving and municipal sector finances, as well as for main expenditure priorities and structural reforms. Macro-fiscal objectives are largely governed by the fiscal policy guideline (Box 4). The key asset management objectives for the GPF-G are also referred to in the budget documents, and discussed in greater detail in a separate annual White Paper. The main fiscal policy objectives, including the relative priority of different sectors, are chiefly determined at the first government budget conference. Major policy initiatives are discussed and approved at the second government budget conference, with subsequent adjustment of budget ceilings. This meeting also approves tax policies for the coming year. More detailed sector objectives are specified by the line ministries. For instance, the education budget includes objectives for the availability of pre-school facilities, the quality of primary education, and the accessibility of university education. Once sector ceilings have been established, it is largely up to the ministries to ensure that objectives are achieved as efficiently as possible. There is a dialogue between the MoF and the line ministries to ensure that budget estimates are realistic, but the MoF generally does not get involved in detailed line ministry priorities, as long as these are consistent with applicable spending ceilings, policy guidelines, and procedural rules.

Box 4. The Fiscal Policy Guidelines

Fiscal policy in Norway faces the long-term challenges posed by a projected strong increase in pensions and health care and the decline in petroleum revenues. By 2001, consensus crystallized on the advisability of putting in place a clear strategy for the use of petroleum revenues to help attain short-term stabilization and long-term sustainability objectives.

Fiscal guidelines were endorsed by parliament in 2001 (Report No. 29 to the Storting) and became effective with the 2002 budget. The guidelines hold the structural non-oil central government deficit over time to 4 percent (equal to the expected long-run rate of return in real terms) of the assets in the GPF-G, formerly the Petroleum Fund, at the beginning of the fiscal year. The structural non-oil deficit targeted by the fiscal guidelines excludes the budget's oil-related revenues and expenditures, and adjustments are made for cyclical fluctuations in mainland economic activity, deviations of transfers from Norges Bank from estimated normal transfer levels, deviations of net interest payments from trend, and technical accounting changes and extraordinary items that do not influence underlying budget balance developments. The guidelines are flexible: temporary deviations are permitted over the business cycle, or in the event of extraordinary changes in the value of the GPF-G.

The fiscal guidelines were designed to meet several policy objectives. The first is intergenerational equity: petroleum extraction can be viewed as a transformation, rather than the creation, of wealth from natural resources to financial assets, and the 4-percent guideline preserves the real value of those assets. Second, the guidelines aim at insulating the annual budget from shifts in oil revenues, while maintaining a role for fiscal policy in macroeconomic stabilization—this explains the role of temporary deviations. Finally, the guidelines aim at mitigating the possible Dutch disease effects of spending oil revenues immediately; this also explains why the assets of the GPF-G are invested abroad in their entirety.

The structural non-oil deficit was above 4 percent of GPF-G assets from 2002 to 2005 and has subsequently been below the 4-percent path. This development is in accordance with the guideline, as the Norwegian economy went from a cyclical downturn in 2002-2003 to a strong cyclical upturn in 2006-2007. It is widely felt that the guideline has contributed to restrain non-oil deficits, helped decouple fiscal policy from oil market volatility, resulted in the bulk of petroleum revenues being saved, and restrained the appreciation of the currency in real terms that would have resulted had a larger share of the revenues been spent. The economic downturn in the second half of 2008 did not lead to any changes in the fiscal policy guidelines, but the government submitted a supplementary budget for 2009 that increased the structural non-oil deficit above 4 percent of the GPF-G assets, while retaining a sizable overall budget surplus.

Several factors seem to have contributed to the success of the fiscal guidelines. First, the core elements of the guidelines are relatively simple and seem to be well understood by broad segments of the public. Second, they allow flexibility in fiscal policy. Third, they are buttressed by a high level of transparency: budget documents include detailed discussion and the derivation of the structural non-oil central government balance. Fourth, there has been broad political consensus and commitment in favor of the guidelines. Finally, the credibility of the fiscal framework (i.e., the fiscal guidelines and the GPF-G) is supported by strong institutions, governance, and accountability.

23. **Fiscal targets are clearly stated and explained in the budget documentation and they are linked to the fiscal guidelines.** *2.1.2*

In 2001, the government proposed and the Storting endorsed the following fiscal policy guideline: *Over time, the structural, non-oil central government budget deficit shall correspond to the expected real return on the Government Pension Fund - Global. The ongoing implementation of fiscal policy must place considerable emphasis on stabilizing the economy* (see Box 4). Beyond limiting spending to the expected real return, estimated at 4 percent, the concern about macroeconomic stabilization is mainly addressed by allowing automatic stabilizers to operate, as well as by leaving room for discretionary fiscal policy. The guideline has been reiterated and reaffirmed in subsequent budget documents. It is not embedded in any legal instrument and does not have a formal legal status, but the degree of political consensus in this area has so far been very high. Budget documents include extensive discussion of the targeted structural non-oil deficit and information on how it is derived from the overall central government balance.

24. **Estimates of new revenue and expenditure initiatives are explained in the budget documents and their current and future budget implications are provided, but the medium-term estimates are not explicitly linked to the budget classification.** *2.1.3*

Summary budget documents provide a clear specification of all major revenue and expenditure initiatives, with more detailed explanations provided in ministries' budget documents. There is explicit costing of all major expenditure proposals and revenue estimates (including foregone revenues) for all revenue proposals. There is no comprehensive medium-term budget document, but the Budget Bill includes estimates for aggregate changes for the 2009–11 budgets, compared to 2008, with a specification of the main activities driving these changes. This includes any new policies, approved in the budget year, where the impact for subsequent years is different from that for the first year. However, the medium-term estimates do not include policy changes that are planned or which may be introduced in future years. The medium-term estimates are presented in a fairly aggregate format, and they are not explicitly related to the budget classification. There have been proposals to introduce more formal medium-term budgeting, as well as multi-year appropriations for certain budget items such as investments. These proposals have been considered by the last two governments, who decided against them. The main reason is the perceived risk that in Norway's specific circumstances (with large and rising net public financial assets) medium-term spending estimates may become floors rather than ceilings, thereby reducing the room for maneuver for fiscal adjustments.

Fiscal sustainability analysis

25. **An assessment of fiscal sustainability is included in the budget documentation along with sensitivity analysis of the main economic and policy assumptions.** *2.1.4*

The National Budget provides comprehensive discussions of long-term fiscal sustainability, with a particular emphasis on the approaching expected increase in age-related spending. The discussions draw upon the long-term macroeconomic and fiscal projections included in papers on the long-term perspectives for the Norwegian economy presented every four years. In the latest edition, issued in January 2009 (see paragraph 44), the analysis included estimates for the fiscal position in the period up to 2060, based on current policies. Under this scenario, there will be a widening annual fiscal gap, which will reach some 3¼ percent of mainland GDP in 2060. There is extensive discussion of the importance of different variables for the projections, including oil prices, returns on financial assets, and labor productivity; and their impacts on the projected fiscal position.

An analysis of medium-term fiscal sustainability was also provided, showing that the government's fiscal leeway in the coming decade or so is limited by a need for fiscal consolidation.

Coordination of budgetary and extrabudgetary activities

26. **Mechanisms for the coordination and management of budgetary and extrabudgetary activities are defined for most sectors, and non-reported extrabudgetary operations seem to be limited**. *2.1.5*

The budget does not provide a consolidated definition or specification of extrabudgetary activities. Some of these are related to accounting conventions for the GPF-G. Whereas the inflows of petroleum revenues and the transfer from the GPF-G to cover the budget's non-oil deficit are channeled through the budget, cash returns on the financial assets (interest and dividends) of the GPF-G, as well as the management fee, are not. Statistics Norway identifies about 150 extrabudgetary organizations and funds, as compared to 500 budgetary organizations. Some of the approximately 650 state majority-owned corporations are likely to fall within the GFSM 2001 definition of government, and their operations therefore constitute extrabudgetary activities. Whereas a detailed assessment is necessary to fully ascertain the entities that carry out extrabudgetary activities, these are, for instance, likely to include institutions such as NRK (national broadcaster), ENOVA (promotion of energy savings) and Norsk Tipping (national lottery operator). Budget documents include a rudimentary consolidated central government budget, which adds the extrabudgetary activities of GPF-G to the formal budget, but omits the other extrabudgetary mechanisms described above. Many extrabudgetary organizations are established under separate laws, and the details of the management arrangements may vary somewhat. Extrabudgetary organizations have their yearly plans and budget approved by the parent ministry, to whom they also provide individual financial reports. There are usually clearly defined procedures for budget planning and execution, often quite similar to the ones used for agencies.

Accounting and reporting on budget execution

27. **Accounting and internal control procedures provide a reliable basis for tracking payments, and for the recording of a subset of financial assets and liabilities.** *2.2.1*

Consistent with practice in other advanced countries, accounting and internal control procedures are decentralized. Ministries and agencies have significant managerial flexibility, and are responsible for ensuring that operations are consistent with decisions of parliament, that resources are used effectively, and that there are sound systems of internal control. There are no mandatory internal audit requirements. The external auditors comment on any identified deficiencies in internal control and these are usually followed up. There is a high degree of confidence among officials that internal control processes are complied with.

A cash-basis central government chart of accounts is in use for consolidation purposes and is fully integrated with the budget classification. The cash flow records are supplemented by the recognition and reporting of financial assets and liabilities that arise from cash transactions, as well as some imputed and notional transactions (see below). The agencies are free to use different charts of accounts and accounting bases, provided they comply with general standards and principles for public financial management. Agencies can choose whether to use cash or accrual accounting for internal management purposes, but they must be able to submit specified cash-basis reports in accordance with the central government chart of accounts to the GAFM for the generation of consolidated accounts.[23] The agencies are required to record accounts payable for goods and services, but there is no requirement to record other liabilities such as employee entitlements, including unfunded pensions. The GPF follows accrual-basis accounting and, therefore, can track assets and liabilities. Public corporations also use accrual-basis accounting principles.

A Treasury Single Account (TSA) for the budget entities is in place. Agencies are free to have bank accounts in one of three selected commercial bank accounts that are operated on a zero-balance basis, i.e. these banks make payments during the day that are replenished by transfers from the TSA on a daily or more frequent basis.[24]

28. **The accounting system is capable of producing accurate in-year reports on central government budget outturns**. *2.2.1*

The GAFM receives monthly, cash-basis financial reports from agencies, and uses these to generate monthly consolidated reports on central government budget outturns. An automated consolidation system is in use and agencies submit standardized reports in electronic format to this system. The consolidation system and process are considered reliable as evidenced by low numbers of mispostings and reconciliation discrepancies. The parliamentary committee responsible for reviewing audit reports and comments focuses mainly on performance audits, as it has a high degree of confidence that financial errors and irregularities are rare, and that adequate controls and follow-up procedures are in place.

The Provisions on Financial Management in Central Government set out specific requirements regarding common principles and standards for budgeting, accounting, and financial reporting (chapter 3), and on financial management systems of agencies (chapter 4). The GAFM acts as a service bureau and, in that capacity, offers financial management and payroll and human resource services to central government agencies. Sixty percent of agencies use the financial management system and 50 percent use the payroll system. The remaining agencies have their own financial management system

[23] Sixty-five percent of the central government agencies use the central government charts of accounts, while 35 percent use the Norwegian Standard chart of accounts. Approximately 27 percent of the central government agencies use accrual accounting basis for their internal accounts.

[24] These banks are SpareBank1, Nordea, and DnB NOR.

and/or payroll system following the established general specifications for financial management systems and payroll systems issued by the MoF. The main suppliers of applicable systems meeting these specifications in Norway are Agresso, Oracle, SAP, and Formula.

Central government accounts are regularly reconciled with budget appropriations and bank statements within four months after the year-end, and consistently tracked during the year.

Variances between appropriations and actual spending, both at the total level and at a ministry level, are disclosed in the annual financial statement. Furthermore, under Appropriation Regulations (section 13), ministries are required to submit to the OAG explanatory comments on any significant variances between appropriation and actual expenditure.

29. **The Storting receives timely in-year reports on budget outturns, and undertakes a mid-year review.** *2.2.2*

Budget execution reports on the central government budget are not issued separately to the Storting but included in other documents. The report for the first quarter is used as supplementary background in connection with the revised national budget for the current fiscal year, but accounting information is not included in the budget documents. The mid-year report is included in the Budget Bill for the coming fiscal year. The third quarter's report is covered in the second revision of the current budget. The annual financial report is issued four months after year-end. Statistics Norway also publishes monthly data on aggregated expenditure and revenues of central government budgetary units within thirty days of the month-end.

30. **Supplementary revenue and expenditure proposals during the fiscal year are presented to the legislature in a manner consistent with the original budget presentation.** *2.2.3*

There are two major supplementary budgets during the year. The first is in May, together with the Revised National Budget. This may include fairly substantial changes, including the impacts of changed macroeconomic circumstances and major policy developments. The second supplementary budget is in November. This is usually a more technical exercise, focusing on changes in standing appropriations due to demographic, legal, or technical developments, and there are few significant policy changes. There may also be additional supplementary budgets related to specific sectors, but this is not a standard practice. The budget includes a contingency appropriation, which is used primarily to finance budget changes as a result of negotiations (public sector wages, pension adjustments, compensation to certain medical professions), but also includes a small buffer for other purposes. For 2008, the contingency amounted to NOK 10.9 billion, about 1.5 percent of non-oil budget expenditures. Utilization of the allocation during the year is proposed by the government and requires parliamentary approval, which usually is given in the two regular supplementary budgets.

31. **The audited final accounts are available for the Storting within nine months after the end of the fiscal year.** *2.2.4*

The OAG financial audit comprises the central government accounts, government agencies, government agencies with special powers, and government funds and companies organized through separate legislation. Performance audit comprises the same areas but also includes state-owned enterprises, health enterprises and wholly-owned state limited companies.

The OAG also audits how the state's interests are managed by state-owned enterprises, health enterprises, companies organized through separate legislation, wholly-owned state limited companies and partly-owned state limited companies (i.e., companies in which the state holds a dominant ownership position).

The OAG's financial auditing is intended to ensure that the accounts provide a correct picture of the financial activities, including: (i) confirming that the accounts do not contain material errors and omissions (*audit of the accounts*), and (ii) checking that the transactions and decisions regarding allocations on which the accounts are based are in compliance with the decisions and intentions of the Storting and with applicable regulations, and that they are acceptable in light of norms and standards for central government financial administration.

Ministries and government agencies submit their preliminary accounts to the OAG in mid-February. The consolidated accounts are submitted in mid-March and a further two months are allowed to complete the audit. The Central Government Financial Statement is presented to the Storting in April.

The result of the financial audit is submitted to the audited entity in May in the form of a concluding audit letter with a copy to the parent ministry. No formal concluding audit letters are sent to the ministries and the Office of the Prime Minister, but the audit findings are presented to the responsible ministries for comment. The result of the auditing activities of all the central government accounts is reported to the Storting in OAG's annual report Document No. 1. The responsible minister's response is included in the document. Document No. 1 is submitted to the Storting when the Parliamentary session commences in October. The Storting gives the final approval to all the central government accounts.

C. Public Availability of Information

Commitment to timely publication of fiscal data

32. **Fiscal information is comprehensive and readily available to the public and there is a clear commitment to provide information at scheduled times by announcing an advance release data calendar.** *3.3.1, 3.3.2*

In line with the RFMCG, the government's financial statements are made publicly available to the Storting within four months of the end of the fiscal year. An advanced release calendar for fiscal reports is presented on Statistics Norway's website[25] (Box 5). The accounting principles underlying these reports are discussed elsewhere in this report. Norway subscribes to the IMF's data dissemination standards, Special Data Dissemination Standard (SDDS), and complies with all requirements except on the provision of general government data within 6 months of the end of the period; the data are provided after 8–9 months, due to the time required to collect data on financial assets and liabilities.

Box. 5. Fiscal Reporting in Norway

Coverage of fiscal reporting

The government's financial statements cover the budgetary central government. Statistics Norway produces fiscal reports on revenue and expenditure and on financial assets and liabilities of the general government, the central government (both for the budgetary central government as well as Statistics Norway's definition (see paragraph 3)), and the local governments, as well as reports on the public corporations.

Periodicity and timeliness

The table bellow shows the calendar of publications of fiscal reports by Statistics Norway:

Sector	Statistics	Frequency	Timeliness
General government	Revenue and expenditure	Annual	t+3 months
General government	Financial assets and liabilities	Annual	t+9 months
Non-financial public corporations	Accounting figures	Annual	t+12 months
Non-financial public corporations	Structural business statistics	Annual	t+3 months
Financial public corporations	Accounting figures	Monthly	t+5 weeks
Central government (budgetary units)	Revenue and expenditure	Monthly	t+1 months
Central government (Statistics Norway's definition)	Revenue and expenditure	Quarterly	t+3 months
Central government	Financial assets and liabilities	Quarterly	t+3 months
Local governments	Revenue and expenditure	Quarterly	t+3 months
Local governments	Financial assets and liabilities	Quarterly	t+3 months

[25] The calendar is displayed in http://www.ssb.no/english/subjects/calendar/calendar.shtml#12 and the actual reports are presented in http://www.ssb.no/en/12/.

The coverage and quality of budget documents

33. **The budget documents convey substantial information on central government fiscal activities with some limitations. There is only limited coverage of the general government.** *3.1.1, 3.1.4*

The budget documents include the National Budget, the Budget Bill, separate budget proposals for each line ministry, and a tax legislation bill. The National Budget provides extensive information on the macroeconomic and fiscal framework for the budget, discusses tax policies and management of government financial assets, in particular the GPF-G, and outlines key economic reforms. Legally, the National Budget is a government White Paper (see footnote 1 in Box 2). The Budget Bill ("Yellow Book") focuses on the expenditure side of the budget, but also includes an overview of ministerial revenues. In addition to a detailed overview of the annual budget, it provides information on the budget developments over the last 10 years and summary estimates for the three years following the budget year. The bill also includes the draft budget appropriations and draft authorizations, including for guarantees and other commitments. This bill is subject to a detailed formal vote in plenary session, and each line item is appropriated by the Storting. The line ministry budgets provide detailed explanations of the budget proposals. These are addenda to the Budget Bill. The tax bill is approved according to a separate (dual-chamber) process that applies to all laws. As mentioned above, the budgetary definition of the central government differs in some respects from the GFSM 2001 definition. The National Budget includes summary information on the general government. As the main focus of fiscal policy is the budgetary central government, the presentation of general government figures is mainly for informational purposes. All major sources of revenue are included, with the caveats about the definition of budgetary central government mentioned above.[26]

34. **Defense expenditures are comprehensively reported in the budget and the presentation is similar to other budget areas.** *3.1.1*

The defense budget submission for 2008 is set out in a 137-page document. The document provides detailed description of policies, plans, and spending proposals. Current spending is appropriated by branch (army, navy, air force), intelligence, various homeland defense organizations, and some administrative organizations, about 20 line items in all. Capital spending is covered by two major appropriations, one for major acquisitions (including weapons) and one for construction, as well as two appropriations for NATO-financed construction in Norway. The document also provides a detailed breakdown of the various procurement and investment projects, and there is very active political and public debate around many of these. The Ministry of Defense has broad authority to allocate funds between the different projects during implementation, but

[26] For example, NRK is financed through an earmarked tax on television sets decided by the Storting, but these flows are not part of the budget.

cannot fund projects that are not included in the budget, and cannot decide to abandon an approved project without going back to the Storting.

Coverage of fiscal reporting

35. **Fiscal reporting by Statistics Norway covers all of general government, and receipts from all major revenue sources are separately identified.** *3.1.1, 3.1.4*

General government data are produced by Statistics Norway. Information on revenue and expenditure is released three months after the end of the year, while information on financial assets and liabilities is published after eight or nine months. For the purposes of compiling general government data, central government data are converted from cash basis into accrual basis and combined with data on an accrual basis for extrabudgetary units and on modified accrual basis for local governments. [27] The definition of general government follows ESA-95, but differs from GFSM 2001 in that accrued unfunded pension liabilities and some public corporations performing government functions are not included. In addition, Statistics Norway extracts some public financial institutions and some state enterprises (defined as public quasi-corporations in line with paragraphs 2.29 and 2.13f in ESA-95) from the budget sector (as defined in the budget bill) and record these outside government.[28]

36. **The budget documentation provides the fiscal position of subnational governments and reports on the finances of public corporations, although it does not present the consolidated position.** *3.1.6*

The main body of the national budget presents estimates of revenue and expenditure of the local governments in the economic classification, as well as the overall balance. In addition, the budget includes an appendix with a detailed table on the general government accounts prepared by Statistics Norway (see previous paragraph). The central government figures presented in this table differ from the figures for the central government presented in the main body of the budget because of coverage and accounting differences.

Past and forecast fiscal data in the budget

37. **The Budget Bill discloses the main fiscal aggregates for one year prior to the budget year and provides some information about spending three years beyond the budget year.** *3.1.2*

All main budget tables in the 2008 Budget Bill document include data for 2007 (approved budget), 2007 (estimates), and 2008 (budget). Standard budget tables in line ministry budgets also include data for 2006 (actual). The main budget document also includes a section that summarizes budget changes in 2009–11 compared to 2008. This information

[27] A table presenting this conversion from cash to accrual basis is presented in the budget documents.

[28] This practice may be not be consistent with GFSM 2001, as the activities in question appear to be government functions.

is related to ministry and to policy/activity, but does not refer to the budget classification, so it is not directly comparable to the detailed budget. While there was no economic or functional breakdown of the 2009–11 estimates, in the budget bill for 2009 an economic breakdown of the 2010-12 projections was introduced.

Treatment of fiscal risks

38. **The analysis of fiscal risks in budget documentation focuses on the sensitivity of budget estimates to changes in economic variables and there is extensive information on long-term fiscal risks. Guarantees and PPPs are disclosed, but there is no consolidated statement of fiscal risks.** *3.1.3*

The National Budget provides comprehensive discussion of uncertainties related to macroeconomic assumptions. The focus is on discussing long-term fiscal sustainability and fiscal risks, in particular related to oil and future pension liabilities, as mentioned in paragraph 25 above. There is no discussion of measures to mitigate short-term macroeconomic risks, or of how to adjust policies and targets if certain negative events were to occur. The budget also presents information on PPPs; in particular it shows all commitments on PPP arrangements for the year, as well as projections for the next year. A more comprehensive analysis of individual PPPs is presented in the budget for the year when they are approved. A summary of new guarantees is included with the budget documentation. Disclosure and discussion of other types of fiscal risks, such as those related to public enterprises and extrabudgetary activities, is limited. There is no consolidated fiscal risk statement.

39. **Statements on explicit contingent liabilities related to budget organizations are included in the budget and accounts documents.** *3.1.3*

According to the Appropriation Regulations, ministries can be authorized to incur commitments beyond the fiscal year in the Budget Bill. The bill contains a specified list of these authorizations, including the maximum amount that can be committed. The bill also provides a summary statement of authorizations to provide new guarantees. The commitment authorizations and guarantees are described in more detail in the line ministry budget proposals. The annual financial statements provide a comprehensive statement of commitment and guarantee authorizations, including the limits for each item, the amounts that have been actually committed or guaranteed, the outstanding guarantees, and the guarantees that have been called. For many guarantees there are risk-fund arrangements to cover estimated future payments, and in some cases the beneficiaries must pay guarantee provisions. Future pension fund liabilities are another important contingent liability. These are discussed extensively in the National Budget, and the GPF-G is seen as partial provisioning for them.

40. **Tax expenditures are included in the budget documents.** *3.1.3*

The budget provides extensive documentation on tax expenditures. For the computation of tax expenditures, the benchmark is based on the general tax rules and on persons, activities, and goods being taxable according to the same principles and rates. Deviations from the reference system are considered tax expenditures. Behavioral responses to changes of rules are not taken into account. The complete list of tax expenditures, including how tax expenditures are calculated, the rationale, and the estimated cost of each individual measure, is published every year as a chapter of the National Budget. However, a consolidated figure for tax expenditures is not provided, as the authorities are of the view that there are interactions between the measures that makes this difficult to estimate. Measures of effective tax rates by industry are not presented in the annual budgets. Table 1 below lists the five largest tax expenditures in the 2007 budget (as reported in the 2008 National Budget).

Table 1. Norway: Largest Tax Expenditures in 2007

Tax Expenditure	Estimated Cost	
	NOK billion	Percent of GDP
Non-taxation of the advantage of living in a home or secondary home for oneself	49.7	2.2
Net wealth on tax real estate	23.1	1.0
Preferential treatment of employees' contributions to occupational pension schemes	16.0	0.7
Regionally differentiated employers' social security contributions	9.4	0.4
Special taxation rules for shipping companies	1.9	0.1

Source: Norwegian authorities and Fund staff estimates.

Publication of data on debt, other liabilities, and financial assets

41. **Information on gross public debt is comprehensive and easily available through publications and the internet.** *3.1.5*

Statistics Norway's website provides debt data for the central, local, and general governments. Statistics on financial assets and liabilities for the central and local governments are published quarterly. Data for the central government are also available on the website of the MoF.[29] The data are presented in gross terms, classified by

[29] http://www.regjeringen.no/en/dep/fin/Selected-topics/Economic-Policy/the-central-governments-outstanding-debt.html?id=443404.

currency,[30] type of instrument, and remaining maturity. Information is also presented on currency swaps. The stock of expenditure arrears is insignificant. Publicly available debt reports are presented to the Storting annually by MoF, with information regarding maturity, type of instrument, lender, and showing projections of future debt service commitments.[31] Debt records are reliable and comprehensive.

42. **Published information on non-debt liabilities includes pension obligations, guarantee exposure, and contractual obligations.** *3.1.5*

As discussed above, the rise of spending associated with population aging is one of the main long-term fiscal challenges faced by Norway. The budget includes a chapter on fiscal projections based both on long-term budget projections of the macroeconomic model MSG and on generational accounting where projections of long-term pension liabilities play a central role.

43. **Information on government financial assets is widely available.** *3.1.5*

The government presents to the Storting annual financial statements. The capital account section of the report includes detailed specifications of different funds, shares, securities, loans, and interim accounts. Some financial assets are valued at market value while others are valued at historic cost. The MoF presents a separate annual report to the Storting on the management of the GPF-G. In addition, annual and quarterly reports on the management of the GPF-G and other financial assets of the Norwegian government are published by Norges Bank. The GPF-N publishes semi-annual reports on its financial position. The Ministry of Trade and Industry publishes semi-annual reports on the largest state-owned financial and nonfinancial corporations, including annual balance sheets. A discussion on valuation of petroleum resources can be found in Appendix 1.

Analysis of long-term public finances

44. **Analysis of long-term public finances is a defining feature of Norway's fiscal framework and it is routinely undertaken and published.** *3.1.7*

In addition to the in-depth analysis of projected long-term fiscal trends and long-term sustainability in the National Budget, in particular related to future oil revenue and pension liabilities, a broader analysis is undertaken every four years in the document "Economic Perspectives". The document is a government White Paper submitted to the Storting by the Minister of Finance, and incorporates inputs commissioned from external research institutions. It is an important driver for economic and political debate in Norway. The last document of this type was published in January 2009. One of the objectives of the document is to provide a coherent economic framework for the political

[30] There is currently no outstanding debt in foreign currency.

[31] http://www.regjeringen.no/en/dep/fin/Documents-and-publications/Propositions-and-reports/Reports-to-the-Storting/20062007/Stmeld-nr-3-2006-2007-.html?id=464229&epslanguage=EN-GB

parties when they prepare their programs for the next general election. The 2009 document focused on sustainable development, in particular sustainable public finances, global warming and income disparities (in Norway), as well as key challenges related to the aging of the population, globalization, and the environment.

Guide to the budget

45. **A clear and simple guide to the budget is widely available to the public.** *3.2.1*

All the budget documents are made publicly available when submitted to the Storting, and are subject to considerable media attention and public debate. All budget documents include summary sections. Following adoption of the budget, a pocket guide to the budget is published.

Budget classification

46. **The budget classification in the annual budget presentation is not fully consistent with international standards.** *3.2.2*

The budget is presented in accordance with economic, administrative, and program classification. As noted earlier, the budget classification is integrated with the chart of accounts. Appropriations are at the level of programs, and within each program are classified as operating, investment, transfers, and financing. The economic classification clearly distinguishes revenue and expenditure from financing data. However, the budget presents operating expenditures as one amount and does not show the totals for employee expenditures and goods and services separately as required by GFSM 2001.[32] The budget does not contain a functional classification consistent with the UN COFOG[33] classification, but it is possible to prepare an approximation to COFOG based on the program classification.

General government balance

47. **The structural, non-oil balance of the budgetary central government is the main indicator of the fiscal position in the budget, and the general government balance is not monitored during the year.** *3.2.3*

The budget documents focus on budgetary central government, and particularly on the structural non-oil (cash) balance targeted by the fiscal guidelines. The overall budget balance has been of very limited operational significance in recent years. The underlying growth in expenditures (adjusted for changes in coverage and other technical changes) is an important fiscal indicator, and the nominal non-oil budget balance is frequently referred to in the public debate. There are estimates for the general government balance in

[32] After this assessment was made, a specification of employee expenditures and spending on goods and services during 2004-08 was included in the fiscal accounts for 2008.

[33] Classification of the Functions of Government.

the National Budget. These are compiled by Statistics Norway, which conducts a series of adjustments and transformations of basic budget data to construct data sets that are consistent with accrual principles and broadly in line with GFSM 2001 definitions, but these data are not used for policy purposes and not systematically monitored and reported during the year.

Results-oriented budgeting and reporting

48. **The discussion of objectives and expected results from government activities is quite variable.** *3.2.4*

According to the Appropriation Regulations and the RFMCG, ministries and agencies are required to establish clear performance objectives and to link their budgets and management systems to these targets. In practice, the validity and relevance of these objectives, and the reported effectiveness of programs to achieve them, is quite variable. Some ministries have made significant progress in this area. For instance, the structure of objectives and information on results in the budget of the Ministry of Justice is well developed. Some other budgets provide very ambitious but general objectives, and do not present clear strategies for how to achieve these objectives, how to monitor whether they have been achieved, and how efficient the implementation strategies have been. The national budget includes a section on the efficiency of government spending, including international comparisons, in selected sectors.

D. Assurances of Integrity

Integrity of budget and accounting processes

49. **Budget estimates are generally reliable and the variance between budgeted and actual outturn of main fiscal aggregates is disclosed to the public.** *4.1.1*

As mentioned in paragraph 21, expenditure estimates tend to be quite realistic. The non-oil revenue estimates are more variable, partly due to a tendency to underestimate cyclical variations. During 2004–07 non-oil revenues were higher than projected, and the non-oil deficit correspondingly lower. Such differences are disclosed and explained in significant detail in the financial statements and in subsequent budgets.

50. **Norwegian central government common accounting standards are used to compile fiscal data, and a statement on the accounting basis is included in the annual financial report.** *4.1.2*

The central government's accounting principles and policies are disclosed in its annual financial statement. Accounting requirements are set out in the three key documents referred to earlier: Appropriation Regulations, RFMCG, and Provisions on Financial Management in Central Government. The accounting basis for the central government is cash, supplemented by the recognition and reporting of selected financial assets and liabilities.

An appropriation account of revenues and expenditures is presented on a cash basis in accordance with Section 13 of the Appropriation Regulations. A separate capital account provides information about stocks of financial assets and liabilities, mostly those arising from cash transactions. Thus cash payments made to acquire shares in companies or as advances are recognized as financial assets and cash received as deposits are treated as liabilities, but employee entitlements such as unfunded pension obligations are not recognized as liabilities. Nonfinancial assets are not recognized as assets, but written off as expenditures in the year of acquisition. Other accounts payable and receivable where no cash transactions have taken place are also not recognized.

The capital account relates to the central government, and includes the net financial position of the GPF. The main rule is that assets and liabilities are valued at historic cost, with the exception of the valuation of the GPF which is based on market value.

In addition, the capital account includes three types of imputed or notional entries (not matched by cash transactions), related to budgetary funds, guarantee funds, and budgetary enterprises. In principle, these entries should be self-cancelling, but due to the lack of a presentation of a full reconciliation between the capital account and the appropriation account, it is difficult to ascertain whether this is actually the case.[34]

The annual financial statement is not consistent with the cash-basis International Public Sector Accounting Standards (IPSAS). It does not include a cash flow statement that reconciles the cash receipts and payments and the beginning and closing of cash balances.[35] There is no full presentation of a consolidated cash flow statement that includes all entities (e.g., extrabudgetary entities and public corporations) controlled by the government.[36] A trial project to implement accrual accounting in 10 central government pilot agencies commenced in 2004. A set of accounting standards for these pilot agencies, mainly based on the relevant Norwegian private sector standards (NGAAP) has been issued. The pilot agencies have submitted annual reports since 2005 based on central government accrual accounting standards. The trial project does not imply any changes in the budgeting or appropriations regime. The appropriations will still be made on a cash basis, and the agencies must report on a cash basis to the MoF and to their superior ministries. The results of this pilot program will be evaluated in 2009.

[34] Since this assessment was made, a presentation of a full reconciliation between the capital account and the appropriation account was included in the annual accounts for 2008. The reconciliation also includes a specification of the change in the net cash position and the main types of non-cash transactions.

[35] Since this assessment was made, the annual financial statement for 2008 included a cash flow statement reconciling cash receipts and payments and the starting and closing cash balances.

[36] An entity (the government) controls another entity when it has the power to govern the financial and operating policies of the latter so as to derive financial or other benefits from the latter's activities. Detailed guidance on the concept of control is provided in IPSAS.

Reconciliation practices

51. **The process of accounts reconciliation and fiscal reporting is partly effective, but has scope for improvement in some important areas.** *4.1.3*

As discussed in paragraph 28 above, reconciliations with bank accounts and appropriations are carried out effectively. In addition, the surplus of the GPF-G is reconciled with the change in the net assets or equity of the fund during the year. Such reconciliation provides assurance of the internal consistency of the accounts and is one of the benefits of a systematic double entry based system. However a reconciliation of the change in cash balances to the net cash flows during the year is not presented.[37]

52. **Major revisions to historical fiscal data and any changes to data classification are explained.** *4.1.3*

Changes in statistical data are managed by Statistics Norway, and these changes are clearly documented in their publications. Changes in the budget classification are tracked through the "dynamic chart of accounts" maintained by the MoF, which provides bridge tables between the different classifications that are used in each year. Following changes in classification, historical data series in budget documents are revised to reflect the classification used in the current budget.

Internal oversight

53. **Public servants are subject to a well-defined code of behavior.** *4.2.1*

The legal framework for the central and subnational governments is provided by the Public Administration Act. The Act itself contains a number of ethical considerations. In addition, ethical standards of behavior for central government civil servants are specifically laid out in the Ethical Guidelines for the Public Service.[38] They are broadly in line with the UN International Code of Conduct for Public Officials. These general guidelines are applicable to the central government. In addition, government entities are encouraged to develop guidelines tailored to their specific needs. Each entity is responsible for the compliance of its employees. Disciplinary measures may be taken in case of severe breaches of conduct, as regulated by the Civil Servants Act. Criminal offences are punishable according to the Penal Code. Ethical behaviour of local government employees (as well as of the private sector) is governed by the Working Environment Act. There is no particular governmental agency responsible for anti-corruption activities besides a special department of the police—"Eco-crime" (The Norwegian National Authority for Investigation and Prosecution of Economic and

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[37] See footnotes 34 and 35 in the previous paragraph for steps taken to address this issue after the assessment was made.

[38] Additional ethical considerations are included in the Civil Servants Act (e.g. art. 20 stipulates the rules to accept gifts), the Public Information Act and the Central Government Information Policy (regarding access to case dispute documentation), and the Workers' Protection Act (which regulates whistle blowing).

Environmental Crime), which deals with fraud, white-collar crimes, and other forms of economic crimes. Norway was ranked 9th in the 2006 Transparency International Corruption Perceptions Index.

54. **Civil service employment procedures are clear and well-understood.** *4.2.2*

The framework is provided by the Civil Servants Act.[39] Entry into the civil service follows an open competitive process, based on merit. Vacancies for all civil servants are publicly advertised. Applicants are interviewed by a committee with representatives from the employer and decisions are made by an appointment committee. Individual managers have limited scope in hiring, firing, and promotion of staff. In line with the Public Information Act, the names of the applicants are available to the public (although they may be removed upon request). Wage increases result from negotiation between the government and the unions. The agreed increase provides a margin to the government entities primarily to encourage retention of qualified staff.

55. **Procurement rules and practices meet international standards, and are well-known but not always observed in practice.** *4.2.3*

Procurement is governed by international agreements (WTO and EEA/EU rules) and national law. Legislation and prescribed practices are consistent with international standards. There is no centralized government procurement agency, but the newly established (January 2008) Agency for Public Management and e-Government includes a department that will have some responsibilities for regulating and monitoring procurement and providing technical support to ministries and agencies in this field. There are well-established mechanisms for complaints against procurement decisions, including a Public Procurement Complaint Board, established in 2003. This Board has handled approximately 850 cases since its creation. There is also considerable media interest in public procurement activities, and newspapers have sometimes been instrumental in identifying irregular procurement, particularly at the municipal level. There have recently been reports that some ministries have breached or circumvented procurement rules for consultancy services, and the OAG has provided several notifications of such practices.

56. **Purchases and sales of public assets are generally undertaken in an open manner, and major transactions are separately identified in the budget and sometimes in fiscal reports.** *4.2.4*

Sales of government assets must be authorized in the annual budget. This rule is based on paragraph 11 of the Constitution, which states that "*The King shall ensure that the properties and regalia of the State are utilized and administered in the manner determined by the Storting and in the best interests of the general public*", and further specified in a circular issued by the Ministry of Government Administration and Reform.

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[39] http://www.ub.uio.no/ujur/ulovdata/lov-19830304-003-eng.pdf

The assets that are proposed to be sold are described in the budget, and in the case of major assets they may also be separately identified in explanations to the financial statements and related reports. There is one major exception to the general rule, related to the replacement of equipment. Budget entities are generally allowed to sell outdated equipment to finance the purchase of similar new equipment without explicit authorization in the budget.

57. **There is no requirement for internal audit in government organizations, and only a few large agencies have established internal audit units.** *4.2.5*

Internal audit units are established in the Tax and the Customs and Excise Administrations, the Social Security Administration, and a few other institutions. Their activities are governed by internal rules and regulations, and they usually report to the head of the agency. The reports are not publicly available. The RFMCG require ministries and agencies to ensure internal control, but do not specify the precise organizational requirements to implement these controls nor mandate the need for internal audit units to be established. There is a systematic collaboration between the OAG and internal audit units. The OAG requires copies of internal audit reports and audit plans and regularly holds meetings with the internal audit units. The MoF and the GAFM are planning a survey of internal audit functions, to assess the scope for further development in this area.

Clarity of internal control and independence of tax administration

58. **Tax administration has effective internal monitoring and control mechanisms**. *4.2.6*

The tax and customs and excise administrations are highly computerized, both for its handling of cases, as well as for communication with the taxpayers. A large part of the tax returns are submitted on line, as well as the customs declarations. The tax and the customs and excise administrations are among the few government agencies with a formal internal audit system, set up to ensure financial accountability of revenue collection staff and systems, as well as compliance with the agencies' performance objectives. The tax and the customs and excise administration are also subject to external audit by the OAG. There is a code of conduct for tax officials, consistent with the Ethical Guidelines for the Public Service which applies to all personnel in revenue administration.

59. **The revenue administration agencies are given legal protection from political interference similar to other branches of government.** *4.2.6*

The Tax and the Customs and Excise Administrations are agencies reporting to the MoF. The procedures for appointment and dismissal of their directors are the same as for other government agencies. The relationship with the MoF is governed by the letter of allocation, where MoF specifies the agencies' budget, their targets, performance indicators, and reporting requirements. The agencies are operationally independent to perform their activities. The ministry is responsible to the Storting for the agencies' compliance with the Storting's decisions. Both the tax and the customs and excise administrations produce annual internal reports for the MoF as well as annual official performance reports which are available to the public.[40] As part of the MoF's annual report to the Storting, the ministry also reports on the activities of the revenue authorities.

Independent external oversight

60. **External audit is independent of the executive branch, and its mandate covers all central government activities, as well as recipients of state grants, public corporations, and some organizations defined in law.** *4.3.1*

The Constitution requires the Storting to elect five auditors to review the financial statements. The Auditor General Act of 2004 provides more detailed provisions for the work of the auditors. The five auditors and their personal deputies are elected for a period of four years, and the established practice is that they reflect the composition of political parties in the Storting. Currently, the five major parties in the Storting have appointed one auditor each. The Storting also elects a chair and a vice-chair of the auditors' board. Their budget is proposed by the OAG and approved by the Storting, The MoF incorporates the proposed budget in the overall budget framework without amendments. The OAG has a broad mandate, covering all the activities of central government, including the GPF-G, public hospitals and universities, as well as public corporations and state grant recipients. The OAG does not cover the local government sector.

61. **Audit capacity is adequate to perform the external audit role.** *4.3.1*

The OAG has about 500 staff, and is generally perceived to be highly competent. The main activities include financial audit (70 percent), performance audit (26 percent), and corporate control of state interests in companies with full or partial state ownership (4 percent).[41] These companies also have private auditors, and the corporate control is generally much less comprehensive than the regular audits.

62. **The OAG submits an annual report on the audit of the government accounts to the legislature, but does not provide a formal audit opinion on the consolidated annual financial report or the reports of ministries.** *4.3.2*

OAG reports the result of the auditing activities to the Storting in Document No. 1. Part 1 of the document is an extract of the Central Government Accounts in accordance with the Constitution (paragraph 75 k). Part II summarizes the results of the financial audit, Part III summarizes the results of the corporate control, and Part IV encompasses all the

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[40] The Tax Administration report can be found at http://www.skatteetaten.no/templates/Brosjyre.aspx?id=59980&epslanguage=NO

The 2007 Customs and Excise Administration report can be found at http://www.toll.no/templates_TAD/Article.aspx?id=146205&epslanguage=EN

[41] The term corporate control refers to OAG's assessment of whether the parent ministry has fulfilled its role as the administrator of the government's interest in companies in line with the decisions and intentions of the Storting.

results of the financial audit and the corporate control for each of the ministries. Detailed findings on the consolidated government accounts and the Central Government Financial Statements, including the capital account, are reported in Part IV, under the section about the MoF. OAG provides final audit letters on the accounts of government agencies, but does not provide a formal audit opinion on the accounts of the ministries and the consolidated central government.[42]

The OAG's annual report, as well as performance audit reports on specific topics that are submitted during the year, are reviewed by the Standing Committee on Scrutiny and Constitutional Affairs, which provides its recommendations to a plenary session of the Storting. The plenary session is open to the public, and the Standing Committee may also decide to have open hearings on the reports before submitting its findings to the plenary. The decision to conduct open hearings is based on the severity and political importance of the issue in question, as well as the degree of public and media interest. In 2007 the committee conducted several open hearings. The annual audit report also contains an overview of developments in areas that have been notified in previous years' reports. All reports submitted to the Storting are also made available to the public and on the OAG website.

63. **External scrutiny of macroeconomic models and assumptions is actively encouraged.** *4.3.3*

The main models used for macroeconomic forecasting are managed by Statistics Norway, and are described in great detail in numerous publications. There are also a number of publications describing different applications of the models. Different stakeholders, including political parties and media, can commission Statistics Norway to carry out macroeconomic forecasts based on different assumptions than those made by the government.

64. **The national statistics office is given legislative assurance of independence.** *4.3.4*

Statistics Norway was established by the Statistics Act, whereby its professional independence from the government and the Storting is secured.[43] The institution has a strong reputation for integrity and data reliability. The budget and the work program are approved by the Storting. Among its main tasks, Statistics Norway collects, compiles, and disseminates official statistics; produces independent analysis and research; coordinates Norwegian statistics; and is responsible for international statistics cooperation. A peer review carried out by Eurostat in June 2007 found that Statistics Norway either largely or fully meets the principles of the European Statistics Code of Practice. All indicators within the principles of Professional Independence, Mandate for Data Collection, and

[42] Under internationally accepted standards, audit opinions may be of different types: unqualified, qualified on specific issues, disclaimer of an opinion, or adverse opinion.

[43] http://www.ssb.no/english/about_ssb/statlaw/main.html.

Statistical Confidentiality are fully met. This was found to be partly a result of the Statistics Act, but also of the strong institutional culture of the office.

III. IMF STAFF COMMENTARY

65. **The Norwegian fiscal management system is characterized by a high level of transparency, and Norway is a leader in resource revenue transparency as assessed in Appendix I.** Norway's public management system operates in a highly decentralized fashion and demands a high degree of integrity and well-functioning government institutions—these conditions are largely met, and the system performs very well in many areas, supported by strong transparency practices. There is scope for improvements, however, in particular in presenting consolidated central government budgets and more comprehensive government accounts. Resource revenue management transparency is very high.

66. **The fiscal framework is based on two transparent pillars: the fiscal guidelines and the GPF-G.** The framework helps make clear the intertemporal challenges derived from the presence of large but exhaustible petroleum revenues and potentially large aging-related outlays, while providing flexibility for the formulation of fiscal policy in the short term. It is buttressed by strong institutions, governance, and accountability.

- The fiscal guidelines have contributed to decoupling fiscal policy from oil market volatility and resulted in the bulk of petroleum revenues being saved for future generations. A notable feature is the use of the structural non-oil balance as a key and transparent fiscal indicator for the analysis of short-term stabilization and long-term sustainability issues and policy formulation.

- As discussed in more detail below, the design and management of the GPF-G are state of the art from a fiscal transparency perspective. The fund is well integrated with the budget, avoiding the problems of other resource funds that have led to opacity in fiscal policy and asset management. The substantial level of disclosure of GPF-G operations, stringent transparency and governance provisions, and assurances of integrity in place underpin the fund's credibility.

A. Code of Good Practices on Fiscal Transparency

Summary of assessment

67. **Clarity of roles and responsibilities.** The institutional framework and division of responsibilities are clear. The definition of general government is largely consistent with GFSM 2001, but excludes some units that perform government functions. The government has extensive ownership of public corporations, and the relationship is largely arm's length, but there may be scope for some further clarification and prioritization of various objectives set for different enterprises. Quasi-fiscal activities are limited, but they are not fully disclosed in budget documents. The regulatory framework for the management of public finances is clear and comprehensive. There is no

consolidated list of exceptions to the Appropriation Regulations, including net budgeting. The legislative basis for tax collection is clear and comprehensive, taxpayers' rights are well defined, and there are clear tax appeal mechanisms. Tax administration procedures are clearly defined, but there has been long-standing ambiguity about the accountability of local tax collectors. Finally, public opinion is extensively sought concerning proposed legislation and policy changes. Major policy initiatives go through comprehensive public consultation processes.

68. **Open budget processes.** The budget process is open and highly transparent, with the Storting playing a central role, including at the parliamentary committee level. Budget documents present comprehensive, high-quality information and extensive analysis—including, notably, in-depth coverage of long-term fiscal perspectives and sensitivity of the projections to underlying assumptions—but there is room for improvement in several areas, including in the provision of information on consolidated central government operations and institutional coverage. There is scope to enhance medium-term fiscal planning and performance budgeting.

69. **Public availability of information.** The scope and quality of the information made available to the public are very high. Fiscal information is comprehensive and there is a clear advance data release calendar. The analysis of fiscal risks focuses on the sensitivity of budget estimates to changes in economic variables and long-term fiscal risks. Information on contingent liabilities, including guarantees and those associated with PPPs is available, but there is no consolidated statement of fiscal risks. Budget documents present extensive coverage of tax expenditures. Information on public debt and financial assets is available, with some exceptions, but the principles for the valuation of financial assets vary across government units—in particular, the GPF is valued at market value, while other financial assets are valued at historic cost. The budget presentation is not fully consistent with GFSM 2001, particularly as regards the functional classification.

70. **Assurances of integrity.** The OAG is a respected institution that undertakes financial and performance audits and corporate control. It reports the result of the audit to the Storting in Document No.1. It audits the financial statements of government agencies, but does not present to the Storting a formal audit opinion on the accounts of the ministries and the consolidated central government. The scope and quality of the data and analyses produced by Statistics Norway are highly regarded. Different accounting principles across consolidated government issues and coverage pose challenges, including in the valuation of assets. A trial project to implement accrual accounting in some agencies is proceeding and will be evaluated in 2009. More extensive use of internal audit procedures should be considered.

Key recommendations

71. **In the context of the findings, the following recommendations are provided as suggestions to enhance fiscal transparency from its already high level.**

72. **It would be desirable to provide information on the consolidated central government in budget documents.** This would include all central government

institutions (as defined by GFSM 2001) on a gross basis, including extrabudgetary units that perform government functions, regardless of their legal status. The consolidated budget would be presented for information. To ensure comparability with the formal budgetary central government, the consolidated central government would be shown on a cash basis. The information would be included in the Budget Bill document. Statistics Norway already has a definition of consolidated central government, albeit excluding some items (such as SDFI) that should be included. The existing tables showing general government on an accrual basis, prepared by Statistics Norway, should continue to be included in the National Budget. It is recommended to undertake a review of the public corporate sector, to include corporations that perform government functions in the central or general government, as appropriate. Line ministry budgets could also contain consolidated statements regarding all sector spending, whether budgetary or extrabudgetary. For some sectors, extrabudgetary activities can be a large part of their operations.

- Presentation of consolidated central government data in budget documents would provide a more accurate and comprehensive view of central government activities. It would also clarify further that important extrabudgetary activities, including those performed by public hospitals and other entities, are an integral part of government.

73. **Gross budgeting should be the guiding principle for the budgetary central government.** At the moment, net budgeting is applied in some areas of the budget, including universities and colleges. This reduces transparency, because it hampers a proper assessment of fiscal costs and makes it difficult to compare actual spending in different expenditure areas.

74. **Consideration should be given to extending the coverage of the accounts, including the capital account in the annual financial statement.** A desirable medium-term aim would be to produce consolidated financial statements for the budgetary central government and all entities controlled by it, as required by internationally accepted accounting standards, e.g. cash IPSAS. This would provide the users of the financial statements with information about the total revenues, expenses, assets, liabilities, and cash flows controlled by the central government and should be comparable to the consolidated budget proposed in paragraph 72. A list of the controlled entities consolidated should be disclosed and an explanation provided for not consolidating any controlled entity. In all cases, the consolidated reports should also provide financial information for each of the constituent sectors. These steps would enhance the usefulness and informativeness of the financial statement, in particular the capital account, and provide a basis to check the consistency between flows and stocks.

75. **The disclosure of all government assets and liabilities and the full resource implications of policies and programs would further improve the existing high standards of fiscal transparency.** All significant financial assets and liabilities (e.g., accounts payable and receivable for goods and services, and employee entitlements including any unfunded pension obligations) could be recognized and reported in the

financial balance sheet (capital account), regardless of the timing of the related cash transactions. Nonfinancial assets and the related depreciation expenses could be recognized at a later stage. In addition to improving transparency, such a reform would also facilitate the assessment of performance, particularly the efficiency of utilization of resources—a key priority of the authorities—by providing information about the full costs of government activities. The reportedly positive experiences of the pilot project on accrual-basis accounting in agencies would appear to lend support to this expectation.

Other recommendations

High priority

76. **The inclusion of institutional tables in budget documents would enhance transparency.** The MoF and Statistics Norway should review the coverage of extrabudgetary units and public corporations under the various definitions of government. An institutional table could be included in budget documents, showing the coverage of budgetary central government, consolidated central government, general government, and the public sector, with the main differences in coverage explained. This would help clarify the relationship between the different definitions of government and the coverage of public institutions under different headings.

77. **The budget process would be further strengthened by disclosing all exceptions to the procedures in the Appropriation Regulations; a Budget Systems Law could be considered in the longer term.** If there were an opportunity to update the Appropriation Regulations, provisions could be included to the effect that all exceptions from the procedures in the regulations should be specified, explained, and reported. In the absence of such an update, the reporting of a complete list of existing exceptions and their rationale would be a useful step. In the longer term, the MoF could consider developing a Budget System Law, as in many other countries. Such a law could be based on the current Appropriation Regulations, but could provide a more comprehensive framework for the budget preparation process, including topics such as the main elements of the budget calendar, requirements for a consolidated central government budget, and full disclosure of the definitions of government. Transparency would be enhanced with a full disclosure of all existing exceptions to the procedures and their rationale.

78. **The reporting of standard reconciliations as part of fiscal accounts would improve transparency.** This step would be important to demonstrate the internal consistency of the fiscal accounts, thereby providing greater assurances and enhancing their credibility.[44]

- As a first step, the cash receipts and payments in the appropriation account of the budgetary central government during a period could be reconciled with the

[44] Since this assessment was made, steps have been taken to implement the recommendations in this paragraph. See footnotes 34 and 35 in paragraph 50.

movement in cash and bank balances in the capital account. A standard cash flow statement could be prepared to show operating, investing, and financing cash flows, and the net of the cash flows should agree or be reconciled with the changes in the stock of cash and bank balances shown on the capital account.

- The change in the consolidated net assets of the central government from one period to the next could be reconciled with the consolidated surplus and any valuation changes during the period. This reconciliation is currently carried out for the GPF-G, but not for the consolidated assets and liabilities of the budget and the fund. Extending this reconciliation to the consolidated accounts would facilitate a proper appreciation of the significance of the change in the net asset position.

79. **For the medium-term, consideration could be given to gradually extending the accrual-basis accounting pilot.** This would provide a good basis to assess whether accrual-basis accounting should be applied throughout the government sector. Accrual-basis accounting allows a better appreciation of costs and helps provide a clearer understanding of the long-term implications of policies. It is a complete system which automatically contains checks and balances.

80. **Steps could be taken to enhance medium-term fiscal planning.** In particular, the medium-term expenditure estimates that are currently produced should be presented in the same format as in the budget, using the same classification. This would help assess better the medium-term implications of current policies and of new policy initiatives. For the longer term, consideration could be given to consolidating and further developing medium-term budgeting where sector envelopes would be ceilings, not floors, and subject to regular budgetary review and discussion. A medium-term budget can improve the analysis of medium-term perspectives and the quality of the dialogue between the MoF and line ministries. This said, the risks in this area given Norway's special fiscal situation in the coming years, characterized by likely substantial fiscal resources (as discussed in paragraph 24), are acknowledged.

81. **In the area of performance budgeting, ministries could in some cases be encouraged to present more concretely specified sectoral objectives.** They could also provide clearer strategies and measures to achieve those objectives, and indicate how this will be monitored. Some degree of standardization, for instance in the definition of programs and objectives, might be considered. Performance budgeting, regardless of the particular modalities, should be done within a framework of clear and transparent accountability and hard budget constraints.

82. **The survey of the prevalence of internal audit in government agencies is an important initiative.** The MoF and GAFM have initiated an evaluation of the role of internal audit in strengthening internal control. It may be useful to review international experiences in this regard, including in EU countries, and to develop a concrete strategy for how to use internal audit. In principle, more extensive use of internal audit procedures should be given consideration. For smaller units, internal audit may need to be outsourced to the GAFM, in the same way as other financial management is outsourced.

83. **The fact that the OAG does not express an audit opinion on the accounts of ministries, the consolidated government accounts, and the capital account, may cause uncertainty regarding their formal status.**

Lower priority

84. **Some improvements in the budget classification system would enhance transparency and facilitate fiscal analysis.** It would be desirable to introduce a functional classification consistent with COFOG and to present the budget in accordance with this classification, in addition to other classifications in use. This would enhance fiscal transparency by providing a view of the relative priorities of the government. It would also facilitate a systematic review of government priorities for resource allocation purposes. In addition, consistent with GFSM 2001, consideration should be given to disaggregating the operating costs into two elements: employee entitlements and costs of goods and services. The disaggregation could be for disclosure purposes only, and the appropriations could continue to be at the existing aggregated level. [45]

85. **There would be merit in providing a quantification of QFAs in budget documents.** While the extent of QFAs is limited, quantifying them in budget documents would help assess more comprehensively the scope of government activity.

86. **Budget documents could helpfully include more self-contained analysis.** Often, the analysis of specific topics in budget documents is fully set out the first time, but is more cursory when they are taken up in subsequent documents, and the reader's familiarity with the topics is assumed. It might be useful to present the analysis in budget documents including a short summary of the main issues and greater use of references to preceding work.

87. **Finally, there could be merit in implementing a central register of local government responsibilities.** At present, those responsibilities can only be gauged from a number of separate documents. The register could be maintained by the Ministry of Local Governments and Regional Development.

B. Resource Revenue Transparency[46]

Summary of assessment

88. **This report includes an assessment of practices in Norway against the *Guide on Resource Revenue Transparency*.** The report finds a very high level of transparency in the management of petroleum revenue, particularly in the availability of public information, with discretion in some areas linked to petroleum tax administration.

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[45] Since this assessment was made, steps have been taken to implement the recommendations in this paragraph. See footnote 32 in paragraph 46.

[46] This assessment is based on the findings presented in Appendix I.

89. **Clarity of roles and responsibilities.** The institutional framework is clear, including the division of responsibilities across various government ministries and agencies. The tax regime of the petroleum sector is clearly stated and has remained stable for quite some time, making it predictable for the companies in the sector. It contains some positive features that are not standard from an international perspective, such as the uplift on investment and the refund of unsuccessful exploration. Production licenses give the licensees an exclusive right to exploration and production of petroleum deposits in areas covered by the license. However, there is substantial discretion in the award of production licenses in the petroleum sector, with an enhanced focus placed over work program evaluations because of the high priority attached to the technological and geological expertise and approaches of the applicant companies. Decisions regarding which license areas to offer must be discussed by the Storting. The success of this system hinges on skilled staff and credible government institutions. Although an open bidding system is often regarded as best practice from a transparency viewpoint, the system used in Norway has worked successfully for a long time, and the track record of applications suggest that companies have confidence in its integrity. The relationship between the government and state-owned enterprises in the petroleum sector is clearly defined and the companies do not undertake QFAs.

90. **Open budget process.** The budget process is highly transparent, with a fiscal framework that makes explicit the intertemporal challenges posed by depletable petroleum revenue. The GPF-G is largely integrated with the budget; it has a clear governance structure and a detailed investment strategy amply discussed by various stakeholders, consistent with the overall policy framework, and that promotes accountability by its manager (Norges Bank). The rising assets in the GPF-G put an additional premium on the maintenance of stringent transparency standards. The budget process is highly transparent in the identification of petroleum revenue-related flows.

91. **Public availability of information in the petroleum sector in Norway is noteworthy.** Information on petroleum revenue payments by companies, receipts by the government, and many aspects linked to the management of the GPF-G (including the level of financial assets, the investment strategy, risks, returns, individual equity positions, external managers, implementation of ethical guidelines, and management costs) are readily and regularly available in various documents.

92. **Assurances of integrity.** The governance framework in the petroleum sector leads to strong assurances of integrity. In particular, the involvement in various ways of Norges Bank, the MoF, and the OAG in the control and audit of GPF-G is worth noting, as well as the government's plans to improve the internal control and external audit functions further, based on recommendations from an international consulting firm. Tax administration in the petroleum sector is challenging, including due to the complexities of petroleum fiscal regimes. Important measures, such as the establishment of norm prices and the possibility to make advance rulings, have been implemented to reduce discretion; this said, a few concerns about non-transparencies remain in the tax assessment and appeals process, as discussed in Appendix I.

Recommendations

93. **Based on the description of transparency practices in the petroleum sector's tax administration contained in Appendix I, the following recommendations could help enhance transparency in this area from its already high levels:**

- The Petroleum Assessment Board could explain the legal basis and rationale for changing tax assessments in a more formal way. This would help reduce appeals and help taxpayers to state their cases in following appeals' instances.

- OTO's functions as representative of the government in appeals cases and as secretary/advisor to the Appeals Board should be clearly separated to avoid potential perceptions of asymmetry in access to the Appeals Board. A scheme similar to the one applied by the Petroleum Price Board, where a committee of independent experts is called to advise the Board in appeal cases, could be considered.

APPENDIX I. SUMMARY OF NORWAY'S TRANSPARENCY PRACTICES FOR PETROLEUM REVENUE MANAGEMENT

Introduction

1. The exploration and production of petroleum resources on the Norwegian Continental Shelf (NCS) has had a major impact on the Norwegian economy. Norway's petroleum industries, including crude oil and gas extraction, accounted for 23 percent of GDP, close to 50 percent of exports, and about 31 percent of government revenue in 2007. Norway ranked as the world's fifth largest oil exporter and the tenth largest producer in 2006. As a small economy with significant revenues from the export of petroleum, to some extent Norway faces similar policy challenges to those confronted by other natural resource-dependent countries.

Clarity of roles and responsibilities

2. **The legal framework for petroleum revenues is well-defined and the licensing system is well established, even though it includes some highly discretionary elements.** *1.2.4, 1.2.5*

The Petroleum Act and its associated regulations govern petroleum operations in Norway.[1] Pursuant to section 1-1 in the Act, the Norwegian state has the proprietary right to sub-sea petroleum deposits and the exclusive right to resource management. According to section 3-3 of the Act, a production license gives the licensees an exclusive right to exploration and production of petroleum deposits in areas covered by the license; the licensee becomes the owner of the petroleum which is produced. The legal authority over oil-producing companies is specified in the Petroleum Act and in the Petroleum Tax Act, in addition to general laws and regulations not specific to petroleum companies.[2]

3. **The institutional framework for the management of petroleum resources on the NCS is clearly delineated by law**. *1.2.4, 1.2.5*

- The Storting establishes the framework for Norwegian petroleum activities through legislation, propositions, and specific responses to White Papers concerning petroleum activities. In addition, matters of strategic importance, like the opening of new areas for petroleum activities, must be discussed by the Storting.
- Within the executive branch, the Ministry of Petroleum and Energy (MPE) holds the overall responsibility for the management of petroleum resources, focusing on petroleum policy issues like the opening of new areas for exploration, the allocation of licenses, and the approval of license groups' development plans. In

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[1] Act of 29 November 1996 No. 72, last amended in July 2006. Regulations to the Act were laid down by a Royal Decree of June 1997, and were last amended in December 2006.

[2] The Petroleum Tax Act of 13 June 1975 No. 35, last amended in December 2005.

addition, the MPE holds a particular responsibility in monitoring the partly state-owned StatoilHydro, and the state-owned companies Petoro and Gassco. These different responsibilities are undertaken by separate departments at the MPE.

- The Norwegian Petroleum Directorate (NPD) acts as MPE's technical arm; it is administratively subordinated to the MPE and is responsible for maintaining the administrative and financial control of exploration and recovery of petroleum resources. NPD reports to MPE but has considerable independence on matters under its jurisdiction.
- MoF holds the overall responsibility for ensuring that the state collects taxes, fees, and other revenues from the petroleum sector.
- The Ministry of Labor and Social Inclusion is responsible for health and safety, and has the coordinating responsibility for health, safety and environment (HSE) in the petroleum industry.
- The Ministry of the Environment is responsible for the external environment.[3]
- The Ministry of Fisheries and Coastal Affairs is responsible for oil spill contingency measures.

The Petroleum Act and its regulations provide the general legal basis for the licensing system for petroleum activities in Norway. The main features of the licensing system have been in place since the 1970s. The system is non-discretionary with respect to the tax regime, but there is substantial discretion in the selection of licensees and the definition of their work programs. Production licenses, which cover exploration and production of petroleum, are normally awarded through publicly announced licensing rounds that take place yearly (since 1999) for mature (or predefined) areas and every second year in frontier areas (ordinary or “numbered” rounds). Any company that has been prequalified as a licensee in Norway can participate in the licensing process. License awards are not based on bidding parameters (e.g., the fiscal regime is the same for all fields), but on specific pre-announced criteria, focusing primarily on the relevant technical expertise of the applicants and their geological understanding of the geographical area in question. Details of the evaluation process are not disclosed.[4] Acreage, location, license period, work obligation, state participation (see paragraph 5), and other block-specific conditions are agreed and stipulated at the time of the award. MPE tends to award production licenses to groups of companies, sometimes proposing adjustments to a group that has submitted a joint application. It appoints an operator for this partnership, who is responsible for carrying out the day-to-day activities under the terms of the license. The licensees then enter into an agreement which regulates the

[3] The legal framework in these areas is governed by specific legislation, like the Pollution Control Act, and associated regulations. Specific entities subordinated to the specific ministries deal with day-to-day operational issues and enforcement (the Norwegian Pollution Control Authority, the Petroleum Safety Authority Norway, the Norwegian Coastal Administration).

[4] To protect confidentiality, unsuccessful applicants are explained one-on-one the reasons why they did not get a license.

relationship between them, to be approved by MPE.[5] The production license regulates the rights and obligations of licensees in relation to the state. This document supplements the provisions of the Petroleum Act and specifies detailed terms for each license. The license provides an exclusive right for exploration, drilling, and the production of petroleum within the geographical area specified in the production license. Production licenses are granted for up to 10 years, but can be extended up to 30 years (and even 50 years in specific cases) for licensees meeting the original work commitment. A transfer of interest in a production license from one company to another requires approval by the MPE and the MoF (the latter sets conditions to neutralize the tax effects from the transfer).

4. **The tax regime of the petroleum sector is clearly stated and comprehensively covered in the law.** *1.2.2, 1.2.4*

The Norwegian petroleum tax system is based on the ordinary Norwegian corporation tax system adjusted to account for the specificities of upstream activities on the NCS, with a special tax aimed at capturing excess returns (rents). The system has remained basically unchanged since the Petroleum Tax Act was enacted in 1975. The tax rules (the Act and regulations) are produced in accordance with the normal legislation process and are comprehensively presented to the public. The Petroleum Tax Act is a supplement to the General Tax Act and the two are internally consistent. Royalty on the NCS was phased out for the last two fields (Oseberg and Gullfaks) in 2005. CO2 and NOx taxes are also levied with the objective of reducing emissions from the activities on the NCS. There is also an area fee. The treatment of indirect taxes (VAT, customs and excise duties) for petroleum or petroleum products is in principle the same as for other activities. There are, however, some special provisions for the petroleum sector, e.g. the supply of goods and certain services from the Norwegian mainland to the offshore petroleum activity is zero rated under the VAT. The government has proposed changes in these rules, i.e., deliveries to the offshore installations will be defined as exports. Deliveries of goods and services in mainland Norway for use on the offshore installations will still be zero rated. Production sharing contracts (PSCs) are not used in the fiscal regime for the petroleum sector in Norway.

Net profits from extraction and pipeline transportation of petroleum in the NCS are subject to the ordinary corporate tax of 28 percent (applicable to all companies in Norway) in the first place, and a special 50 percent tax after subtracting an investment-based uplift allowance of 30 percent of investment costs (7.5 percent a year over 4 years). All relevant expenses for the activities on the NCS are tax deductible, i.e., operating expenditures, exploration costs, shut-down and decommissioning costs, and research and development expenditures. A linear depreciation schedule over 6 years applies to production installations and pipelines. Net financial costs (up to a certain limit) may be deducted against both the corporate tax and the special tax. Starting in 2007, a new rule for the calculation of deductible financial costs was introduced. Under the rule, net

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[5] The licensee group should in principle function as an internal control system within the production license, where each licensee should be monitoring the work of the operator.

financial costs incurred on interest-bearing debt are tax deductible. The deductible net financial costs are the sum of interest costs and foreign exchange losses, less foreign exchange gains, pertaining to such debts. The deductions shall equal such proportion of the net financial costs of the company as corresponds to 50 percent of the ratio between the value of assets attributed to the extraction and pipeline transportation of petroleum on the NCS (net of tax depreciation as of December 31 of the tax year) and the average interest-bearing debt over the tax year. Other financial income and expenses shall be attributed to the onshore district. Losses may be carried forward without any time limits and, since 2002, earning interest. Starting in 2005, companies can claim reimbursement of the tax value of cost incurred by exploration and shut-down, including decommissioning activities (that cannot be offset by revenue and associated taxes elsewhere). All income and expenses from upstream activities are consolidated at company level as there is no ring fencing between licenses. There is, however, a ring fence at the company level between petroleum extraction and other activities, such as other industrial activities or results from foreign investments. The Storting determines the tax rates for petroleum companies during the budget process each year. However, the corporate tax rate and the special tax rate have been stable since a general tax reform in 1992.

Tax reference prices for Norwegian crude oil by grade, called norm prices, are an important feature of the petroleum tax system aimed at simplifying the tax administration, by reducing the incidence of transfer pricing issues. Norm prices are used to determine the taxable income from oil production. The principle for determining norm prices is that they should correspond to the prices in trades between independent parties in a free market. Norm prices are determined by the Norm Price Board, a body subordinated to the MPE. According to the regulations, the Board must have at least five members. At the moment there are six members, including four independent members, one representative from the MoF, and one representative from the MPE. There are also two deputy members representing the MoF and the MPE. The Board is supported by staff from the MPE. It meets quarterly to set norm prices for the previous quarter. Norm prices are not set by a formula, but by discretionary judgment based on a broad-based evaluation of the market value of Norwegian crude oil, taking into account all relevant market information. Preliminary norm prices are presented to the companies in writing. The companies can provide their views at quarterly meetings before the final norm prices are determined. In case of disagreement, the petroleum companies can ask for a committee of experts to advise the MPE on the “fairness” of the norm prices. Gas sales are taxed on the basis of the actual realized sales price, except in cases of transactions between associated parties when such price deviates from market conditions. In the latter situation, the tax authorities may make adjustments in accordance with the arm's length principle. The General Tax Act establishes that the OECD Transfer Pricing Guidelines must be taken into consideration when applying the arm’s length principle. Additional reporting and documentation requirements on transactions with related parties have been introduced.

CO2 and NOx taxes are also part of the fiscal regime for petroleum activities and are deductible from the corporate and special tax bases**.** The CO2 tax is levied on emissions from the petroleum activity, including flaring and use of oil, diesel, and gas on the petroleum installations on the NCS. The CO2 tax is a specific tax on gas or oil usage in the petroleum sector. However, starting in January 2008, the CO2 tax levied on the petroleum sector has been reduced to offset the estimated costs of a mandatory quota system for CO2 emissions. Since 2007, a specific tax is imposed on NOx emissions from turbines and flaring on offshore petroleum installations. However, the Ministry of Environment and the Norwegian Oil Industry Association (OLF), along with 14 other business organizations, have reached an environmental agreement to reduce nitrogen oxide gas emissions that includes a 3-year exemption from the NOx tax subject to specific conditions.

The fiscal regime for petroleum activities also includes an area fee. Petroleum sector licensees must pay an incremental area fee for each year after the expiration of the initial exploration period.

5. **Fiscal authority over petroleum-related revenue and borrowing is clearly established in the law. Legislation does include a requirement for full disclosure of all petroleum-related revenue, loan receipts and liabilities, and asset holdings.** *1.2.2*

As the central fiscal policy agent, the Ministry of Finance holds the overall responsibility for ensuring that the state collects taxes, fees, and other revenues from the petroleum sector. Petroleum revenues and the expenditures for governmental petroleum activities are integrated in the budget framework and the budget process in the same manner as other revenues and expenditures. Total net revenue from the petroleum sector is directly transferred from the budget into the GPF-G, which is largely integrated with the budget (see paragraph 11 below). No government agencies have the right to borrow on behalf of the government for resource-sector specific purposes without the consent of the Storting; the MoF is responsible for all central government borrowing.[6]

Disclosure requirements on all petroleum-related revenue, loan receipts and liabilities, and asset holdings are embedded in various pieces of legislation. In particular, the Constitution includes provisions giving access to public documents (Article 100) and entitling citizens to be informed about the state of the natural environment and of the effects of any encroachment on nature that are planned or commenced (Article 110b).[7] A more specific example refers to the provisions on the management of the GPF-G, which include extensive reporting requirements regarding the GPF-G's portfolio.

6. **Government involvement in the petroleum sector through equity participation is fully disclosed and the implications explained to the public.** *1.1.4, 1.1.5, 1.2.4*

When production licenses are awarded, the Norwegian state can discretionarily decide to keep a specific share of a license granted under the Petroleum Act and in the joint venture established by a joint operating agreement in accordance with the license. The size of the

[6] For instance, the Petroleum Act states that the company managing the SDFI (see below) in upstream licensee groups cannot raise loans or provide security without parliamentary consent.

[7] In addition, the Freedom of Information Act of 1970 provides for any person to have a broad right of access to official documents held by public authorities.

state equity can vary from one field to another, depending on the expected profitability and resource potential of the individual production license at the time when the license is awarded.[8] Since 1985 this arrangement is called the State Direct Financial Interest (SDFI). The government-owned public trust company Petoro manages the SDFI on behalf of the central government since 2001, while StatoilHydro markets the state's oil and gas. Petoro is the licensee for, not the owner of, the SDFI shares on the NCS (see next paragraph). As one of several licensees, the state pays its share of investments and costs, and receives a corresponding share of the gross income from the license. SDFI revenues and expenditures are included in the budget. The Storting approves the SDFI's budget and framework on an annual basis. The implications of the SDFI are explained in budget documentation. Petoro cannot raise loans or provide security without the consent of the Storting. The government's contributions are paid in cash and no borrowing or carry operations are undertaken.

The SDFI is disclosed in various propositions to the Storting. The SDFI revenue and expenditure estimates are presented each year in the government's budget proposition published in October (next year's budget) and updated twice during the year. The SDFI's accounts are presented in Petoro's quarterly and annual reports, together with Petoro's results. The annual accounts are also presented in a booklet to the OAG. The results are presented to the Storting each year in a separate report together with the rest of the government's annual financial statements. Every one or two years, the value of the SDFI holdings is calculated by an independent consultant firm and disclosed.

7. **Ownership structures of state-owned companies operating in the petroleum sector and their fiscal role vis-à-vis MPE and MoF are clearly defined.** *1.1.4, 1.1.5*

After the strategic review of the Norwegian state's oil and gas policy in 2000, the following state-owned companies operate in the petroleum sector in Norway: the partially privatized StatoilHydro, Petoro, and Gassco. MPE holds the responsibility of monitoring these companies on behalf of the state.[9] These state-owned companies do not undertake policy or regulatory functions.

- *StatoilHydro* is a state-owned company that was partially privatized in 2001 and with 62.5 percent ownership from the State.[10] It is a public limited company organized under the Norwegian Limited Public Companies Act. It is listed both on

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[8] The government holds shares in 113 production licenses. The government's equity share is as high as 56 percent, but it has usually been 20 percent in the more recent licensing rounds. SDFI represents about a third of Norway's daily petroleum production and total reserves.

[9] Gassnova is an administrative unit from the MPE with the task of promoting and supporting innovation and development of environmentally friendly gas power technology, including carbon capture and storage (CCS). This is not a commercial activity for the time being, and is financed from MPE's budget.

[10] In accordance with the Storting's decision of 2001 concerning a minimum state shareholding of two-thirds in Statoil, the government is increasing the state's shareholding in StatoilHydro over time to 67 percent. If the Norwegian state, acting through MPE, increases its holding in excess of two-thirds of the shares in the company, it would have the sole power to amend the articles of association.

the New York Stock Exchange and on Oslo Børs. Therefore, StatoilHydro is also subject to the filing requirements of U.S. SEC regulations. It complies with the Norwegian Code of Practice for Corporate Governance, which conforms with international standards. StatoilHydro is the leading operator on the NCS, competing with major integrated oil and gas companies for the acquisition of assets and licenses in the petroleum sector. However, it has also been expanding its operations internationally, with entitlement to oil and gas production outside Norway representing 18 percent of its total output by end-2007. The company's sole focus is on commercial operations, a role reinforced through partial privatization. Although StatoilHydro sells government-owned oil and gas together with its own share of output, this is considered to be a commercial sales and marketing arrangement between the two parties. There are no non-commercial obligations placed on StatoilHydro's activities. As stated in the "Government's Ownership Policy", a large state ownership interest in the company is rationalized in terms of securing the management of extensive Norwegian natural resources and retaining head office and research and development functions in Norway. MPE has one representative in the Election Committee and the state is not represented on the Board of Directors of StatoilHydro. The Board consists of 10 members, and according to the SEC filing, a majority of its members are deemed to be "independent". MPE decides how the government votes on proposals submitted to general meetings of shareholders, but in exceptional cases it may need to seek the Storting's approval before voting on a certain proposal. StatoilHydro's dividend policy aims at returning to its shareholders (including the Norwegian state), through cash dividends and share repurchases, an amount in the range of 45-50 percent of consolidated net income as determined in accordance with IFRS. In any one year, however, the aggregate of the cash dividend and share repurchases may be higher or lower depending on the company's evaluation of expected cash flows, capital expenditure plans, financing requirements, and appropriate financial flexibility.

- *Petoro* is a 100 percent non-profit state-owned limited company established in 2001 to take over (from Statoil) the management of the SDFI portfolio on behalf of the government (see paragraph 5 above). Petoro acts as one of the licensees within a licensee group. However, it is not an oil company (e.g., an oil field operator), but a (relatively small) management entity overseeing the operations of the licensee groups and helping the government prepare the SDFI-related budget proposals. It is fully guaranteed by the government which assumes all Petoro's liabilities in the licensee groups and receives all revenues from the SDFI portfolio through the central government's budget. In addition, StatoilHydro markets and sells the Norwegian's state's oil and gas (together with the own) on behalf of the state and under the supervision of Petoro. Petoro does not have its own revenue sources and its operations are financed by appropriations from the central government's budget approved by the Storting. The company has to maintain separate accounts for the SDFI and its own operations, and prepare separate financial statements.

- *Gassco* is a state-owned company established in 2001 to act as the operator of the natural gas transportation system previously operated by Statoil. The natural gas transportation system was transferred to a new joint venture called Gassled, but Gassco continues to be the operator company. In that capacity, Gassco is reimbursed for its costs as operator by the users of its infrastructure. Establishing this company has satisfied the requirements for gas transport operations in the European gas market specified in the European Union's gas directive. Gassco is authorized to conclude agreements with technical service providers in charge of day-to-day operational and maintenance work.

8. **Petroleum companies do not carry out non-commercial or quasi-fiscal activities.** *1.1.4, 1.1.5*

There are no non-commercial or quasi-fiscal activities carried out by petroleum companies as part of the fiscal regime for such companies. There is no regulation of wholesale or retail prices of resource products in Norway, and no policy of providing products at less than cost recovery or market price for domestic consumption. The government reimburses StatoilHydro for its proportionate share of costs linked to the marketing of the state's oil and gas from the SDFI arrangements.

Environmental and site abandonment issues are dealt with through the fiscal regime by making environmental-related expenses and shut-down and decommissioning costs tax deductible (and refundable), and by charging CO2 and NOx taxes as means of fostering a reduction in emissions. The Petroleum Act establishes that the state has to compensate fishermen for financial losses resulting from the occupation of a fishing area by petroleum activities, but that the licensees are liable for pollution damage and prevention measures.

9. **There are no specific arrangements to assign or share petroleum revenues between central and subnational levels of government.** *1.1.3*

Petroleum-related revenue is paid to the central government only. Subnational levels of government have no responsibility for petroleum activities and/or regulations, which have been exclusive responsibilities for the central government from the start of petroleum exploration in Norway.

Open budget processes

10. **There is a clear policy statement on the management of resource revenues, linked to the government's overall fiscal and economic objectives, including long-term fiscal sustainability.** *2.1.2, 2.1.4, 3.1.7*

As discussed in Box 4 in the main text of this report, the fiscal policy framework in Norway is anchored in the guidelines for fiscal policy issued in 2001. The guidelines are largely motivated by long-term fiscal sustainability and short-term stabilization objectives, including the management of petroleum resources.

11. **Mechanisms for coordinating the operations of the GPF-G with other fiscal activities are clearly specified. Its operational rules are clearly stated as part of an overall fiscal policy framework.** *2.1.2, 2.1.5*

The Petroleum Fund was originally established in 1990 as a fiscal policy tool to support the long-term management of petroleum revenues. The first deposits into the Petroleum Fund were made in 1996. It was renamed as the GPF-G in 2006 as part of a broader pension reform, highlighting the GPF-G's role in meeting the rapid rise in public pension expenditures in future years, but not earmarking its resources for those (or any other) purposes.[11] GPF-G has no separate legal status (e.g., it does not have a Board). It is formally a Norwegian krone account held by the MoF in Norges Bank. In turn, Norges Bank invests the corresponding value of the account in international financial markets in its own name through the GPF-G management division of the Bank, Norges Bank Investment Management (NBIM). Norges Bank is thus the formal owner of the foreign assets of the GPF-G. The value of the MoF's account in the Norges Bank is set equal to the market value of the corresponding pool of foreign assets held by the Bank. Therefore, Norges Bank bears no financial risk in connection with changes in the value of the GPF-G. Under the Government Pension Fund Act, the MoF has the overall responsibility for the management of the GPF-G. The ministry has delegated the operational management of the GPF-G to Norges Bank on the basis of regulations, guidelines, and a management agreement that are public information.[12]

GPF-G is largely integrated into the state budget and functions as a tool to strengthen the budget process.[13] The GPF-G has no authority to spend or to borrow; spending is executed through the budget. GPF-G's inflows consist of all state petroleum revenues (net of petroleum-related expenditures) transferred from the central government's budget, net government financial transactions related to petroleum activities, as well as the return on the GPF-G's investments (net of the remuneration to Norges Bank). The outflow from the GPF-G is the sum needed to cover the non-oil budget deficit, as measured in the final budget revision (usually in late November/early December).[14] Therefore, the net allocation (withdrawal) to (from) the GPF-G largely reflects the overall budget surplus (deficit).

12. **The investment policies for the GPF-G are clearly stated, including through a statement in the annual budget documents.** *2.1.2, 1.2.5*

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[11] Government Pension Fund Act No.123 of December 20, 2005.

[12] The Government Pension Fund Act and the regulation and supplementary provisions and guidelines are available in MoF's website (www.regjeringen.no/en/dep/fin) as well as in Norges Bank's website (www.nbim.no).

[13] Returns from the investments by the GPF-G are not integrated in the budget.

[14] Planned spending of petroleum income is guided by the fiscal guidelines discussed in Box 4 in the main text. Still, the actual transfer from the fund to the state budget is not determined until the final budget.

In line with its governance structure, the operational management of the GPF-G is carried out by Norges Bank, which invests the resources of the GPF-G in accordance with publicly disclosed investment guidelines issued by the MoF. While the MoF has the authority for management of the GPF, key changes to the investment guidelines are presented to the Storting as a way of ensuring broad political support for important strategic choices. The MoF receives advice on the investment guidelines from Norges Bank, the ministry's advisory council on investment strategy, and external consultants who are also involved in independent performance measurements and the benchmarking of performance and costs. The MoF has an Asset Management department that is responsible for carrying out the ministry's duties related to the GPF-G, while Norges Bank set up an investment management unit (NBIM) that is responsible for implementing the investment strategy and for active management of the GPF-G.

The investment strategy is formulated by setting defined benchmarks with risk limits; within these limits there is full delegation (with a framework for accountability) of operational management to Norges Bank. The benchmark portfolios are "virtual portfolios" defined in terms of types of instruments, countries, and currencies. The limits set by the MoF are defined in terms of the allocation between equities and fixed income instruments, the maximum ownership interest in individual companies, and a tracking error relative to the benchmark portfolio to allow for active management by NBIM in the search for excess returns. The GPF-G invests only in foreign financial assets. The strategic asset allocation has evolved over time as the GPF-G has grown in size and the time horizon of the investments has increased: it is currently stipulated at 40 percent fixed income instruments and 60 percent equities. The MoF has recently presented plans to over time invest up to 5 percent of the GPF-G in real estate (which will result in a reduced allocation to fixed income) and to increase the limit on maximum ownership in individual companies from 5 percent to 10 percent.

The MoF established Ethical Guidelines for the GPF-G in 2004 based on a broad political consensus. The Ethical Guidelines are transparent and predictable, and are based on internationally recognized standards, such as the U.N. Global Compact and the OECD Guidelines for Multinational Enterprises. Two policy instruments—the exercise of ownership rights and exclusion of companies—are used as tools to promote the ethical commitments of the GPF-G. The decision to exclude a company from the GPF-G's investment universe ultimately rests with the MoF, but is based on publicly available recommendations from an independent Council on Ethics for the GPF-G.

The budget documents present a discussion of the main aspects of the management of the GPF-G, including a statement on the investment strategy explaining its rationale and prospects going forward. As noted above, substantial changes to the investment strategy are discussed at an earlier stage with the Storting through White Papers.

13. **The government's accounting system clearly identifies all government petroleum-related revenue receipts and enables issuance of timely, comprehensive, and regular reports to the public, including as part of the budget execution report. Reports are prepared on cash and accrual bases.** *2.2.1*

Petroleum revenue is clearly identified in the government accounting system. The various sources of government revenue are properly classified, including taxes and duties on extraction of petroleum (direct income taxes, CO2 and NOx taxes, area fees), revenue from government petroleum activities (SDFI), and dividends from StatoilHydro. This allows the presentation of total budget revenues as the sum of consolidated "revenues from petroleum activities" and "revenues excluding petroleum". These figures are compiled monthly on a cash basis. In addition, annual budget proposals and the National Budgets report gross petroleum revenues on a cash basis. The estimated investment income from the GPF-G is presented on both accrual and cash bases.

Public availability of information

14. **All petroleum revenue-related transactions, including through the GPF-G, are clearly identified, described, and reported in the budget process and annual financial statements.** *3.1.1, 3.1.4*

Revenue and expenditures linked to the petroleum sector are clearly identified in the budget and reported with a detailed economic classification. When the Storting considers the budget (the initial proposal and the two revised budgets during the fiscal year), the most up-to-date information on the sector is reported. The main sources of petroleum-related revenue are clearly identified and reported. The annual budget proposals and the National Budgets report gross petroleum revenues on a cash basis, the expenditures on petroleum activities (including SDFI spending and outlays financed by the Petroleum Insurance Fund), and the resulting net revenues from petroleum activities. The annual budget documents also present the key assumptions used to project petroleum revenue for the budget year and the following years (2009–12 in the 2008 budget proposal). Budget documents also show separately the transfers from and to the GPF-G on a gross basis, i.e., the transfer of net revenues from petroleum activities to the GPF-G and the transfer back from the GPF-G to the budget to finance the non-oil budget deficit.

15. **Reports on government receipts of company petroleum revenue payments are publicly available.** *3.1.4*

In addition to the aggregate figures (by source) reported in budget documents, the Oil Taxation Office publishes by early December the taxable incomes and the corresponding assessed tax liabilities by petroleum company for the previous year. However, these figures are not directly comparable to those from the budget because oil companies pay their assessed direct taxes in installments, which are spread over two calendar years. There are no payments from Petoro to the central government: income from the SDFI is a "cash-flow instrument" whose revenues are channeled directly to the fiscal budget. Information about dividend payments from StatoilHydro to the central government is publicly available through public records and the company's publications.

In the fall of 2007, the government announced its decision to implement the Extractive Industries Transparency Initiative (EITI) criteria in Norway. MPE has been given the responsibility of leading the work. It is planned to invite civil society to participate in the set up of a working plan on how to implement the EITI. The government considers that Norway materially fulfills the intentions behind the EITI Principles, since information on all payments by the sector is publicly available and the central government's revenues are also subject to external auditing by the OAG. However, the intention is to step up cooperation with key stakeholders and the civil society to establish a reporting and publication system more easily accessible to the public in line with the EITI criteria.

16. **The non-oil budget balance and the structural non-oil budget balance are presented in budget documents as key indicators of the macroeconomic impact and sustainability of fiscal policy.** *3.2.3*

The structural non-oil budget balance is a key indicator within the fiscal policy framework as an estimate of the underlying spending of petroleum revenues on long-term fiscal sustainability grounds and as an indicator of the fiscal stance in the short-term (the change in the structural non-oil budget deficit as a share of mainland trend-GDP). This indicator is complemented by comprehensive macroeconomic estimates. It is presented and discussed prominently in budget documents, along with the unadjusted non-oil budget balance.[15] In addition to the budget non-oil balance, budget documents present figures for the overall budget deficit, the consolidated balance of the budget and the GFP-G, and the general government's overall balance. The non-oil budget balance includes interest and dividends received and paid by the central government, but excludes the dividends that accrue to the GPF-G as returns on its assets.

17. **There is no direct or indirect collateralization of future petroleum production.** *3.1.5*

No debt or carry operations have been contracted recently or are outstanding in relation to the financing of the government's share in the SDFI arrangements. Those commitments are financed directly from the budget. In addition, to provide a reserve for payments to cover potential losses and liabilities associated with the state's interest in petroleum activities, the government set up a Petroleum Insurance Fund by law. This fund is owned by MPE, managed by Norges Bank, and is funded by the SDFI's cash flow based on the insurance rates that StatoilHydro pays in international markets. The flows of the Petroleum Insurance Fund are recorded in budget documents.

The GPF-G discloses in its balance sheet short-term assets and liabilities linked to repurchase agreements. The collaterals involved in such transactions are recorded in gross terms during the contract period both as financial assets and as short-term financial liabilities at amortized cost. These liabilities are also reported by Norges Bank as part of the total gross government (external) debt. The government funds the GPF-G only by

[15] The estimated non-oil budget balance in the final budget revision (late November/early December in the budget year) is used to determine the gross transfers from the GPF-G to the budget. However, when the central government accounts are final, usually in April of the following year, the gross transfers decided upon in late November of the budget year may deviate somewhat from the final outcome for the non-oil budget balance. Therefore, the State Budget may show slight deficits or surpluses in the final accounts.

ongoing revenues from petroleum activities and it is not borrowing to contribute to the GPF-G's capital.

18. **Financial assets held by the government linked to petroleum-related activities, are fully disclosed in government financial statements.** *3.1.5*

A major part of the financial assets of the government are those held by the GPF-G, which are exclusively invested abroad by Norges Bank. The GPF–G has a high degree of transparency and disclosure of information. GPF-G's market value is shown in the annual financial statements and in the annual budget documents, as well as in the (unaudited) balance sheet of Norges Bank published monthly. A detailed list of the GPF-G's equity holdings at year-end are published by Norges Bank the following spring.[16] In addition, and in line with the management agreement between Norges Bank and the MoF, the former produces publicly available quarterly and annual reports on the management of the GPF-G that include information on the returns by asset class and currency, excess returns relative to the benchmark portfolios, management costs, audited financial statements with explanatory notes, and the lists of external fixed income and equity managers. Starting in 2007, the MoF reports annually to the Storting on financial performance and other important matters relating to the GPF-G, such as the outlook for fiscal sustainability, changes in the investment strategy, implementation of ethical guidelines, and risk assessments.

The investments under the SDFI arrangements are recorded as a financial asset in the budget accounts and in the capital account section of the annual financial statements. The assets are reported based on the original value of the transactions. However, the government also discloses the calculation of the value of the SDFI holdings on an accrual basis made by an independent consultant firm every one or two years.

19. **Estimates of resource asset worth based on probable production streams and their associated assumptions are disclosed.** *3.1.5*

Estimates of net petroleum wealth and future net government revenues from petroleum activities are published in the budget documents. This information is produced by NPD, which annually updates the so called petroleum "resource accounts" based on information from petroleum operators. NPD publishes the resource accounts, as well as the methodologies used in their calculation on its website.[17] Petroleum resources are classified according to a classification system updated in 2001 in line with the recommendations of the World Petroleum Congress, the Society of Petroleum Engineers, and the American Association of Petroleum Geologists.[18] NPD uses approximately 250

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[16] MoF also publishes advice and reports received from Norges Bank, the Strategy Council, and external consultants.

[17] http://www.npd.no/English.html.

[18] Petroleum resources are divided in ten different project status categories ranging from discovered, recoverable resources, to undiscovered resources.

data sets from the operators including more than 600 projects in the petroleum sector. However, NPD adjusts the operators' projections by its own estimates of undiscovered reserves (and associated production). The latest resource account suggests that undiscovered reserves amount to 26 percent of total resources.

20. **Risks associated with petroleum-related revenue and savings are explicitly considered in annual budget documents and other documents. There are no quasi-fiscal activities by petroleum companies.** *3.1.3*

The budget documentation includes a discussion of risks related to oil price developments in a medium- to long-term perspective anchored in the current fiscal framework (which aims at sheltering fiscal policy from short-term variations in, for example, oil prices).[19] The budget documents regularly disclose calculations showing the impact of alternative assumptions regarding various economic parameters, including oil prices, and an oil price sensitivity analysis (for example, the impact on export receipts and government petroleum revenue of a change in oil prices of NOK100 per barrel, relative to the baseline projection).

Risks to the GPF-G are assessed rigorously from different perspectives throughout various government reports. The market risk of the current portfolio (mainly expressed in terms of its volatility) and the management of operational risks are discussed both in the MoF's annual report to the Storting and in Norges Bank's annual report. In addition, the MoF's report for 2007 included assessments of potential risks to the rate of return on GPF-G's investments. Two methods are used: a forward-looking stochastic simulation (a Monte Carlo simulation aimed at generating a probability distribution function for returns) and a backward-looking stress-testing exercise (based on past crisis scenarios in international financial markets).

Assurances of integrity

21. **Internal control and audit procedures for the GPF-G are clearly described and disclosed to the public.** *4.2.5*

Internal control and audit of the GPF-G are framed by the management agreement between the MoF and Norges Bank, the guidelines issued by the MoF, and Norges Bank's governance structure. The Central Bank Audit provides an audit opinion on the annual accounts of Norges Bank, which include the GPF-G (both as assets in foreign currencies and liabilities in local currency) in accordance with instructions issued by the Norges Bank's Supervisory Council and auditing standards from the Norwegian Institute of Public Accounts.[20] NBIM has also issued quarterly reports on GPF-G's management that

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[19] Comprehensive projections for the public finances in the long-term were updated in January 2009 as part of the quadrennial Long Term Perspectives on the Norwegian Economy.

[20] The Supervisory Council supervises the Banks' operation and ensures that the rules governing the Bank's activities are observed. This includes supervision of Norges Bank's management of GPF-G. The Central

(continued ...)

include financial statements of the GPF-G audited by the Central Bank Audit. Given the rapid increase in the size of the GPF-G and an increase in the allocation to equities, internal control arrangements are being changed by Norges Bank. The 2007 annual audit was done in cooperation with a private auditing firm. An Audit Committee reporting to the Bank's Board and a separate internal audit department are being established to strengthen internal controls, including in the management of GPF-G. In addition, the MoF intends to propose amendments to the Central Bank Act in line with the recommendations made by an independent consulting firm on the GPF-G's and the Norges Bank's internal control and audit procedures. The amendments would seek to establish a normal external audit function in Norges Bank that would be conducted by a private independent firm appointed by the Bank's Supervisory Council, and to explicitly subject Norges Bank's accounting framework to the Accounting Act.

22. **Tax administration is conducted largely in a way to ensure that petroleum companies understand their obligations, entitlements, and rights. Tax officials have scope for discretionary action that is not always clearly defined in laws and regulations. Sector-specific procedures are open to review in many instances.**

4.2.6, 1.2.1

The tax administration framework for companies involved in the extraction and pipeline transportation of petroleum on the NCS differs from the one used for companies in other sectors (and onshore). The special framework is regulated by the Petroleum Taxation Act and a specific chapter in the Tax Assessment Act. Income derived from exploitation and pipeline transportation is allocated to the Shelf District and taxed by the oil taxation authorities (OTO with the Oil Taxation and Appeal Boards). The assessment of onshore income is administered by the local tax assessment offices, assessment boards, and assessment appeal boards according to the Assessment Procedure Act. The OTO, an independent entity that reports to the MoF, is in charge of assessing direct taxes in the upstream petroleum sector (about 40 companies in 2004 and earlier years, and 66 companies in 2006) for the decision of the Oil Assessment Board. OTO has the same rights and obligations as standard Tax Assessment Offices and has 45 employees, mostly trained tax economists and tax lawyers organized in joint teams handling a group of petroleum companies. OTO officials interact intensively with the companies during the assessment period that lasts from April (upon presentation of annual tax returns) until early December (when the list of tax assessments by company is made public). The tax assessments themselves are decided by a five-member Oil Assessment Board. The Board is appointed by the MoF but it is an independent body. Appeals over tax assessments are decided by a seven-member Appeals Board for Oil Taxation. Decisions by the Appeals Board are not subject to further administrative appeal. Legal action can only be brought against a decision in an appeal case. OTO represents the government in the cases to be

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Bank's Audit also conducts supervision and audit tasks on behalf of the Council. The Council issues an annual Supervision Statement that is communicated to the Storting.

resolved by the Oil Assessment Board or the Appeals Board, and also acts as Secretariat for both Boards.

Petroleum companies are subject to the same taxpayers’ rights and services as other corporate taxpayers. The companies have a general duty to disclose all material facts, documents, and other items which might be relevant for each year’s tax assessment. Information that the tax assessment bodies obtain concerning companies which are liable for petroleum tax may, irrespective of their confidentiality obligation, be made available to other government bodies to the extent that this is necessary for purposes of estimating future direct and indirect taxes from the petroleum activities on the NCS. A government body or individual receiving such information is subject to a confidentiality obligation pursuant to the same rules as those governing the tax assessment effort.

In principle, discretionary powers by tax officials in the petroleum sector are limited. However, the oil industry has expressed some concerns about cases where, in their view, there had been less than full clarity of roles and responsibilities and reduced predictability in that the OTO did not feel bound by earlier agreements between the oil companies and MPE regarding some contractual issues. The authorities consider that the establishment of norm prices and the more recent introduction of “advanced rulings” by request from the petroleum companies are mechanisms to enhance transparency in petroleum tax administration. There are some other practices that could affect the transparency of the tax administration in the petroleum sector. In particular, the Oil Assessment Board is not required to explain or document the legal basis for adjusting tax assessments to the taxpayer. OTO can meet with the Appeals Board to discuss cases, a right that is not shared by the taxpayers. Detailed rulings by the Appeals Board are not made public but can be used as precedent for other rulings; summary information on Appeals Board rulings is published, however, with the consent of the petroleum company.

23. **International and national petroleum companies comply with international standards for accounting, auditing, and publication of accounts.** *4.3.1, 1.1.5*

For the preparation of the financial statements of publicly listed companies, the Norwegian Accounting Act gives the option of applying NGAAP, which are largely in line with international accounting standards, or international standards. The latter is useful in particular for multinational petroleum companies. Norwegian auditing standards are materially in accordance with international auditing standards.

As a public and listed company in Oslo and New York, StatoilHydro must comply with all applicable international accounting and auditing standards: its accounting practices must comply with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union. An independent external auditor conducts audits in accordance with the standards of the Public Company Accounting Oversight Board from the U.S.; internal control over financial reporting is effective according to the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Petoro is required to prepare its accounts in line with the Norwegian Accounting Act and a private firm undertakes the external auditing of its financial statements.

24. The OAG reports regularly to the Storting on the revenue flows between petroleum companies and the government. *4.3.1*

Overall central government's revenues are subject to external financial audits by the OAG to ensure the integrity of the information. In that context, the OAG reviews the GPF-G as part of the MoF's audit on the basis of the work performed by Central Bank Audit, but does not prepare a separate report on GPF-G. In addition, the OAG audits the financial statements of the SDFI and reports the results of the audit to the Storting.[21] The external audit by the OAG on central government's (petroleum) revenues would be consistent with the EITI principle of validating the information on the government's receipts of petroleum companies' payments.

The OAG also undertakes performance audits regarding the effectiveness of the management of government (petroleum-related) revenue and assets. The office undertook a performance audit on the management of the GPF-G by Norges Bank a few years ago.

[21] Separate annual accounts for the SDFI are usually prepared, both on the cash basis used by the government and in accordance with the Norwegian Accounting Act.

Appendix II. Summary Tables

Table 1. A Summary Assessment of Practices

	Principles and Practices	Summary Assessments	Comments
Clarity of Roles and Responsibilities			
1.1.	**The government sector should be distinguished from the rest of the public sector and from the rest of the economy;**	*Largely observed*	
1.1.1	The structure and functions of government should be clear.	The general government definition, as reported for statistical purposes by Statistics Norway, is largely consistent with Government Finance Statistics (GFS) principles.	It would be desirable to provide information on the consolidated central government in budget documents. This would include all central government institutions (as defined by GFSM 2001) on a gross basis, including extrabudgetary units that perform government functions, regardless of their legal status. The inclusion of institutional tables in budget documents would enhance transparency.
1.1.2	The fiscal powers of the executive, legislative, and judicial branches of government should be well defined.	The fiscal roles of the executive and legislative branches are clearly defined, while the judiciary branch of government plays no explicit role in fiscal management.	
1.1.3	The responsibilities of different levels of government, and the relationships between them, should be clearly specified.	The relationships between the levels of government are clearly defined but the distribution of responsibilities, although clearly understood, is not specified in any single legal instrument.	There could be merit in implementing a central register of local government responsibilities. At present, those responsibilities can only be gauged from a number of separate documents. The register could be maintained by the Ministry of Local Governments and Regional Development.

	Principles and Practices	Summary Assessments	Comments
1.1.4	Relationships between the government and public corporations should be based on clear arrangements.	Relationships between government and public nonfinancial and financial corporations are for the most part clearly defined. Quasi-fiscal activities (QFAs) carried out by public nonfinancial corporations are limited, but they are not fully costed and presented in budget documents. Arrangements regulating profit transfers from state enterprises to the budget are clear. Norges Bank is operationally independent and has no fiscal role.	The government has extensive ownership of public corporations, and the relationship is largely arm's length, but there may be scope for some further clarification and prioritization of various objectives set for different enterprises. There would be merit in providing a quantification of QFAs in budget documents. While the extent of QFAs is limited, quantifying them in budget documents would help assess more comprehensively the scope of government activity.
1.1.5	Government relationships with the private sector should be conducted in an open manner, following clear rules and procedures.	Laws and processes governing government regulation of the nonfinancial private sector are conducive to favorable business conditions.	
1.2.	**There should be a clear and open legal, regulatory, and administrative framework for fiscal management.**	*Observed*	
1.2.1	The collection, commitment, and use of public funds should be governed by comprehensive budget, tax, and other public finance laws, regulations, and administrative procedures.	The regulatory framework for management of public finances is clear and comprehensive, but there is no budget system law, and there is some scope for discretionary exceptions to basic regulations. The legislative basis for tax collection is clear and comprehensive.	The budget process would be further strengthened by disclosing all exceptions to the procedures in the Appropriation Regulations; a Budget Systems Law could be considered in the longer term. Tax administration procedures are clearly defined, but there has been long-standing ambiguity about the accountability of local tax collectors.

	Principles and Practices	Summary Assessments	Comments
1.2.2	Laws and regulations related to the collection of tax and non-tax revenues, and the criteria guiding administrative discretion in their application, should be accessible, clear, and understandable. Appeals of tax or non-tax obligations should be considered in a timely manner.	Tax administration is clearly defined and well-coordinated with overall fiscal management, but there is some lack of clarity about the role of the central and local government tax collectors. Taxpayers' legal rights are well defined and appeals of tax or nontax obligations are considered in a timely manner.	
1.2.3	There should be sufficient time for consultation about proposed laws and regulatory changes and, where feasible, broader policy changes.	Public opinion is sought concerning proposed laws, regulatory changes and broader policy changes.	
1.2.4	Contractual arrangements between the government and public or private entities, including resource companies and operators of government concessions, should be clear and publicly accessible.	Contractual arrangements between the government and public or private entities are publicly accessible.	
1.2.5	Government liability and asset management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.	Legislation governs asset management, including the granting of rights to use or exploit public assets. Debt issuance is authorized annually by the Storting. Privatization is covered by general rules on the sale of state assets and payments of receipts to the budget are transparent.	
Open Budget Process			
2.1.	**Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives.**	*Observed*	

	Principles and Practices	Summary Assessments	Comments
2.1.1	A budget calendar should be specified and adhered to. Adequate time should be allowed for the draft budget to be considered by the legislature.	The timetable for the Government's submission of the draft budget and subsequent amendments or additions to the Storting, are specified in the Appropriation Regulations and are followed in practice.	
2.1.2 (a)	The annual budget should be realistic, and should be prepared and presented within a comprehensive medium-term macroeconomic and fiscal policy framework.	Budget forecasts and underlying macroeconomic assumptions are clearly presented and realistic. A statement on medium-term fiscal policy objectives is included in the budget document.	Budget documents present comprehensive, high-quality information and extensive analysis—including, notably, in-depth coverage of long-term fiscal perspectives and sensitivity of the projections to underlying assumptions—but there is room for improvement in several areas, including in the provision of information on consolidated central government operations and institutional coverage. There is scope to enhance medium-term fiscal planning and performance budgeting
2.1.2 (b)	Fiscal targets and any fiscal rules should be clearly stated and explained.	Fiscal targets are clearly stated and explained in the budget documentation and they are linked to the fiscal guidelines.	
2.1.3	A description of major expenditure and revenue measures, and their contribution to policy objectives, should be provided. Estimates should also be provided of their current and future budgetary impact and their broader economic implications.	Estimates of new revenue and expenditure initiatives are explained in the budget documents and their current and future budget implications are provided, but the medium-term estimates are not explicitly linked to the budget classification.	Steps could be taken to enhance medium-term fiscal planning. In particular, the medium-term expenditure estimates that are currently produced should be presented in the same format as in the budget, using the same classification. This would help assess better the medium-term implications of current policies and of new policy initiatives.
2.1.4	The budget documentation should include an assessment of fiscal sustainability. The main	An assessment of fiscal sustainability is included in the budget documentation along	

	Principles and Practices	Summary Assessments	Comments
	assumptions about economic developments and policies should be realistic and clearly specified, and sensitivity analysis should be presented.	with sensitivity analysis of the main economic and policy assumptions.	
2.1.5	There should be clear mechanisms for the coordination and management of budgetary and extrabudgetary activities within the overall fiscal policy framework.	Mechanisms for the coordination and management of budgetary and extrabudgetary activities are defined for most sectors, and non-reported extrabudgetary operations seem to be limited.	
2.2	**There should be clear procedures for budget execution, monitoring, and reporting**	*Observed*	
2.2.1	The accounting system should provide a reliable basis for tracking revenues, commitments, payments, arrears, liabilities, and assets.	Accounting and internal control procedures provide a reliable basis for tracking payments, and for the recording of a subset of financial assets and liabilities. The accounting system is capable of producing accurate in-year reports on central government budget outturns.	The survey of the prevalence of internal audit in government agencies is an important initiative**.** The MoF and GAFM have initiated an evaluation of the role of internal audit in strengthening internal control. It may be useful to review international experiences in this regard, including in EU countries, and to develop a concrete strategy for how to use internal audit. In principle, more extensive use of internal audit procedures should be given consideration.
2.2.2	A timely midyear report on budget developments should be presented to the legislature. More frequent updates, which should be at least quarterly, should be published.	The Storting receives timely in-year reports on budget outturns, and undertakes a mid-year review.	
2.2.3	Supplementary revenue and expenditure proposals during the fiscal year should be presented to the legislature in a manner	Supplementary revenue and expenditure proposals during the fiscal year are presented to the legislature in a manner	

	Principles and Practices	Summary Assessments	Comments
	consistent with the original budget presentation.	consistent with the original budget presentation.	
2.2.4	Audited final accounts and audit reports, including reconciliation with the approved budget, should be presented to the legislature and published within a year.	The audited final accounts are available for the Storting within nine months after the end of the fiscal year	
Public Availability of Information			
3.1	**The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks.**	*Observed*	
3.1.1	The budget documentation, including the final accounts, and other published fiscal reports should cover all budgetary and extrabudgetary activities of the central government.	The budget documents convey substantial information on central government fiscal activities with some limitations. There is only limited coverage of the general government. Defense expenditures are comprehensively reported in the budget and the presentation is similar to other budget areas.	
3.1.2	Information comparable to that in the annual budget should be provided for the outturns of at least the two preceding fiscal years, together with forecasts and sensitivity analysis for the main budget aggregates for at least two years following the budget.	The Budget Bill discloses the main fiscal aggregates for one year prior to the budget year and provides some information about spending three years beyond the budget year.	

	Principles and Practices	Summary Assessments	Comments
3.1.3	Statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities should be part of the budget documentation, together with an assessment of all other major fiscal risks.	The analysis of fiscal risks in budget documentation focuses on the sensitivity of budget estimates to changes in economic variables, and there is extensive information on long-term fiscal risks. Guarantees and PPPs are disclosed, but there is no consolidated statement of fiscal risks. Statements on explicit contingent liabilities related to budget organizations are included in the budget and accounts documents. Tax expenditures are included in the budget documents.	
3.1.4	Receipts from all major revenue sources, including resource-related activities and foreign assistance, should be separately identified in the annual budget presentation.	Fiscal reporting by Statistics Norway covers all of general government, and receipts from all major revenue sources are separately identified.	
3.1.5	The central government should publish information on the level and composition of its debt and financial assets, significant nondebt liabilities (including pension rights, guarantee exposure, and other contractual obligations), and natural resource assets.	Information on gross public debt is comprehensive and easily available through publications and the internet. Published information on non-debt liabilities includes pension obligations, guarantee exposure, and contractual obligations. Information on government financial assets is widely available.	The disclosure of all government assets and liabilities and the full resource implications of policies and programs would further improve the existing high standards of fiscal transparency. All significant financial assets and liabilities (e.g. accounts payable and receivable for goods and services, and employee entitlements including any unfunded pension obligations) could be recognized and reported in the financial balance sheet (capital account), regardless of the timing of the related cash transactions. Nonfinancial assets and the related depreciation expenses could be recognized at a later stage.
3.1.6	The budget documentation should report the fiscal position of subnational governments	The budget documentation provides the fiscal position of subnational governments	

	Principles and Practices	Summary Assessments	Comments
	and the finances of public corporations.	and reports on the finances of public corporations, although it does not present the consolidated position.	
3.1.7	The government should publish a periodic report on long-term public finances.	Analysis of long-term public finances is a defining feature of Norway's fiscal framework and it is routinely undertaken and published.	
3.2	**Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.**	*Largely Observed*	
3.2.1	A clear and simple summary guide to the budget should be widely distributed at the time of the annual budget.	A clear and simple guide to the budget is widely available to the public.	Budget documents could helpfully include more self-contained analysis. Often, the analysis of specific topics in budget documents is fully set out the first time, but is more cursory when they are taken up in subsequent documents, and the reader's familiarity with the topics is assumed.
3.2.2	Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category.	The budget classification in the annual budget presentation is not fully consistent with international standards.	Gross budgeting should be the guiding principle for the budgetary central government. At the moment, net budgeting is applied in some areas of the budget, including universities and colleges. It would be desirable to introduce a functional classification consistent with COFOG and to present the budget in accordance with this classification, in addition to other classifications in use.
3.2.3	The overall balance and gross debt of the general government, or their accrual	The structural, non-oil balance of the budgetary central government is the main	

	Principles and Practices	Summary Assessments	Comments
	equivalents, should be standard summary indicators of the government fiscal position. They should be supplemented, where appropriate, by other fiscal indicators, such as the primary balance, the public sector balance, and net debt.	indicator of the fiscal position in the budget, and the general government balance is not monitored during the year.	
3.2.4	Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.	The discussion of objectives and expected results from government activities is quite variable.	In the area of performance budgeting, ministries could in some cases be encouraged to present more concretely specified sectoral objectives. They could also provide clearer strategies and measures to achieve those objectives, and indicate how this will be monitored. Some degree of standardization, for instance in the definition of programs and objectives, might be considered.
3.3	**A commitment should be made to the timely publication of fiscal information.**	*Observed*	
3.3.1	The timely publication of fiscal information should be a legal obligation of the government.	Fiscal information is comprehensive and readily available to the public	
3.3.2	Advance release calendars for fiscal information should be announced and adhered to.	There is a clear commitment to provide information at scheduled times by announcing an advance release data calendar.	
Assurance of Integrity			
4.1	**Fiscal data should meet accepted data quality standards.**	*Largely observed*	
4.1.1	Budget forecasts and updates should reflect recent revenue and expenditure trends, underlying macroeconomic developments,	Budget estimates are generally reliable and the variance between budgeted and actual outturn of main fiscal aggregates is	

	Principles and Practices	Summary Assessments	Comments
	and well-defined policy commitments.	disclosed to the public.	
4.1.2	The annual budget and final accounts should indicate the accounting basis used in the compilation and presentation of fiscal data. Generally accepted accounting standards should be followed.	Norwegian central government common accounting standards are used to compile fiscal data, and a statement on the accounting basis is included in the annual financial report.	Consideration should be given to extending the coverage of the accounts, including the capital account in the annual financial statement. A desirable medium-term aim would be to produce consolidated financial statements for the budgetary central government and all entities controlled by it, as required by internationally accepted accounting standards, e.g. cash IPSAS. For the medium-term, consideration could be given to gradually extending the accrual-basis accounting pilot.
4.1.3	4.1.3 Data in fiscal reports should be internally consistent and reconciled with relevant data from other sources. Major revisions to historical fiscal data and any changes to data classification should be explained.	The process of accounts reconciliation and fiscal reporting is partly effective, but has scope for improvement in some important areas. Major revisions to historical fiscal data and any changes to data classification are explained.	The reporting of standard reconciliations as part of fiscal accounts would improve transparency. This step would be important to demonstrate the internal consistency of the fiscal accounts, thereby providing greater assurances and enhancing their credibility. Note: after this assessment was made, steps were taken in this direction: see footnotes 34 and 35 in paragraph 50 of the main text.
4.2	**Fiscal activities should be subject to effective internal oversight and safeguards.**	*Largely observed*	
4.2.1	Ethical standards of behavior for public servants should be clear and well publicized.	Public servants are subject to a well-defined code of behavior.	

	Principles and Practices	Summary Assessments	Comments
4.2.2	Public sector employment procedures and conditions should be documented and accessible to interested parties.	Civil service employment procedures are clear and well-understood.	
4.2.3	Procurement regulations, meeting international standards, should be accessible and observed in practice.	Procurement rules and practices meet international standards, and are well-known but not always observed in practice.	
4.2.4	Purchases and sales of public assets should be undertaken in an open manner, and major transactions should be separately identified.	Purchases and sales of public assets are generally undertaken in an open manner, and major transactions are separately identified in the budget and sometimes in fiscal reports.	
4.2.5	Government activities and finances should be internally audited, and audit procedures should be open to review.	There is no requirement for internal audit in government organizations, and only a few, large agencies have established internal audit units.	
4.2.6	The national revenue administration should be legally protected from political direction, ensure taxpayers' rights, and report regularly to the public on its activities.	Tax administration has effective internal monitoring and control mechanisms. The revenue administration agencies are given legal protection from political interference similar to other branches of government.	
4.3	**Fiscal information should be externally scrutinized.**	*Largely observed*	
4.3.1	Public finances and policies should be subject to scrutiny by a national audit body or an equivalent organization that is independent of the executive.	External audit is independent of the executive branch, and its mandate covers all central government activities, as well as recipients of state grants, public corporations and some organizations defined in law. Audit capacity is adequate to perform the	

	Principles and Practices	Summary Assessments	Comments
		external audit role.	
4.3.2	The national audit body or equivalent organization should submit all reports, including its annual report, to the legislature and publish them. Mechanisms should be in place to monitor follow-up actions.	The OAG submits an annual report on the audit of the government accounts to the legislature, but does not provide a formal audit opinion on the consolidated annual financial report or the reports of ministries.	The fact that the OAG does not express an audit opinion on the accounts of ministries, the consolidated government accounts, and the capital account, may cause uncertainty regarding their formal status.
4.3.3	Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions.	External scrutiny of macroeconomic models and assumptions is actively encouraged.	
4.3.4	A national statistical body should be provided with the institutional independence to verify the quality of fiscal data.	The national statistics office is given legislative assurance of independence.	

Table 2. Public Availability of Information—A Summary

	Budget and fiscal report element	Included in budget/report documents	Available to the public	Para. ref.	Code ref.
1.	Central Government (CG) budget estimates	Yes	Yes	47	2.1.1
2.	CG Defense Expenditures	Yes	Yes	34	2.1.1
3.	CG EBFs	No. Budget does not specify a consolidated definition of EBFs.	No..	3, 26	2.1.1
4.	CG Budget outturns	Yes	Yes.	47, Box 5	2.1.2
5.	CG Budget forecasts	Yes. In budget documents.	Yes.	21	2.12
6.	CG Contingent liabilities	Yes. In budget documents.	Yes.	39	2.13
7.	CG Tax Expenditures	Yes. In budget documents. Estimate of cost Methodology is explained	Yes.	40	2.1.3
8.	CG QFAs	No. Some QFAs identified in budget documents.	No	5	2.1.3
9.	Macroeconomic assumptions	Yes. In Budget documents.	Yes	21	3.13
10.	Analysis of fiscal risks/sensitivity analysis	Yes. In great detail in budget documents.	Yes	25	3.15
11.	CG Debt	Yes. Published in Statistics Norway's website and in documents presented to the Storting. Data includes debt composition by currency, maturity, type of instrument.	Yes	41, Box 5	2.1.4
12.	CG Financial Assets	Yes. Published in Statistics Norway's website and financial statements	Yes	43, Box 5	2.1.4

	Budget and fiscal report element	Included in budget/report documents	Available to the public	Para. ref.	Code ref.
		presented to the Storting. Separate reports are presented on assets of GPF-G by the MoF and also there are reports published by Norges Bank on GPF-G and reports published by GPF-N.			
13.	Sustainability Analysis	Yes, in the budget documents.	Yes	25	3.1.1
14.	General government budget estimates	Yes Presented in the budget, compiled by Statistics Norway.	Yes	3, 47, Box 5	2.1.5
15.	CG Monthly/quarterly reports on fiscal outturn	Yes. Three quarterly reports submitted to the Storting. Statistics Norway produces monthly and quarterly CG revenue and expenditure reports.	Yes	29, Box 5	3.4.1
16.	General government Monthly/quarterly reports on fiscal outturn	No. Only annual report produced by Statistics Norway.	Yes	Box 5	3.4.1
17.	CG Final Accounts	Yes, result of financial audit is submitted to the Storting nine months after the end of the fiscal year in OAG's annual report Document No. 1	Yes	31, 50	3.4.2
18.	Consolidated general government Final Accounts	No.	No		3.4.2