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**Norway's Management of the  
Petroleum Revenues**

**by**

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The views expressed are those of the author and do not necessarily reflect the views of the United Nations



NORWEGIAN MINISTRY OF FINANCE

## Norway's Management of the Petroleum Revenues

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Assistant Director General

Fridtjof Berents

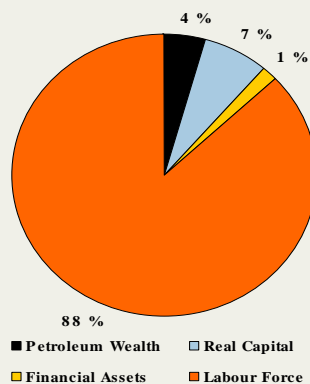
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Norwegian Ministry of Finance

### The labour force is our most important asset

- Pension and tax system must give incentives for work
- Welfare scheme reforms: More people at work - fewer on benefits
- Good policy fundamentals - sustainable macroeconomic policy

National wealth per capita



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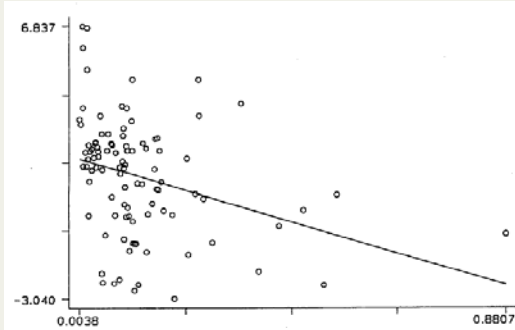
## Higher natural resource income reduces GDP growth

### Transmission channels

- Dutch disease
- Poor governance & weak institutions (rent-seeking )
- Loss of focus on structural policy

GDP/capita 1970-89 vs. share of natural resource export in GDP in 1971 for 97 developing countries

GDP per capita



Natural resource intensity ->

Source: Sachs and Warner (1995)

## How to avoid the resource curse?

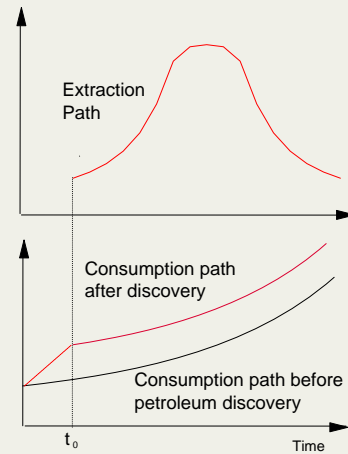
- Prudent policies, transparency and accountability of operations in a several areas
  - Management and tax regime for the extraction of oil and gas
  - Payments by oil companies (EITI)
  - Planning and execution of government budgets
  - Management of the financial savings (petroleum fund)
- Public sector institutions of high quality
- Build consensus on a wise and long-term management of the petroleum wealth to the benefit of all citizens



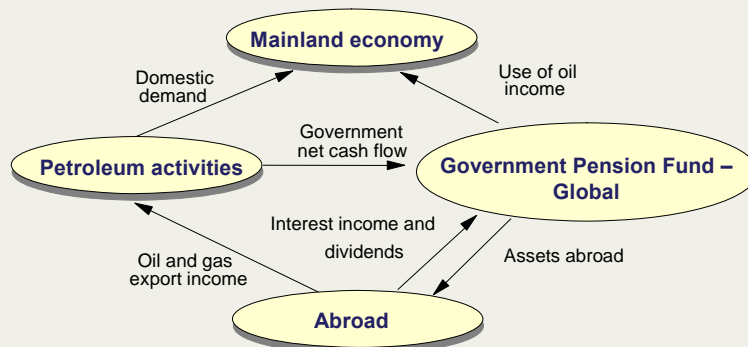
***It is important to have a high standard of public understanding, and design policies that emphasize transparency and accountability***

## Wealth management – from theory to practice: How to manage the petroleum revenues so they can give basis for a permanent wealth increase

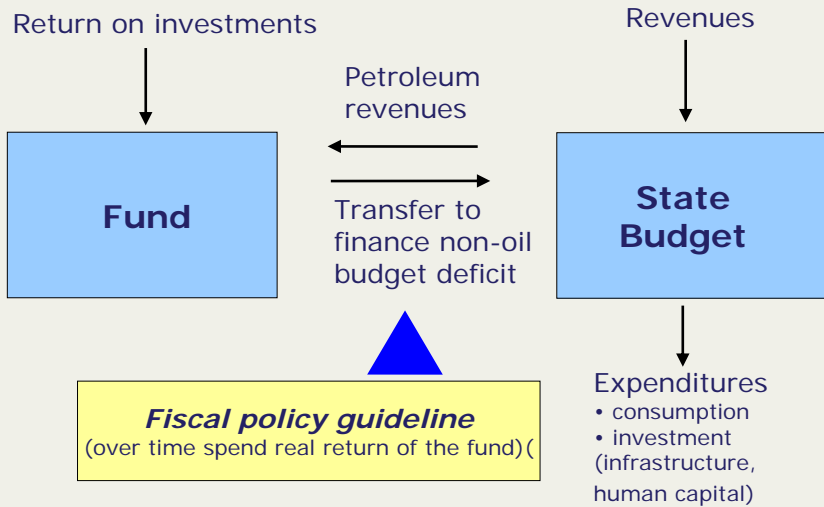
- Spending must be separated from current (volatile) oil & gas income
- A petroleum fund can support fiscal management and play a separating role if:
  - Wide political and public support
  - Clear rules
  - Stores genuine savings



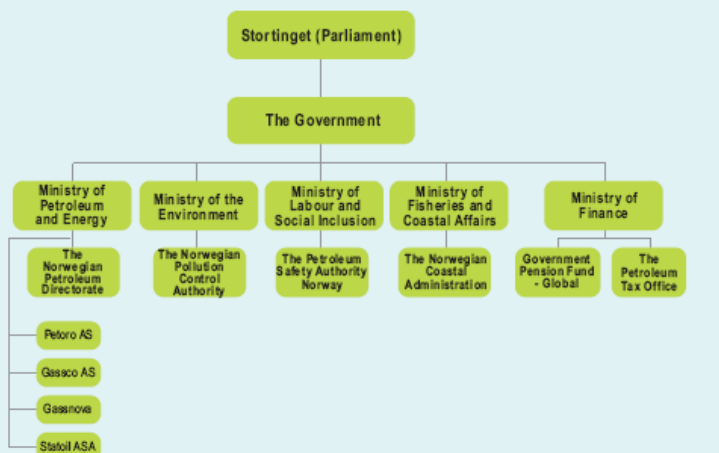
## The Petroleum sector, the Pension Fund – Global and the Mainland economy



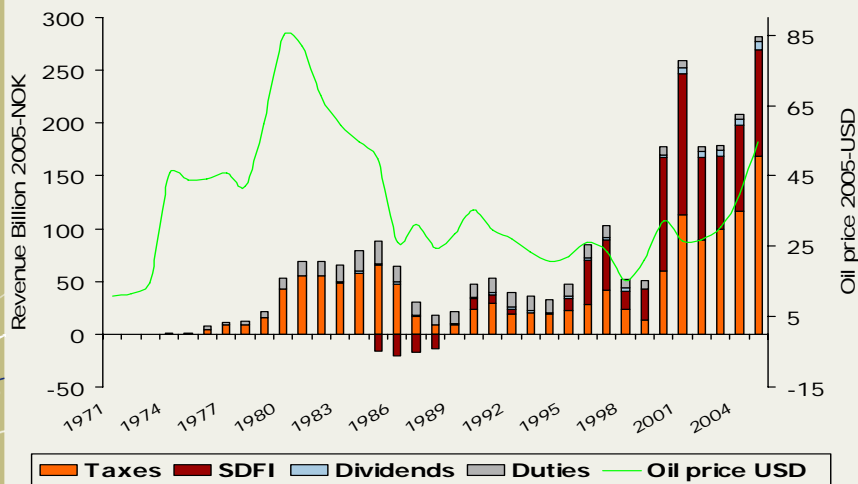
## The Fund mechanism – integrated with fiscal policy



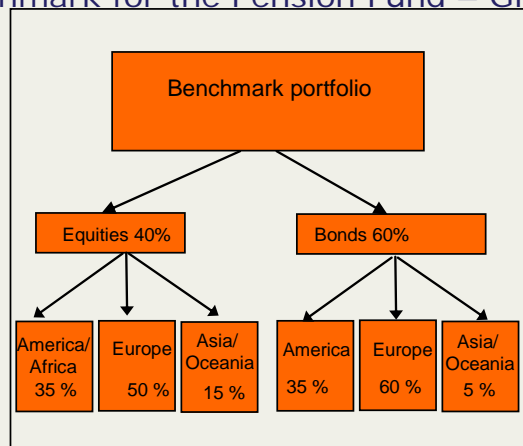
## The current resource management model



## Total government take – dominated by petroleum taxes and SDFI



## Benchmark for the Pension Fund – Global



### Equity index:

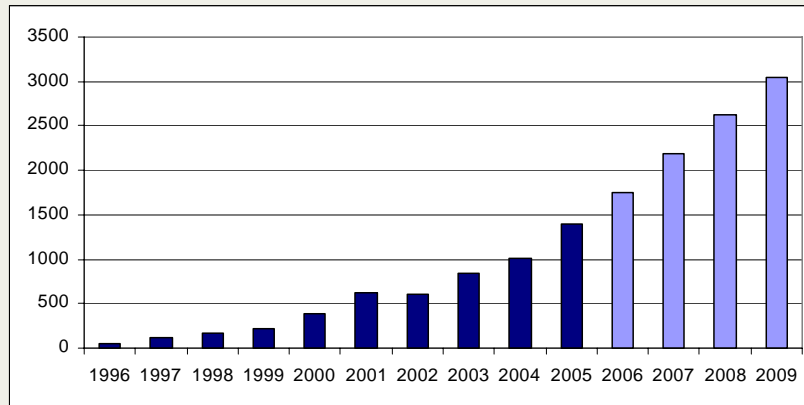
FTSE All World Index  
Large & Mid Cap  
Approx. 2200 equities

### Fixed income index:

Lehman Brothers Global Aggregate/Global Real  
Government / Agency / Corporate / Securitized  
Approx. 7500 bonds

## The Fund's market value 1996–2009

Billion NOK, year end.



Source: Ministry of Finance, NB07

## What can be learnt from the Norwegian experience?

- Successful in:
  - Limiting fiscal spending
  - Sheltering Norwegian economy
- And more generally:
  - Labour supply has remained high
  - Productivity growth has been good
- The starting point is very different for Norway than many other countries
- In a small and resource rich economy a national oil company can become a very dominant institution (SDFI outsourced)
- An important feature in the Norwegian system is that the state has the regulatory role and not Statoil.
- But: *Still a risk that oil revenues can be a curse...*