



# Sovereign Equity for Economic Development

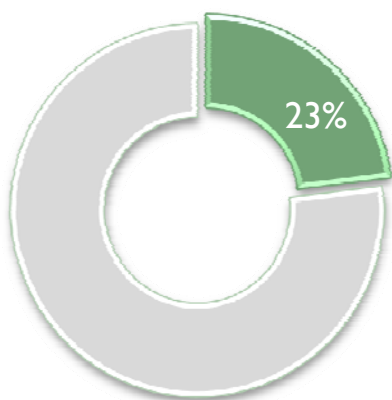
## The Norwegian Case

Vidar Ovesen  
Former Deputy Minister of Finance, Norway

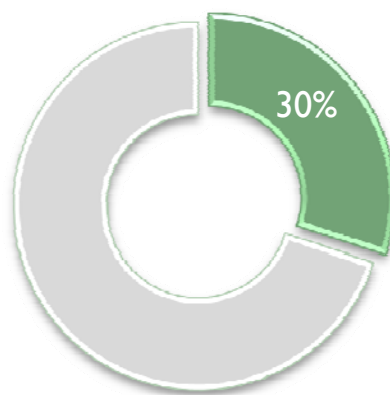
Sovereign Investment Workshop  
Sovereign Investment Lab, Università Bocconi

28 June 2013

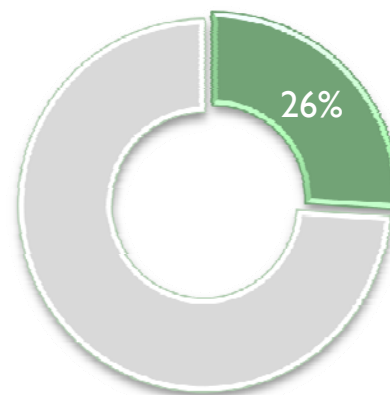
# Petroleum sector is key for the Norwegian economy



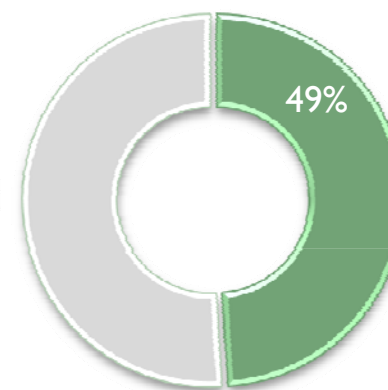
The petroleum sector's share of GDP



The petroleum sector's share of state revenues



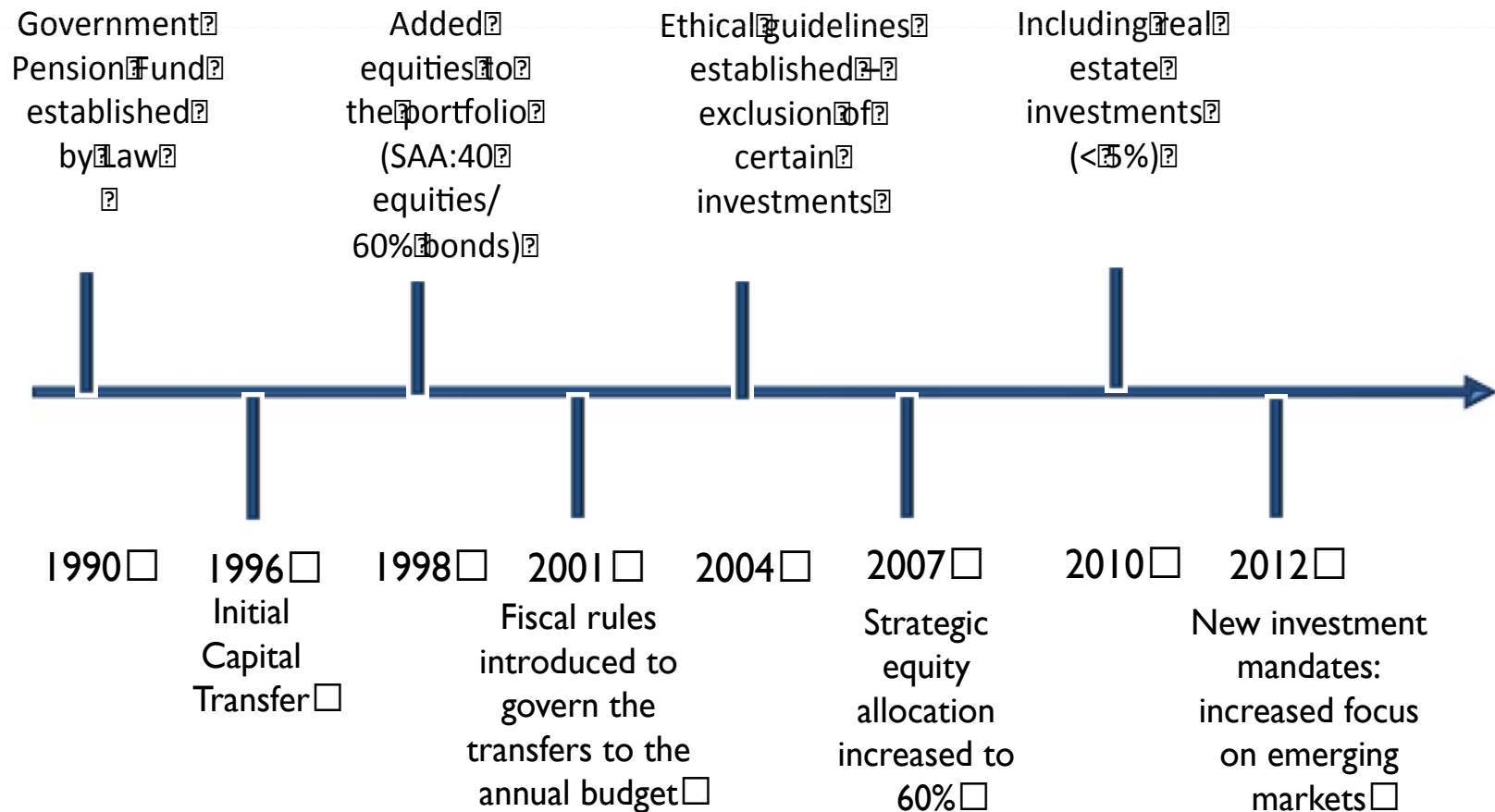
The petroleum sector's share of total investment



The petroleum sector's share of total exports

Source: Statistics Norway (Figures as of year-end 2011)

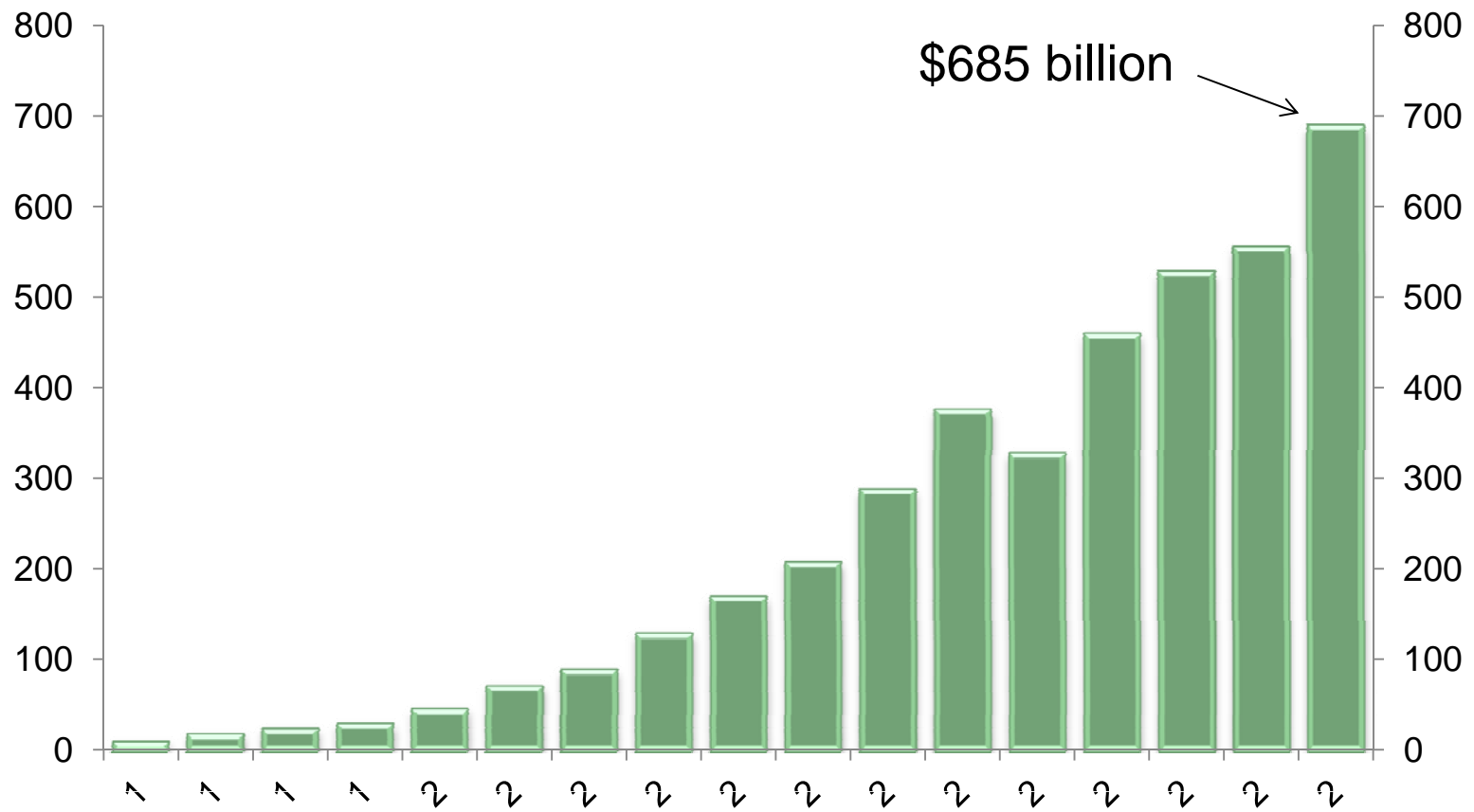
# Norway's Government Pension Fund Global (GPF)



The investment strategy has gradually changed in line with increased capacity and understanding of risks and ownership

# GPFG – market value

Market value 1996 – 2012, USD billion



Source: Norges Bank and Ministry of Finance



# Key features – Norwegian model

- **All revenues deriving from petroleum** flow into the GPF (receipts and return).
- The GPF is **integrated with the state budget** and resources spent domestically are subject to decisions made by the Parliament.
- **A fiscal rule guides the transfers** from the GPF to the national budget with the aim of protecting the economy from oil price volatility.
- The GPF is a long term **financial savings mechanism** to ensure revenue from natural resources benefiting current and future generations (stabilisation and savings).
- The GPF is **invested only in the international financial market** based on diversification and a long term investment horizon.
- The GPF is managed with a **high level of transparency**.

# GPFG governance structure

Norwegian Parliament (Stortinget)

Government  
Pension Fund Act



National Budget  
Annual Report

Ministry of Finance

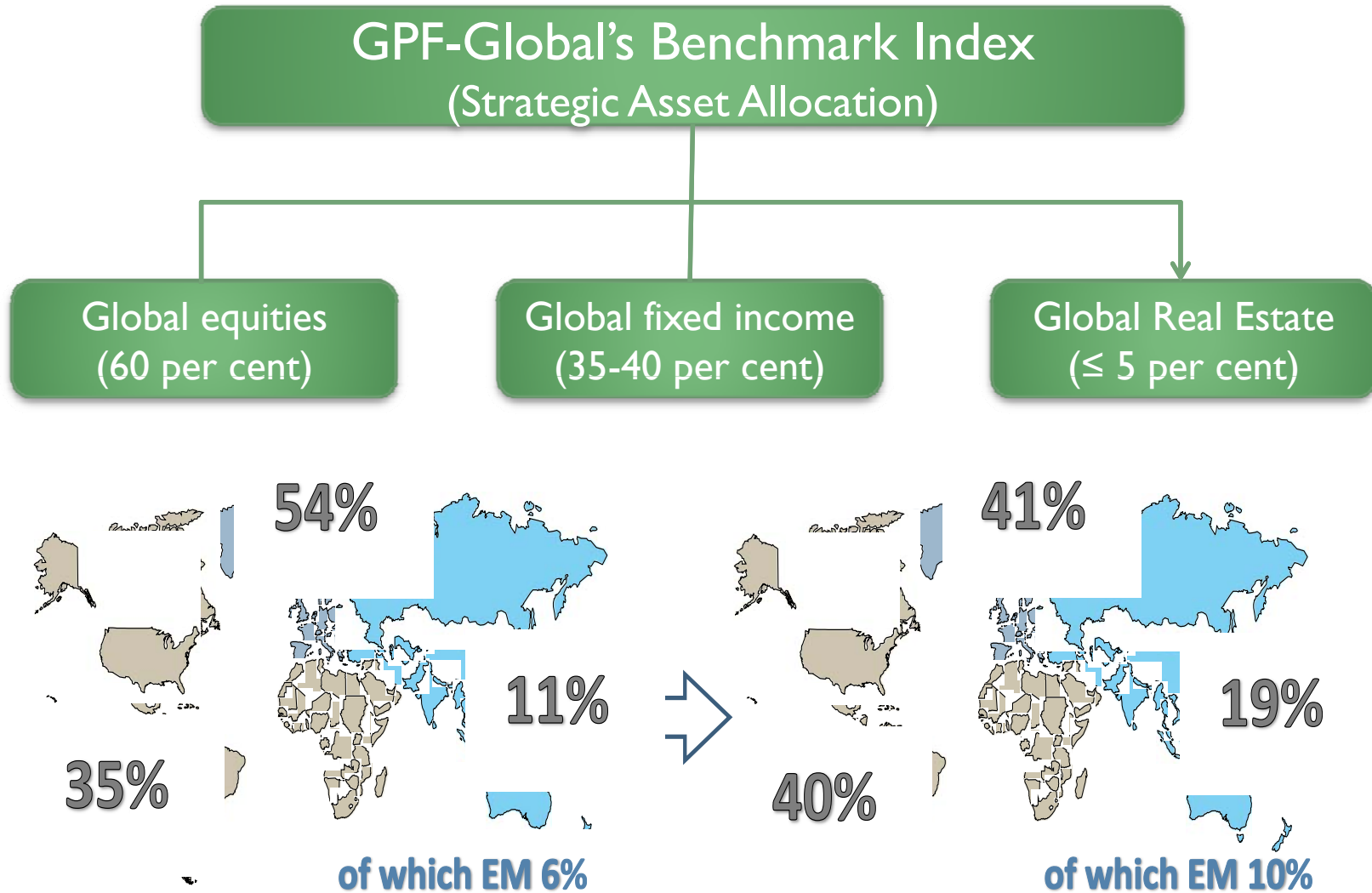
Management  
mandate  
(risks mgmt, reporting  
and responsible inv.)



Quarterly & Annual  
Reports  
Investment Strategy  
Advice

Norges Bank (NBIM)

# GPFG: Investment strategy





## Insights from Norway

- Natural resource revenues are uncertain and highly volatile – a SWF may act as a buffer
- The fiscal policy must be adjusted to the current economic situation - overheating of the economy and inflation severely damage the non-mineral sector
- Don't move too fast – and don't take more risk than you can carry - anchor the investment strategy in the parliament
- Investment returns are driven by the investment strategy, not by active management
- Establish a clear division of responsibility
- Transparency and accountability are key