

Activities of the Nordic Council of Ministers

Annual Report 2017

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Nordic co-operation

Nordic co-operation is one of the world's most extensive forms of regional collaboration, involving Denmark, Finland, Iceland, Norway, Sweden, the Faroe Islands, Greenland, and Åland.

Nordic co-operation has firm traditions in politics, the economy, and culture. It plays an important role in European and international collaboration, and aims at creating a strong Nordic community in a strong Europe.

Nordic co-operation seeks to safeguard Nordic and regional interests and principles in the global community. Shared Nordic values help the region solidify its position as one of the world's most innovative and competitive.

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Management's status report

The Nordic Council of Ministers can look back with satisfaction on 2017, which has been a positive year for Nordic co-operation. There are now visible results from the reforms of several key policy areas after several years of modernisation efforts, and we have raised our profile both within the Nordic Region and internationally.

In May, the five prime ministers came together in Bergen, Norway to launch the prime ministerial initiative *Nordic Solutions to Global Challenges*. All of the initiative's flagship projects are now underway and returning tangible results. For instance, the Nordic gender equality agenda has achieved huge international reach throughout the year, such as in conjunction with the UN High Level Week in September.

In November, the Nordic pavilion at COP23 in Bonn saw the launch of flagship projects on sustainable construction, new Nordic food, climate solutions, and energy solutions. In addition, the Nordic Council of Ministers launched its programme for global sustainable development goals, *Generation 2030*, at COP23. There has been considerable interest in these Nordic projects, and the pavilion proved popular.

Strategic reviews have become a highly effective way for the council of ministers to activate political co-operation in key areas of society. In 2017 we received Jorma Ollila's report on Nordic energy co-operation: *Strong today – stronger tomorrow*. When the Nordic ministers for energy met at the end of the year, they agreed to present a united Nordic front line in relation to the EU, in line with the recommendations of the report. In addition, they agreed that co-operation on energy must be strengthened.

Furthermore, in 2017 work started on reviews of co-operation in the fields of the environment, society, and legislation. All three reviews will be completed and presented in 2018. We anticipate that they will help to further deepen and rejuvenate Nordic co-operation.

In 2017 the Nordic Council of Ministers got its first new council of ministers in a decade – *the Nordic Council of Ministers for Digitalisation*. Co-operation can now be focused on maintaining the Nordic Region's position in a social phenomenon that it is currently spearheading. To be more specific, we want to make it possible for businesses and residents in the Nordic countries to use unique and secure digital identification, known as e-ID, which works wherever they are in the region. In addition, we want the Nordic Region to be a driving force in efforts to implement 5G by way of common standards and favourable general conditions.

The *analysis unit* established by the Nordic Council of Ministers at the start of 2017 has already produced several valuable reports. The report *Ett värdefullt samarbete* ("Meaningful co-operation") compiled by the unit in the autumn of 2017 on the basis of opinion surveys found that 90% of those living in the Nordic Region are satisfied or very satisfied with Nordic co-operation, and 60% would like to see this co-operation ramped

up further. More than 60% of respondents said that their interest in Nordic co-operation has increased as a direct result of international development. Results such as these not only breathe new life into Nordic co-operation but increase its obligations to those it serves. In line with the vision of the Ministers for Nordic Co-operation “Together we are stronger”, in 2017 we have stepped up efforts to increase the Nordic advantage – a Nordic Region that is strong in terms of freedom of movement, innovation, visibility, and international engagement.

Finances

The Nordic Council of Ministers carries out its activities through eleven councils of ministers. Each council of ministers interprets Nordic co-operation according to its own strategies and programmes, for which funds are budgeted and allocated. The Nordic budget is therefore divided among the different councils of ministers, and the annual report presents the sum of the councils of ministers’ activities.

The total net expenditure of the Nordic Council of Ministers in 2017 totalled DKK 938.9 million, with income totalling DKK 945.5 million. The net surplus for the year is therefore DKK 10.4 million (DKK 10.2 million in 2016). Half of this surplus consists of obsolete project funding that was not used within the three years stipulated by the finance regulations and the other half from foreign currency gains.

Liquidity has been under pressure at times during 2017, due in part to projects starting early in the year as a result of reforms to project activities.

When funds that are budgeted and allocated are not used during the financial year, these funds are considered to be non-appropriated. Non-appropriated funds for the year amounted to DKK 12.3 million (DKK 11.2 million in 2016), which corresponds to 1.3% of the annual budget.

The annual report for 2017 is hereby submitted.
Copenhagen, 26 April 2018

Secretary General
Dagfinn Høybråten

Head of Department
Kari Metliaas

1. Follow-up of the budget compromise with the Nordic Council, 2017

Nordic Council of Ministers' budget for the 2017 financial year – Negotiations with the Nordic Council and the compromise achieved.

Political negotiations between the Nordic Council and the Nordic Council of Ministers on the council of ministers' proposed budget took place in the autumn of 2016, resulting in the following amendments and clarifications to the budget for 2017:

- To allocate DKK 3.413 million to Nordjobb in 2017.

DKK 3.413 million has been allocated to Nordjobb in 2017. The funds have been used for Nordjobb's core activities, which are intended to increase mobility for young people in the Nordic labour market, as well as to improve language skills and knowledge about Nordic culture. Nordjobb has worked under a new mandate in 2017 and commenced work with regard to the external evaluation conducted in 2016.

- To continue working on the ongoing analysis relating to co-ordination and the mutual exchange of information regarding the state of health and healthcare in order to assess collateral and allocate up to DKK 0.3 million if existing funding is insufficient.

The countries have used their own financial resources to fund the revision of the agreement on a common Nordic labour market for certain personnel groups in the healthcare and veterinary sectors (the Arjeplog agreement) in 2017 and so have not needed to use the funds allocated. The countries are expected to continue using their own resources to fund the ongoing revision in 2018.

- In 2017 the Nordic Council of Ministers will conduct an analysis and allocate the necessary resources to determine whether national regulations, support systems, and fees with regard to waste promote or restrict the increased recycling of waste.

DKK 500,000 has been allocated for an analysis of legal and economic instruments, with an emphasis on whether these instruments substantiate or worsen the waste hierarchy in the Nordic countries. The project will be tendered in late 2017 or early 2018, managed by the environmental sector's waste group (NAG). The Environment and Economy Group's (MEG's) project "Barriers for utilisation of biowaste" is complete and the results have been published in the report *Barriers for utilisation of biowaste: Analysis of Institutional barriers for using Biowaste as a resource*. The report looks at the unintended impact that legislation and other formal institutions can have on the use of biofuel as a resource.

- To allocate DKK 1.0 million to boost social security efforts in the Baltic countries and the Baltic Sea Region.

In 2017, the Nordic Council of Ministers has initiated and run a project partnership in Estonia, Latvia, and Lithuania to strengthen civil society, which has included:

- Support for and Nordic participation in local democracy festivals (similar to Folkemødet in Denmark and Almedalen Week in Sweden) – DKK 200,000;
- The Nordic-Baltic exchange of public service experience – DKK 225,000;
- Nordic-Baltic co-operation on the integration of refugees – DKK 350,000; and
- Nordic involvement in and support of independent and inclusive Russian-language media – DKK 3.8 million.

In addition there have been Nordic-Russian co-operation projects (approximately DKK 10 million) encompassing the whole of the Baltic Sea Region (approximately DKK 6 million) with the primary purpose of strengthening civil society. Note that under the Helsinki Treaty, the Nordic Council of Ministers does not engage in any defence or foreign policy activities.

- Efforts relating to bioenergy, including food waste, continue to be an important part of Nordic co-operation. A study is being conducted in 2017 to explore the development potential for Nordic co-operation in the area of biofuels and transport. The study will contain a number of proposals from the energy sector study which concluded in March 2017.

A first draft of the consultant's report identifies two possibilities:

- Better sorting of household waste, which is currently incinerated as mixed waste.
- Waste from fishing, fish farming, and the meat industry.

The steering group is planning an event to take place in early 2018 to discuss biofuels from food and waste in a broader context, to include: the bio-economy; stopping

food waste; the need for bioenergy as a replacement for fossil fuels; the production of biofuels in combination with manure; and the use of food waste in combination with livestock manure, straw, and other biological residues. In view of the relatively dispersed population of the Nordic Region, the establishment of a decentralised facility structure will also be discussed. Participants from the waste sector, politicians, and organisations will take part in the event:

- To allocate up to DKK 1.0 million for the exploration of initiatives relating to mobility and fair competition in the labour market, focusing especially on small and medium-sized businesses in the Baltic countries.

On the basis of the Nordic Council's recommendation (3/2016: Mobility and fair competition) and the budget compromise to allocate up to DKK 1.0 million for the exploration of initiatives relating to mobility and fair competition in the labour market, focusing especially on small and medium-sized businesses in the Baltic countries, a feasibility study was commissioned by EK-A to be conducted by PRAXIS – the Centre for Analysis and Evaluation during the spring of 2017.

The recommendations from the feasibility study were discussed by EK-A at their second meeting in 2017, and the decision was made not to proceed with the initiative beyond the feasibility study. EK-A decided that new information initiatives should be based on and refer to existing national information services, and that the establishment of a major new service would not be appropriate. It was stressed that there are no resources within the employment sector's budget to fund the establishment and operation of such a service. EK-A recommended that national information services be supported and strengthened rather than a new joint Nordic service being established.

The Nordic Council requests that the Nordic Council of Ministers stop repaying non-utilised funds remaining in conjunction with the year-end accounts and that the following sentence be added to the finance regulations:

Pursuant to § 20A of the finance regulations, funds that cannot be carried forward to the next financial year must be returned to the countries (as of 2009) until the Nordic Council of Ministers has repaid DKK 35 million. These funds are then to be deposited into a reserve account at the disposal of the Ministers for Nordic Co-operation for the next financial year.

DKK 30.2 million was repaid after the 2015 financial year. The remaining funds are expected to be repaid together with the non-utilised funds for 2016 and placed together in an allocation account as of 2018.

2. Main figures and key figures

Selected main and key figures of the Nordic Council of Ministers for the last four years:

	2017	2016	2015	2014
Expenditure				
Annual budget (DKK thousand)	935,091	927,546	931,782	955,215
Income: (DKK thousand)				
- Denmark	186,161	177,441	183,636	197,844
- Finland	145,611	143,599	142,318	153,565
- Iceland	8,294	7,317	6,427	6,595
- Norway	292,144	295,431	289,227	288,287
- Sweden	289,380	290,857	296,573	295,824
- Duty on salaries, interest, and other income	23,955	23,099	32,958	38,644
TOTAL	945,545	937,744	951,139	980,759
Net surplus for the year				
Income less expenditure	10,454	10,199	19,357	25,544
National contributions – by country				
- Denmark	20.2%	19.4%	20.0%	21.0%
- Finland	15.8%	15.7%	15.5%	16.3%
- Iceland	0.9%	0.8%	0.7%	0.7%
- Norway	31.7%	32.3%	31.5%	30.6%
- Sweden	31.4%	31.8%	32.3%	31.4%
Surplus as at 31 December				
Non-appropriated funds	12,341	11,182	17,623	16,405
Cash and cash equivalents	203,753	186,871	182,655	124,971
Equity	-109,546	-109,801	-100,643	-94,456
Miscellaneous				
Non-appropriated funds as a % of the annual budget	1.3%	1.2%	1.9%	1.7%
Operation of the Secretariat as a % of the annual budget	9.0%	8.4%	8.3%	7.9%
Number of institutions	12	12	13	14
Number of people employed under Nordic conditions	99	93	97	95
- of whom women	60	56	57	60
- of whom men	39	37	40	35

3. Accounting policies

3.1 General

The Nordic Council of Ministers bases its annual report on the modified accounting policy, which means that all expenditure and income is recorded in the financial year to which it belongs. This is unchanged compared with previous years.

The annual report has been prepared in accordance with the accounting provisions of the Nordic Council of Ministers' financial regulations. The accounting practices used with regard to valuation methods and the like are unchanged compared with previous years.

3.2 Structure of the annual report

The structure of the annual report is based on the key areas of activity in relation to the funding received. Where deemed relevant, the operation of individual areas of activity has been specified in a note. Funds for each budget item are divided into project funding, programme-like activities, institutions, and organisation contributions.

3.3 Income statement

3.3.1 *Delimitation*

All income and expenditure relating to the current period is included in the income statement regardless of the date of payment.

Transactions in a foreign currency are translated into Danish kroner according to the rate on the date of the transaction. Assets and liabilities in a foreign currency are translated into Danish kronor according to the rate on the closing date. Exchange rate adjustments arising from differences in the exchange rate on the date of the transaction and the closing date are included in the income statement.

3.3.2 *Payments from the Nordic countries*

The contribution of each country to the total budget is calculated on the basis of the country's share of the countries' total gross national income. The countries will pay in an amount corresponding to the scope of activity, less deductions for duty on salaries, net interest income, and other income.

3.3.3 *Returned funds (obsolete)*

Funds that are not used within three years of being granted (obsolete funds) are to be repaid to the countries pursuant to the Nordic Council of Ministers' financial regulations. Payment is made in connection with the repayment of the surplus for the year, if the Ministers for Nordic Co-operation agree on this in connection with the approval of the annual report.

3.3.4 *Returned funds*

Returned funds are funds that have been returned from activities that have either been completed under budget or that have not been carried out. All returned funds that are not obsolete under the three-year rule are used during the financial year.

3.3.5 *Duty on salaries*

The Nordic Council of Ministers' employees pay a duty on their salaries in accordance with the internal duty system. This duty is included as funding of the fixed expenditure for the Nordic Council of Ministers' activities.

3.3.6 *Other income*

Other income includes items that are secondary in nature in relation to the core activities of the Nordic Council of Ministers. This includes things like exchange rate adjustments.

3.3.7 *Non-appropriated funds/transferred funds*

The funds not used (non-appropriated funds) from the budget for the year are carried forward to the next year's activities as transferred funds. However, pursuant to the financial regulations, this transfer is limited to a maximum of 15% of the year's budget.

3.3.8 *Net surplus for the year*

The net surplus for the year is calculated as the difference between the budgeted and actual amounts of the following items: duty on salaries, interest income, other income, and obsolete funding.

3.4 Balance sheet

3.4.1 *Cash and cash equivalents*

Cash and cash equivalents are holdings in banks. Liquid assets in a foreign currency are included in Danish kroner at the rate on the closing date.

3.4.2 *Receivables*

Receivables are normally recorded at their nominal value. Write-downs are made if necessary following an individual assessment of the risk of losses.

3.4.3 *Intermediate calculation with EU/project liabilities for external EU projects*

The intermediate calculation with the EU relates to contracts entered into for the operation of the Civil Society Stability for Belarus (CSSB) and the Open Europe Scholarship Scheme (OESS) projects. Obligations and receivables for these contracts are included in the balance sheet. Receivables are amortised as the Nordic Council of Ministers receives payment from the EU, and the obligations are written down as payments are made to the projects.

3.4.4 *Period-delimited items*

Period-delimited items under assets consist of valued costs relating to the next financial year. This usually refers to prepaid expenditure for rent, licensing agreements, etc. Receivables from the countries for the proxy for the guarantee are recorded here as a current liability.

3.4.5 *Accounts payable and other liabilities*

Liabilities to suppliers are recorded at their nominal value. Liabilities in a foreign currency are recorded at the rate on the closing date.

3.4.6 *Provisions*

Provisions for funds are made when the Nordic Council of Ministers has an actual obligation and it is likely that the fulfilment of the obligation will result in the utilisation of the financial resources. The provision amount is the expected fulfilment amount of the obligation.

3.4.7 *Investments*

All investments in fixed assets are fully expensed in the year of their acquisition.

3.4.8 *Transferred funds*

Where fewer funds than granted are used for budget items (non-appropriated funds), up to 15% of the total amount granted can be carried forward to the following financial year. If the budget item is less than DKK 1 million, a maximum of DKK 150 thousand can be transferred without restriction. Funds are transferred between financial years at the budget-item level according to the first-in first-out (FIFO) principle; i.e. the oldest funds are used first.

Non-appropriated funds that cannot be carried forward in accordance with the above are returned to the countries until the Nordic Council of Ministers has returned DKK 35 million. This is in accordance with the principle of distribution applicable in 2008.

3.4.9 *Proxy for guarantee*

In exceptional cases, Nordic institutions have the authority to commit funds in the following year's budget. These funds are guaranteed by the Nordic Council of Ministers up to a maximum amount. The share of the proxy for the guarantee granted by the institution is recorded as a liability in the Nordic Council of Ministers' balance sheet, and the equivalent amount is recorded as a receivable from the countries as a period-delimited item. In the case of normal operations, neither the proxy for the guarantee nor the amounts receivable from the countries are ever fulfilled.

4. Income statement

(DKK thousand)	Note	2017	Budget 2017	2016
INCOME				
Countries				
Contributions from the Nordic countries	1	921,591	921,591	914,646
Other income				
Returned funds (obsolete)	2	5,536	0	6,165
Duty on salaries		13,455	13,500	12,902
Interest income	3	0	0	246
Other income	3	4,923	0	1,917
Funds curtailed according to the 15% rule	4, 22	422	0	2,239
TOTAL INCOME		945,927	935,091	938,115
Foreign exchange losses, interest expenses, and other expenses		-382	0	-370
NET FINANCING OF ACTIVITIES FOR THE YEAR		945,545	935,091	937,745
EXPENDITURE				
Project funding	5	160,412	141,376	139,176
Programme-like activities	6	406,667	399,574	427,234
Institutions	7	273,835	273,835	278,924
Organisation contributions	8	24,979	25,284	24,595
Returned funds (non-obsolete)	9	-27,018	0	-30,018
Nordic Council of Ministers' offices in Russia and the Baltic countries	10	15,814	15,778	15,926
Secretariat to the Nordic Council of Ministers	11, 12	84,367	79,244	77,827
Nordic Council of Ministers' publications unit	13	-76	232	142
TOTAL EXPENDITURE		938,979	935,323	933,806
CHANGE IN TRANSFERRED FUNDS				
Secretariat, publication, and communication	14	-5,047	0	181
Non-appropriated funds	15	1,159	0	-6,441
TOTAL CHANGE IN TRANSFERRED FUNDS		-3,888	0	-6,260
NET SURPLUS FOR THE YEAR	16	10,454	0	10,199

Total expenditure (excluding interest) in 2017 amounted to DKK 939 million (2016: DKK 934 million).

5. Balance sheet at 31 December

(DKK thousand)	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Bank deposits	203,753	186,871
	203,753	186,871
Receivables		
Staff receivables	203	149
Prepaid salaries	3,615	3,431
Other receivables	5,820	10,028
Intermediate calculation with the EHU Trust Fund	0	625
Intermediate calculation with EU	0	774
Period-delimited items	10,019	73,561
	19,657	88,568
TOTAL CURRENT ASSETS	223,409	275,439
TOTAL ASSETS	223,409	275,439

Cash and cash equivalents at 31 December 2017 amounted to DKK 204 million (2016: DKK 187 million). In 2007, the Ministers for Nordic Co-operation decided to reduce liquidity by DKK 70 million by reducing deposits in 2008. In order to keep liquidity at a low level, MR-SAM decided that the countries will make payments eight times per year, at the beginning and end of each quarter.

(DKK thousand)	Note	2017	2016
LIABILITIES			
EQUITY			
Net surplus for the year		10,032	7,960
Repayment due to extended budget scope		422	2,239
Reduced payments		-70,000	-70,000
Previously written-off requirements from the countries		-50,000	-50,000
TOTAL EQUITY		-109,546	-109,801
TRANSFERRED FUNDS			
Non-appropriated funds		12,341	11,182
Unused funds (Secretariat and publications unit)		20,596	25,643
TOTAL TRANSFERRED FUNDS		32,937	36,595
CURRENT LIABILITIES			
Accounts payable		20,150	21,906
Other current liabilities		9,678	792
Proxy for guarantee		5,523	41,187
Staff obligations		5,021	3,690
Provisions		2,550	2,200
Project liabilities – EU projects		2,373	289
Project liabilities – Nordic Council of Ministers' projects		254,724	278,350
TOTAL CURRENT LIABILITIES		300,018	348,415
TOTAL LIABILITIES		223,409	275,439
Additional information			

On 31 December 2017, the Nordic Council of Ministers' equity amounted to DKK -110 million. This negative equity has arisen due to the aforementioned reduction in payments and previously written-off requirements from the countries. Added to this is the net surplus for the year. In accordance with the finance regulations, the negative equity is balanced by way of payments from the countries as liquidity requires.

At the end of 2017, non-appropriated funds totalled DKK 12.3 million, which is roughly the same as in the previous year (2016: DKK 11.1 million).



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