

Activities of the Nordic Council of Ministers

Annual Report 2018

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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.

Nordic Council of Ministers

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Management statement

The Secretary General of the Nordic Council of Ministers and the Head of Department of the Nordic Council of Ministers' administration department have today considered and approved the annual report for 2018 for the Nordic Council of Ministers.

It is hereby stated that the annual report has been prepared in accordance with the Nordic Council of Ministers' accounting provisions and the regulations drawn up by the Nordic Council of Ministers. In addition, it is stated that:

- the annual report gives a true and fair account of the Nordic Council of Ministers' assets, liabilities, financial position, and financial results in that the annual report does not contain any material misstatements or omissions, and that the statement and reporting of targets are adequate;
- the appropriations covered by the financial statements are in accordance with the allocations granted, the law, and other regulations, as well as with any agreements concluded and usual practice; and
- business procedures have been established that ensure the appropriate financial management of funds and operation of the institution covered by the annual report.

Copenhagen, 17 June 2019

Paula Lehtomäki
Secretary General of the
Nordic Council of Ministers

Michael Elkjær Pedersen
Head of Department,
Nordic Council of Ministers

Management's status report

We are in the midst of what could be termed a “boom” for Nordic co-operation. Over the past five years, Nordic co-operation has been purposefully modernised and streamlined and, as a result of the *Nytt Norden* reform programme, now touches on areas that make it more politically relevant than ever before. These reforms have been evaluated, and the conclusions are positive. They show that *Nytt Norden* has returned tangible benefits for the Nordic Region's governments, residents, and businesses. As a consequence of the increased efficiency of Nordic co-operation, the Nordic countries' expectations of it have also grown. The governments are demanding more of the Nordic Council of Ministers, requesting further collaboration and expecting results.

Co-operation on digitalisation is an excellent example of the change that has taken place. The Nordic Council of Ministers for Digitalisation was set up in 2017 on the premise that its work would be completed in 2020. The objectives for its efforts have been determined by the prime ministers who, at their meeting in Örnköldsvik in May 2018, stated that the Nordic countries must be global pioneers in the development and use of 5G networks and actively support the development and use of new technology based on 5G. Based on this, an action plan for co-operation on digitalisation has been drafted.

The action plan primarily includes measures to ensure the regional co-ordination of frequencies and spectra for the testing and use of 5G technologies across national borders. Although we are a small region, together we can assert ourselves in the global market and attract foreign investment to our shores. If we are to become a world-leading 5G region, we must make sure we have advanced testing facilities and innovative environments. We must consistently work together and leverage the strengths of each of our nations.

Strategic investigations have been pivotal in efforts to give Nordic co-operation a new and clearer direction. The Nordic Council of Ministers had external evaluators examine the potential for developing co-operation in the fields of health, the environment, energy and, in 2018, social affairs. The former minister of social affairs for Iceland, Árni Páll Árnason, presented a list of fourteen proposals for new forms of co-operation. He shed light on how the lack of knowledge in the field of social affairs is a shared Nordic challenge, and stressed the importance of investing in social measures while developing knowledge and applying it to measures that truly work. Furthermore, Árnason recommended the creation of a forum for Nordic co-operation in the social sector. The forum should contribute to the increased systematic exchange of knowledge in the Nordic region, as well as to co-operation on the initiatives that work.

The analysis unit set up within the Secretariat to the Nordic Council of Ministers in 2017 has continued to deliver reports that have attracted a great deal of interest not only within the region but also internationally. The report *In the Shadow of Happiness*,

which problematises the perception of the Nordic Region as the home of the happiest people on earth, was the Nordic Council of Ministers' most downloaded publication in 2018. It has been the subject of comment by The Guardian, the New York Times, the BBC, and the Washington Post, as well as media outlets in India, Australia, Colombia, and Taiwan.

Another example of the global interest in the Nordic Region and its values is the attraction of projects for the international branding and positioning of the Nordic Region. In 2018, 59 different events and projects in 22 countries around the world took place thanks to funding from the project, with 96 Nordic embassies getting involved as organisers.

Efforts to eliminate barriers to freedom of movement between the Nordic countries are at the heart of Nordic co-operation. The Freedom of Movement Council was given a new mandate in 2018 and was tasked with eliminating between eight and twelve barriers to freedom of movement per year. During the Swedish presidency of the Nordic Council of Ministers in 2018, the Freedom of Movement Council decided to focus heavily on barriers to freedom of movement that had long been a priority but were yet to be resolved by the departments concerned. This resulted in the elimination of 15 barriers to freedom of movement by the departments concerned, while one was written off as irresolvable.

In summary, 2018 will go down as a very good year for Nordic co-operation. The Nordic region, its values, and the policies our co-operation is based upon have been the subject of a great deal of attention, not just within the region but internationally as well. There is new impetus and energy which, if maintained by dedicated and determined politicians, can be a catalyst for bringing about significant reforms in the years to come.

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 2018 totalled DKK 956.5 million, with income totalling DKK 962.5 million. The net surplus for the year is therefore DKK 11.6 million (DKK 10.4 million in 2017). 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 consists of foreign currency gains.

Liquidity came under some strain in 2018, partly due to the early start of project activities as a result of modernisation initiatives aimed at 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 15 million (DKK 12.3 million in 2017), which corresponds to 1.6% of the annual budget (1.3% in 2017).

Follow-up of the budget compromise with the Nordic Council

Negotiations with the Nordic Council on the implemented budget compromise:

Political negotiations between the Nordic Council and the Nordic Council of Ministers on the latter's proposed budget took place in the autumn of 2017, resulting in the following amendments and clarifications to the budget for 2018:

The inclusion in the budget of the health, and specifically mental health, of unaccompanied refugee children:

It was determined that DKK 500,000 from the budget for 2018 should go to the co-operation programme for the integration of refugees and immigrants, and under this to a study of the health status of unaccompanied minors, focusing particularly on mental health. The project will be implemented in 2019 with the Nordic Welfare Centre as the administrative body. The centre will survey existing knowledge on the health status of unaccompanied minors, with an emphasis on their mental health. In addition, the project will map positive initiatives and efforts in the Nordic Region that benefit this group. This knowledge will be summarised in a report to be presented in 2019.

The allocation of up to DKK 500,000 for a background study on Nordic efforts in global peace and reconciliation projects, including contributions for increasing the participation and influence of women in processes related to peace and security:

Following the completion of a tender round, the Centre for Resolution of International Conflicts (CRIC) at the University of Copenhagen was tasked with surveying Nordic peace efforts. The analysis will result in a report focusing on the following three dimensions: 1) Nordic peace efforts as a brand; 2) the status of the Nordic countries' peace efforts and the potential for increased co-operation; and 3) the political agenda for women, peace, and security. The report is expected to be presented to key stakeholders in March and April 2019.

The allocation of funds to survey how Nordic public service channels can be made available throughout the Nordic Region, and to look at geoblocking:

In 2018 the Nordic Council of Ministers launched an analysis of the opportunities for increasing access to the digital television services of Nordic public service institutions throughout the Nordic Region. The analysis will be submitted to the Nordic Council of Ministers in early 2019 and will form the basis for the further consideration of the issue within the Nordic Council of Ministers for Culture.

The allocation of funds for a summative study on Nordic efforts relating to maritime risks and environmental safety in Arctic shipping:

The Nordic Council of Ministers has allocated up to DKK 250,000 for the review of a report due to be delivered in the second half of 2019. The project funding will be allocated on the basis of the political priority programme for Arctic co-operation. The report will serve as the basis for discussion at the Session of the Nordic Council in October 2019.

The request of the Nordic Council for the consideration of an urgent council of ministers' proposal for the future long-term funding of the five bodies of co-operation in the education sector. However, before this is finalised, the Nordic Council wishes to maintain funding of the Nordic Sámi Institute at the same level as in 2017:

In January 2018, the Nordic Council of Ministers for Education and Research approved the council of ministers' proposal on the 'gradual phasing out of the direct funding of the Nordic bodies for co-operation'. This proposal did not apply to the Nordic Sámi Institute. Its Nordic funding for 2018 is at the same level as for 2017. As it transpired that there was no longer unanimous support for the council of ministers' proposal, it was not presented to the Nordic Council in 2018.

The funding conditions and agreements of the bodies for co-operation were subsequently dealt with by the Nordic Council of Ministers' Committee of Senior Officials for Education and Research in March and April 2018. In March 2018, the Nordic Council of Ministers' Committee of Senior Officials for Education and Research approved an extension of the framework agreements of the host universities/bodies for co-operation up to and including 2019. In April 2018, the Nordic Council of Ministers' Committee of Senior Officials for Education and Research approved a mandate for the preparation of basis for a decision on the potential for the future funding of the bodies for Nordic co-operation. On behalf of the Nordic Council of Ministers, a negotiator will draft a basis for a decision on the potential for the funding of the bodies. The decision basis will be delivered to the Nordic Council of Ministers by 1 April 2019.

Main figures and key figures

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

	2018	2017	2016	2015
Expenditure				
Annual budget (DKK thousand)	950,862	935,091	927,547	931,782
Income: (DKK thousand)				
– Denmark	197,783	186,161	177,441	183,636
– Finland	150,915	145,611	143,599	142,318
– Iceland	9,374	8,294	7,317	6,427
– Norway	283,083	292,144	295,431	289,227
– Sweden	296,206	289,380	290,857	296,573
Cost of salaries, interest, and other income	25,169	23,955	23,099	32,958
<i>Total</i>	<i>962,530</i>	<i>945,545</i>	<i>937,744</i>	<i>951,139</i>
Net surplus for the year				
Income less expenditure	11,669	10,454	10,199	19,357
National contributions – by country				
– Denmark	21.1%	20.2%	19.4%	20.0%
– Finland	16.1%	15.8%	15.7%	15.5%
– Iceland	1.0%	0.9%	0.8%	0.7%
– Norway	30.2%	31.7%	32.3%	31.5%
– Sweden	31.6%	31.4%	31.8%	32.3%
Surplus as at 31 December				
Non-appropriated funds	15,048	12,341	11,182	17,623
Cash and cash equivalents	154,898	203,753	186,871	182,655
Equity	-108,331	-109,546	-109,801	-100,643
Miscellaneous				
Non-appropriated funds as a % of the annual budget	1.6%	1.3%	1.2%	1.9%
Operation of the Secretariat as a % of the annual budget	9.3%	9.0%	8.4%	8.3%
Number of institutions	12	12	12	13
Number of people employed under Nordic conditions	102	99	93	97
– of whom women	57	60	56	57
– of whom men	45	39	37	40

Accounting policies

General

The Nordic Council of Ministers bases its annual report on the modified accounting policy, which means that all expenditure and income are recorded in the financial year to which they belong. 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.

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.

Income statement

Delimitation

All income and expenditure relating to the current period are 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 kroner 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.

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.

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.

Returned funds

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

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.

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.

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.

Net surplus for the year

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

Balance sheet

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.

Receivables

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

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.

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.

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.

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.

Investments

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

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.

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.

Statement of cash flows

The statement of cash flows is prepared according to the indirect method, and liquidity consists of bank balances.

Income statement

Income	Note	2018	Budget 2018	2017
(DKK thousand)				
Countries				
Contributions from the Nordic countries	1	937,362	937,362	921,591
Other income				
Returned funds (obsolete)	2	5,428	0	5,536
Duty on salaries		14,368	13,500	13,455
Interest income	3	320	0	0
Other income	3	4,618	0	4,923
Funds curtailed according to the 15% rule	4, 22	845	0	422
<i>Total income</i>		<i>962,941</i>	<i>950,862</i>	<i>945,927</i>
Foreign exchange losses, interest expenses, and other expenses		-411	0	-382
<i>Net financing of activities for the year</i>		<i>962,530</i>	<i>950,862</i>	<i>945,545</i>
Expenditure				
Project funding	5	156,471	141,900	160,412
Programme-like activities	6	423,521	404,731	406,667
Institutions	7	282,759	282,759	273,835
Organisation contributions	8	24,983	25,024	24,979
Returned funds (non-obsolete)	9	-35,807	0	-27,018
Nordic Council of Ministers' offices in Russia and the Baltic countries	10	15,795	16,015	15,814
Secretariat to the Nordic Council of Ministers	11, 12	88,813	80,433	84,367
Nordic Council of Ministers' publications unit	13	-11	-96	-76
<i>Total expenditure</i>		<i>956,524</i>	<i>950,766</i>	<i>938,980</i>
Change in transferred funds				
Secretariat, publication, and communication	14	-8,370	0	-5,047
Non-appropriated funds	15	2,707	0	1,159
<i>Total change in transferred funds</i>		<i>-5,663</i>	<i>0</i>	<i>-3,888</i>
<i>Net surplus for the year</i>	<i>16</i>	<i>11,669</i>	<i>0</i>	<i>10,454</i>

Note: Total expenditure (excluding interest) in 2018 amounted to DKK 957 million (2017: DKK 939 million).

Balance sheet at 31 December

(DKK thousand)	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents			
Bank deposits	17	154,898	203,753
		154,898	203,753
Receivables			
Staff receivables		33	202
Prepaid salaries	18	3,828	3,615
Other receivables	19	9,860	5,820
Intermediate calculation with the EHU Trust Fund		0	0
Intermediate calculation with EU		0	0
Period-delimited items	20, 22	5,802	10,019
		19,523	19,657
Total current assets		173,181	223,409
Total assets		174,421	223,409

Note: Cash and cash equivalents at 31 December 2018 amounted to DKK 155 million (2017: DKK 204 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, the Ministers for Nordic Co-operation decided that the countries would make payments eight times per year, at the beginning and end of each quarter.

(DKK thousand)	Note	2018	2017	
Liabilities				
Equity	21			
Net surplus for the year		10,824	10,032	
Repayment due to extended budget scope		845	422	
Reduced payments		-70,000	-70,000	
Previously written-off requirements from the countries		-50,000	-50,000	
<i>Total equity</i>		<i>-108,331</i>	<i>-109,546</i>	
Transferred funds				
Non-appropriated funds	15	15,047	12,341	
Unused funds (Secretariat and publications unit)	14	12,227	20,596	
<i>Total transferred funds</i>		<i>27,274</i>	<i>32,937</i>	
Current liabilities				
Suppliers		8,686	20,150	21,906
Expenses owed	22	557	1,531	792
Proxy for guarantee	23	3,600	5,523	41,187
Staff obligations		4,094	5,020	3,690
Provisions	24	2,900	10,697	2,200
Project liabilities – EU projects	25	3,164	2,373	289
Project liabilities – Nordic Council of Ministers' projects	19, 26	232,476	254,724	278,350
<i>Total current liabilities</i>		<i>255,478</i>	<i>300,018</i>	<i>348,415</i>
<i>Total liabilities</i>		<i>174,421</i>	<i>223,409</i>	
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Note: On 31 December 2018, the Nordic Council of Ministers' equity amounted to DKK -108 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 2018, non-appropriated funds totalled DKK 15 million, which is slightly higher than the previous year (2017: DKK 12.3 million). The funds are included in the financing of activities for 2018.



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